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Assessment of cooperative bank in agricultural credit in Haryana

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Abstract

The cooperative banking sector is one of the main partners of Indian banking structure, the cooperative banks have more reach to the rural India, through their huge network of credit societies in the institutional credit structure. The cooperative sector has played a key role in the economy of the country and always recognized as an integral part of our national economy. Cooperatives have ideological base, economic objects with social outlook and approach. The cooperative covers almost all cent percent villages in India. The cooperative form of organization is the Ideal Organization for economically weaker sections in the country. According to recent study by World Bank and National Council for Applied Economic Research, the Primary Agriculture Credit Societies (PACS) amount for about 30 percent of micro credit in India. This paper attempts to analyze the role of co-operative bank in agricultural credit.

Keywords: Agricultural Credit, Short and Medium term credit, Long term credit, NABARD, Rural Development

Introduction

India is agricultural based country and its 68% population stay in rural area. The cooperatives which are the life blood of the Indian economy and the mechanism for any developmental programs. Especially in an agriculture dominated rural sector, cooperative banks play a pivotal role in bolstering the common individual and financing his business and personal needs. The cooperative credit structure is serving the Indian society since 1904 and since then it has seen several ups and downs. Despite of several limitations such as restriction of area of operations, limited clients, small volume of business, political interference, this movement is standing since last 110 years and serving the societies. Economy of the Haryana is mainly dependent on agriculture as more than 65% of the total population is engaged in this sector. The Haryana Government has implemented from 2013-2014 the scheme of providing agricultural loans at the rate of 4%. Empirical analysis results show that the increase in the level of agricultural loans granted by the cooperative banks positively influence development of agriculture in India.

Objectives

1. To performance of cooperative banking in respect of agricultural credit and rural development.
2. To evaluation the agricultural credit structure of the cooperative bank in Haryana.

Hypothesis

Cooperative banking is an important sector in Haryana as far as its role in agricultural credit and socioeconomic development of Haryana is concerned. It has no alternative in the era of economic reforms also.

Area of the Study

The study is based on the agricultural credit of cooperative bank of Haryana. Therefore, study covers Haryana to the fulfilment of objectives of the study.

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Period of the Study

For collection of the secondary data on the agricultural credit of the cooperative bank, four years i.e. from 2009-2010 to 2012-2013 were taken as the reference period. The required primary data were collected from the members and actual own experience in the field and discussion with all concerns during the year 2012-2013. For this purpose, a sample of 100 members is taken up through the lottery method.

Research Methodology and Data Collection

The present study is based on the secondary data published by office of the Registrar of Cooperative societies, Haryana. The required data and literature for the study purpose were collected from the number of reference books, Journals and Internet.

Agricultural Credit

The Agricultural Credit Policy essentially lays emphasis on augmenting credit flow at the ground level through credit planning, adoption of region-specific strategies, rationalization of lending policies and procedures and bringing down the cost of borrowing. Bank credit is available to the farmers in the form of short-term credit for financing crop production programs and in the form of medium-term/long-term credit for financing capital investment in agriculture and allied activities like land development including purchase of land, minor irrigation, farm mechanization, dairy development, poultry, animal husbandry, fisheries, plantation, and horticulture. Loans are also available for storage, processing and marketing of agricultural produce.

National Bank for Agriculture and Rural Development (NABARD)

The NABARD provides refinance to the Apex Bank and CARD Bank. NABARD is an apex institution accredited with all matters concerning policy, planning and operations in the field of credit for agriculture and other economic activities in rural areas. It is an apex refinancing agency for the institutions providing investment and production credit for promoting the various developmental activities in rural areas. It co-ordinates the rural financing activities of all the institutions engaged in developmental work at the field level and maintains liaison with Government of India, State Governments, Reserve Bank of India and other national level institutions concerned with policy formulation.

Primary Agricultural Cooperative Societies (PACS)

PACS are playing a crucial role in improving the economic and social conditions of the common masses of Haryana. Primary agriculture co-operative societies are village level organizations. They are generally multipurpose and credit, sell fertilizers, consumer good and provide storage facilities and procurement of agricultural commodities. In the era of liberalization, these co-operative are expected to undertake profitable business to fulfil member objective and survive in the open and free market economy. They provide short-term and medium-term loan to the members/farmers at reasonable interest rates to meet their various needs. They are providing credit to the farmers for agriculture purposes at cheap and easy terms. PACS is the foundation of the Cooperative Credit System on which the super structure of the short-term cooperative credit system is built.

Co-operative Credit Structure in Three-Tier System:

Co-operative Credit through Apex bank, Central Co-operative Bank and Primary Co-operative Credit and Service societies:

The co-operative credit structure in the state can be divided into two board categories:

1. Short and Medium term credit
2. Long term credit

Short and medium term credit is provided by a three tier structure consisting of primary co-operative credit and services societies (Mini Bank) of village circle, Central co-operative bank at district level and the state co-operative Apex bank at the state level.

The long term loan are provided by two tier structure having primary co-operative agriculture and rural development at tehsil/sub tehsil level and the state co-operative land development at state level.

Co-operative Credit and Banking Structure

The organisational structure of co-operative credit and banking institutions consists of HARCO bank at state level having 13 branches and 2 extension counters at Chandigarh and Panchkula. 19 district central co-operative banks with 594 branches and 643 PACS catering to the financial needs of 29.85 lakh members mostly in rural areas of Haryana. The HARCO bank began in 1966 has grown into a sound financing institution of outstanding credit. The performance of HARCO bank has been judged as the best one in the country.

State Co-operative Banks (SCBS): The state co-operative banks (31 March 2012 in numbers), they finance, co-ordinate and control the working of the central co-operative banks in each state. They obtain their funds mainly from the public by way of deposits, loans and advances from the Reserve Bank and they own share capital and reserves. They serve as the link between the Reserve Bank and the general money market on the one side and the central co-operative and primary societies on the other.

District Central Co-operative Banks (DCCBs): The central co-operative banks located at the district headquarters or some prominent town of the district. The central co-operative banks have three sources of funds. The sources of funds of central co-operative banks are provided below:

1. Loans from the state co-operative banks
2. Deposits from the public and
3. Their own share capital and reserves

Their main function is to lend to primary credit society apart from that, central Co-operative banks have been undertaking normal commercial banking business also, such as attracting deposits from the public and lending to the needy against proper securities. There are now 594 central co-operative banks.

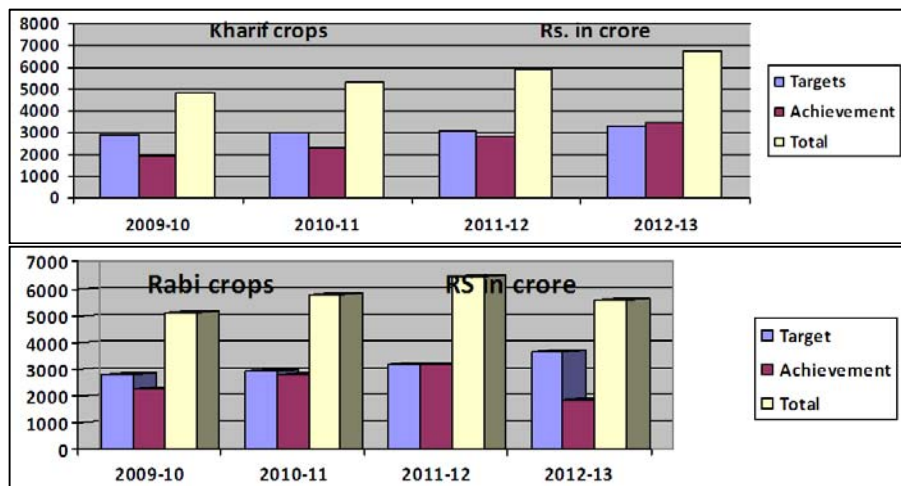
Short Term Agricultural Cooperative Credit Distributions and Recoveries

Table 1 shows the short-term credit distribution and Table 2 presents short-term credit recoveries for the last three years from 2009-2010 to 2011-2013. Graph 1,1A and Graph 2 show the same. The credit distribution was increased year by year and recovery of credit was poor.

Table 1: Short-term Agricultural Loan Distribution (Rs. in crore)

Crops	Targets			Achievement		
	Cash	Kind	Total	Cash	Kind	Total
Kharif crops						
2009-10	2805.00	145.00	2950.00	1800.15	94.51	1894.66
2010-11	2820.00	150.00	2970.00	2202.64	99.23	2301.87
2011-12	2898.00	157.00	3055.00	2729.13	139.19	2878.32
2012-13	3134.00	166.00	3300.00	3273.76	172.06	3445.73
Rabi, Crops			Total			
2009-10	2560.00	261.00	2830.00	2141.93	167.78	2309.71
2010-11	2700.00	265.00	2965.00	2662.14	174.38	2836.52
2011-12	2927.00	273.00	3200.00	3014.42	198.09	3229.51
2012-13	3375.00	275.00	3650.00	1755.46	144.49	1900.30 Up31.12.12

Source: Harco Bank

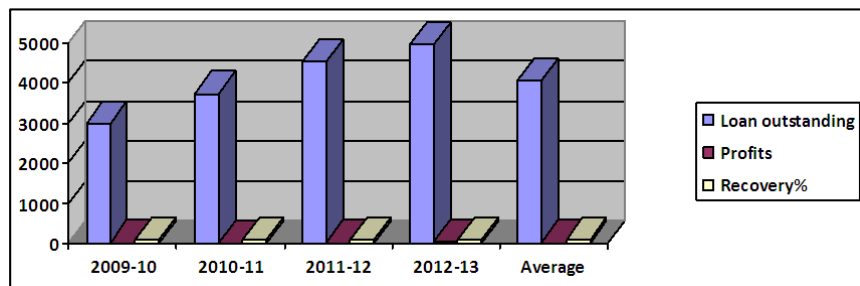


Graph 1 A

Table 2: Loans outstanding, Profits and Recovery Position of HARCO Bank: 2009 To 13

Years	Loan outstanding	Profits	Recovery (%)
2009-10	2988.77	17.94	99.93
2010-11	3738.89	5.01	99.94
2011-12	4515.33	18.69	99.95
2012-13	4962.42	30.21	99.95
Average	4051.35	17.96	99.94

Source: HARCO BANK



Graph 2: Loans outstanding, Profits and Recovery Position of HARCO Bank

Table 2 describes the amount and trends of loans, profits and recovery position of HARCO bank during 2009-2013. The bank has on an average, advanced loan of Rs. 4051.35 crores during the reference time. Further, the same table is showing that the bank has always run on profits with the average of Rs. 17.96 crores. Another appreciable front is the recovery performance of the bank. Recovery of the demanded amount of loans has always been more than 99 percent i.e. almost hundred percent recovery during the reference period. It breaks the common concept of people

that recovery performance of almost co-operatives is very low. However, here the contradiction is the relation between growth of recovery and profits. It is clear from the statistics that the recovery has been almost about hundred percent consistently but the profits were not according to the same.

Personal Accident Insurance Scheme for KCC Holders

Personal Accident Insurance scheme for KCC holders has been implemented by the DCCBs during the year 2009-10 covering all the KCC holder up to 50,000 is being provided

on nominal insurance premium i.e. 6.35 KCC holders. The premium payable by KCC holder is 2.35.8, 16,989 members have been covered under this scheme so far and accident claim of 63.50 lakh have been received in respect of 127 beneficiaries.

State Interest Subvention Scheme for Timely Repayment for Members of PACS.

State Interest Subvention Scheme-2009 for timely repayment for members of PACS is under implementation w.e.f. 01.03.2009. Beneficiaries of the scheme were the loaner members of PACS who repaid their loans availed from 01.03.09 to 28.02.2010 on or before due dates, got a benefit of rebate in interest @ 2 percent (in case of crop loans) and @ 3 percent (in case of other loans). During the year 2010-11 interest rebates of 2 percent was 19 granted and relief of 31.73 crore was provided to 6, 54, 880 farmers under Govt. of India scheme.

State Interest Subvention Scheme-2010 for timely repayment for members of PACS is under implementation w.e.f. 01.03.2010. Beneficiaries of the scheme were the loanee members of PACS who repaid their crop loans availed from 01.03.10 to 28.02.2011 on or before due dates and got a benefit of rebate in interest @ 1 percent. A rebate in interest amounting to 8.58 crore to 3, 53,605 loanee members has been provided under State interest subvention scheme-2010 so far. Govt. of India has announced in the budget for the year 2011-12 that interest subvention @ 3 percent p.a. will be provided to the prompt payee farmers on crop loan disbursed during this year. Thus, effective rate of interest on crop loan is @ 4 percent p.a. for the prompt payee farmers since 01.04.2009. Interest subvention @ 3 percent has been provided to the prompt payee farmers under the GOI scheme who availed crop loans from 1.4.2011 to 31.3.2012 and make repayment on or before due date. Interest subvention of 58.59 crore has been provided to 7, 72,609 farmers.

Implementation of the Revival Package for Short-Term

For strengthening the short term co-operative credit structure, the state govt has accepted the recommendations of Vaidyanathan Committee and has signed memorandum of understanding (MoU) with government. of India and NABARD on 20.02.2007. Based on these audits, financial assistance amounting to 701.72 crores (633.80 crore GOI share + 29 crores State Govt. share + 38.92 crores PACS share) has been worked out. 566 merged PACS affiliated to 19 DCCBs have received financial assistance to the tune of 499.50 crore. Under this revival package special audits of all DCCBs in the state have been conducted and on the basis of these audits, re-capitalization assistance of 22.61 crore (1.27 crore State Govt. share + 21.34 crore DCCBs share) of two DCCBs namely Bhiwani and Rohtak has been worked out. An amount of 1.27 crore has been received from state govt, excess govt. share capital amounting to Rs. 4.24 crore in respect of two DCCBs namely Jind and Panchkula has been converted into Grant-in-aid.

Field Survey / Sample Design of the Study

The present study is survey based it attempts to explore the agricultural credit and economic development of rural sector. For the selection of the sample respondents, the researcher approached the Apex Bank (State Cooperative Bank). For the study 10 District cooperative banks have been selected from district Rohtak and from each District cooperative banks 10 respondents have been selected by adopting simple random sampling. Thus 100 respondents were selected.

Observations and Discussions

From the field survey report the following parameters / indicators conclude the observation and analysis of agricultural cooperative credit.

Table 3: Parameters / Indicators of Analysis

Banking Service	51 (good)	39 Awarage	9 (poor)	100
Landing Procedure	54 (timely)	28 (delay)	18(verydelay)	100
Interest Schemes	60 (limited)	31 (outdated)	9 (cant say)	100
Repayments	49 (repaid)	33 (will paid)	18 (NPA)	100
Awareness	51 (aware)	39 (average)	10(not aware)	100
Satisfaction	66(satisfied)	15 (unsatisfied)	19 (cant say)	100

Results / Findings

From the above data it is clear that cooperative banks are serving in the field of agricultural credit and rural development. Maximum numbers of respondents are satisfied with functioning of cooperative bank. The level of service of cooperative banks is very high. Cooperative banks are playing extraordinary role for agriculture credit and rural development. In short we can say that Cooperative Banks are providing rural Haryana all round assistance and proved to be an institution where "Growth with Social Justice" exists. Cooperative Banks plays a major role in rural credit delivery of Haryana State.

Suggestions and Recommendations

1. The Cooperative Banks should try to increase their deposits by opening branches in business areas, improve the services to their clients, introduce different

types of deposit schemes and offer competitive rates of interest.

2. Cooperative Banks should try to co-ordinate between the Board of Management, Members, Depositors and Employees of bank.
3. SCBs should adopt various techniques and approaches of risk management and good governance so that a good and effective management of available resources may be carried out.
4. Cooperative Banks should change their loan policies on the basis of crop loan systems.
5. The Cooperative Banks must maintain adequate liquid resources, margin, properly scrutiny of loans and should try to qualitative improvement to the staff.

Conclusion

Cooperative banks belong to the oldest forms of the collective action in India playing essential role in the

realization of the agricultural and in local development. They serve both rural and urban population, and are main banks in India supporting development of agriculture and rural areas. Their key role is to give credits financing various rural based entrepreneurships. Agricultural credits play a number of significant functions of which the primary include the intensification and growth of the agricultural production. In a developing State like Haryana with huge deficits in terms of quality and quantity, the State has to shoulder the primary responsibility of providing cooperative credit. Considering the poor living standards of common man, incomplete and imperfect markets, and other socio political considerations it is the primary duty of the government to ensure that its citizens have easy access to cooperative credit.

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