



ISSN Print: 2394-7500
ISSN Online: 2394-5869
Impact Factor: 5.2
IJAR 2015; 1(8): 31-36
www.allresearchjournal.com
Received: 28-05-2015
Accepted: 29-06-2015

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Performance of cooperative banks in agriculture sector (A comparative study in Haryana and Rajasthan)

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Abstract

The cooperative banking is leading partners of Indian banking structure, the cooperative banks have generally reach to the rural area in India, through their massive group of credit societies in the institutional credit structure. The cooperative sector has performed an importance role in the economy of the country and always acceptance as an imperative part of our national economy. Cooperatives have trend base, economic objects with social outlook and approach. The cooperative banks institution covers almost all rural area in India. The co-operation is the backbone of development of every economy in present globalised world. In Haryana, there are three tier systems of co-operative credit institutions.

Keywords: Agricultural Credit, Non-Agricultural Credit, Cooperative Bank, Financial Performance, s

Introduction

In India, where about 68 percent of the total population lives in rural areas, agriculturists, and agricultural labourers constitute about 65 percent of the working population, so the emphasis of a mighty strong agricultural base for the progress and economic development of the country need not be over emphasised. Agriculture provides productive employment and makes provisions of food security for the growing population ^[1] and contributes a lot in rural development.

The concept of rural development evolved in early fifties in many countries to increase the per capita income of rural poor. Many components have been introduced for increasing the income of rural poor so that they are able to obtain minimum basic needs. Rural development in the present study apprise improving the economic condition of rural people by helping them financially in the generation of new productive resource, to increase the productivity of existing resource, employment and income through bank credit ^[2]. India's economic development depends on the development of rural areas.

Need of State Co-operative Banks in India

Always since the co-operative activitie was opened, it was realized that there should be energetic bank of the state level to coordinate the functioning of the PACSs and DCCBs in the state. DCCBs were scattered throughout the state. They needed central agency, which would control and coordinate their work. In some states the central co-operative banks were unable, unaided to secure locally, sufficient funds to meet their needs, while in others they had abundant funds. There was no institution to act as balancing centred and a clearing house. That led to interbank lending and interlocking of liabilities, fraught with disastrous consequences. That system proved to be inefficient and uneconomical. The functions and the volume of transactions of central co-operative banks went on increasing. It was needed that there must be an institution which could attract deposits from the richer urban closes and more suitably equipped to serve as a channel between the co-operative movement and the money market

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¹ John.w. Mellor, *et al.* "Developing Rural India; Plan and Practice," Ithaca Cornell University Press, (1968) PP.7.28.

² Raman Weitz, "Rural Development in Changing World", Cambridge Massachusetts: The Mint Press, (1991) PP.1-21.

Objectives

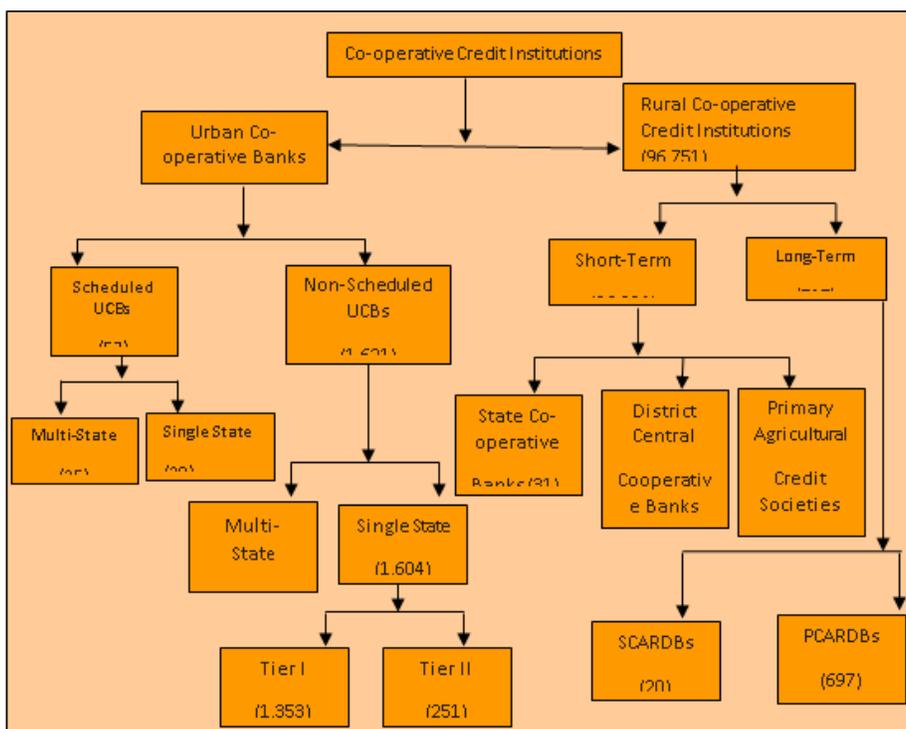
- To study the credit policy, working procedure of Central Co-operative Banks.
- To study the role of central co-operative banks in extending the loans to the agriculturists and non-agriculturists.
- To examine the impact of co-operative banks on the socio economic life of loaners.

Hypotheses

- Beneficiaries think that central co-operative banks play positive role in development of farming and non-farming sectors.
- Central Co-operative Banks play a positive role in improving the socio economic condition of the beneficiaries.

Research methodology

The proposed study is concerned with the financial performance of the co-operative banks in agriculture credit. For this purpose two districts Rohtak, Jhajjar from Haryana and Jaipur, Alwar from Rajasthan each are selected. 10 branches are picked up from Haryana out of 37 branches and 10 from Rajasthan out of 33 branches. In this process, urban branches are phased out from the study. For this purpose, a sample of 600 respondents is taken up (30 beneficiaries from each branch through the lottery method) However, the help of secondary sources is taken wherever felt necessary. The study has covered a period of 5 years from 2007 to 2012.



Source Nabard

SCARDBs: State Co-operative Agriculture and Rural Development Banks. PCARDBs: Primary Co-operative Agriculture and Rural Development Banks.

Note: 2.1) Figures in parentheses indicate the number of institutions at end-March 2010 for UCBs and at end-March 2009 for rural co-operative credit institutions.

2) For rural co-operatives, number of banks refers to reporting banks.

Fig 1: Organizational Structure of Co-operative Credit Institutions in India (As at end-March 2010)

Haryana State Co-operative Apex Bank

Haryana state co-operative apex bank limited (HARCO BANK) occupies a vital position in the State economy and has been financing farmers, rural artisan’s agricultural labourers, entrepreneurs etc. in the state and serving its depositors for the last 46 years. The short-term co-operative, credit structure consists of three tiers i.e. HARCO bank at state level having 13 branches and 2 extension counters at Chandigarh and Panchkula. 19 central co-operative banks at district head quarters with their 594 branches and 643 PACS catering to the financial needs of 29.85 lakh members who are residing mostly in rural areas of Haryana. The HARCO

bank from the humble beginning in November 1966 has grown into a sound financing institution of outstanding credit worthiness. The performance of HARCO bank has been adjudged as the best state co-operative bank in the Country.

Financial Performance of HARCO Bank

There is steady increase in the financial position as well as advanced made by the bank in the study in Haryana Co-operative Bank. In Haryana, the deposits and loan advanced were Rs. 21362 crores in 2007-08 increased to Rs. 2454.02 crores in 2011-12, respectively

Table 1: Financial Performance of HARCO Bank (Rs in crore)

Sr. No	Particulars	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
1	Share capital	69.33	72.04	72.33	79.18	101.74	112.51
2	Own Fund	447.47	449.00	426.03	456.28	494.28	505.03
3	Deposit	1362.58	1723.72	1935.17	2025.21	2130.90	2454.02
4	Borrowing	2156.60	1751.74	1951.23	2528.91	3104.41	3385.61
5	Lone Issued	3026.54	3227.40	3332.76	3764.48	4676.69	4586.36
6	Lone O/S	3124.16	2800.00	2988.77	3738.89	4515.33	4586.36
7	Profits/Lone	4.91	10.61	-17.94	5.01	18.69	19.96
8	Recoveries	99.76	97.75	99.93	99.94	99.95	99.95
9	Total Overduas % to Lone O/S	0.23	2.63	0.07	0.06	0.05	0.66
10	NPS%	0.07	0.08	0.07	0.06	0.05	0.06
11	Working capital	4005.66	3952.79	4360.21	5051.04	6070.63	6585.98

Source: HARCOBANK

Rajasthan state co-operative bank

The Rajasthan state co-operative bank 2009 Ltd.(RSCB) was established & registered under Rajasthan Co-operative Societies Act on 14th October, 1953. With a view to make necessary preparation the seasonal financial requirements for agriculture & other allied activities at state level, it is an Apex institution of the district central co-operative banks functioning in the state. The governance of village level primary agriculture co-operative societies, district central co-operative banks and Rajasthan state co-operative is ensured by elected board through a democratic election

system under The Rajasthan Co-operative Societies Act. In order to achieve the objectives of the co-operatives and wide spread net work is available to cater the needs of rural people at their step with a three-tier short-term co-operative credit delivery system. In the Apex level, Rajasthan state co-operative bank (RSCB) with its 5 regional and 11 local (Jaipur) Branches in the State. On the district level 29 district central co-operative banks covering 33 districts of the state having 414 Branches. On the grass-root, level 5673 primary agriculture co-operative societies, this covers 100% of the geographical area of the state.

Table 2: Financial Performance of Rajasthan Central Co-operative Bank (2007 TO 2012) (Rs. in lakhs)

Sr no	Main Items	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
1	No of Offices	16	20	20	20	21	22
2	Memberships	8530	9209	9846	10877	13235	14589
3	Share Capital	1122	1125	1129	1203	1423	1544
4	Reserve Funds	2186	2396	2465	2814	3526	3992
5	Borrowing	6521	7030	6563	7270	12954	15569
6	Working Capital	25246	30693	35429	45453	58684	67596
7	Current	1910	1944	2401	2920	2269	3424
8	Savings	4988	6459	7308	11649	11741	13596
9	Fixed	7643	10949	14372	18308	25394	28414
10	Diposits	14602	19417	24158	33002	39528	45538

Source: Jaipur Central Co-Operative Bank

Profile of Respondents in Haryana and Rajasthan

Now we proceed to examine the role of co-operative bank in rural credit to the beneficiaries.

Proper Utilization of Loans

Utilization of loan effects the people financial position. The financial position is directly related with the standard of living that is associated with rural development. If the loan is properly utilized then it is expected that people would be in a position to improve their financial position and consequently their standard of living will have to go up. Otherwise there are very little chances for improving the

financial standard of the people which is turns adversely affects the rural development.

Resources Generation

Resources generation has been related directly or indirectly with the rural development. It is evident from the fact that as rural development takes place, it facilitates the pace of high standard of living through enhancing income levels as well as job opportunities. Therefore, higher level of resources generation implies higher level of rural development and vice-versa.

Table 3: Haryana State Agriculture and Non Agriculture Loan Distribution in the Beneficiaries

Agriculture Loan			Non-agriculture Loan				
Category	Agriculture	Allied Activity	Rural Industry	Small Business	Transport	Other	Total
Big Farmers	15 (40.54)	14 (37.83)	2 (15.40)	3 (8.10)	2 (5.40)	1 (2.70)	37 (100)
Medium Farmers	21 (38.18)	19 (34.54)	3 (5.45)	4 (7.27)	6 (10.90)	2 (3.63)	55 (100)
Small Farmers	22 (29.72)	25 (33.78)	5 (6.75)	11 (14.86)	9 (12.16)	2 (2.70)	74 (100)
Marginal Farmers	27 (39.70)	25 (36.76)	3 (4.41)	6 (8.82)	5 (7.35)	2 (2.94)	68 (100)
Non- Farmers	12 (18.18)	24 (36.36)	--	23 (34.84)	3 (4.54)	4 (6.06)	66 (100)
Grand Total	97 (32.33)	107 (35.66)	13 (4.33)	47 (15.66)	25 (8.33)	11 (3.66)	300 (100)

Source: Interview Schedule

Note: Figures in the bracket represent percentage of the total

Table 3A: Rajasthan State Agriculture and Non Agriculture Loan Distribution in the Beneficiaries

Agriculture Loan			Non-agriculture Loan				
Category	Agriculture	Allied Activity	Rural Industry	Small Business	Transport	Other	Total
Big Farmers	14 (37.83)	13 (37.83)	2 (15.48)	3 (8.11)	3 (8.11)	2 (6.25)	37 (100)
Medium Farmers	19 (34.54)	17 (30.90)	4 (7.27)	6 (10.91)	5 (9.09)	4 (7.27)	55 (100)
Small Farmers	22 (29.72)	22 (29.72)	4 (5.40)	9 (12.16)	13 (17.56)	4 (5.40)	74 (100)
Marginal Farmers	24 (35.29)	28 (41.17)	2 (2.91)	3 (4.41)	6 (8.82)	5 (7.35)	68 (100)
Non- Farmers	10 (15.15)	24 (36.36)	--	21 (31.81)	5 (7.57)	6 (9.09)	66 (100)
Grand Total	89 (29.66)	104 (34.66)	12 (4.00)	42 (14.00)	32 (10.66)	21 (7.00)	300 (100)

Source: Interview Schedule

Note: Figures in the bracket represent percentage of the total

- i. **In the Agriculture:** we include Seed & Fertilizer and agriculture equipment: Bullock-cart, Horse-cart. Tube-well, Engine-oil, Electricity-motor, making a well and other equipment etc.
- ii. **In the Allied Activities:** we include all animal husbandries: dairy Sheep and Goat, Poultry farm, Pig farm, Gardening, Flowering, Fishery etc
- iii. **Rural Industry:** We including Atta-Chaki, Small Factory, Dharm- kanta, Kholu of sugar can, Ice Factory etc.
- iv. **In the small Business:** We include types of Shope, Extension of business as raw material, all type of street Hawker, Cycle, Ricshaw. Etc
- v. **In the Transport:** We include Bus, Track, Tempo, Four Wheelers, and Atuo etc.
- vi. **In the Other:** We including Non productive as like, House, Two wheeler, Juicer of sugar cane, Chaki Gandasa for house use, consumption good etc.

Table 3 depicts that in Haryana 32.33, 35.66, 4.33, 15.66, 8.33 and 3.66 percent beneficiaries have taken loan for the purpose of agriculture, allied activities, rural industry, small business, and transport respectively. Table 3A depicts that in Rajasthan 29.66, 34.66, 4, 14, 10.66 and 7 percent beneficiaries have taken loan for the purpose of agriculture, allied activities, rural industry, small business, and transport respectively. A comparison of table 4 and 4A reveals that

the maximum 35.66 respondents have taken loan for allied activities, whereas in Rajasthan it is 34.66 percent. Thus in both states maximum people have availed loan for allied activities followed by those taken loan for agriculture in both states i. e. 32.33 percent in Haryana and 29.66 percent in Rajasthan.

A purpose wise utilization of loan by beneficiaries is given in tables 4 and 4A

Table 4: Purpose-wise Proper Utilization of Loans by Beneficiaries _ Haryana State

Category	Agriculture			Non-agriculture					
	Agriculture	Allied Activity	Gardening	Rural Industry	Small Business	Transport	Other	Total utilized	Total
Big Farmers	2 (18.18)	3 (27.27)	--	1 (9.09)	1 (9.09)	4 (36.36)	--	11 (29.72)	37 (100)
Medium Farmers	6 (28.57)	9 (42.85)	--	2 (9.52)	1 (4.76)	3 (14.28)	-	21 (38.18)	55 (100)
Small Farmers	18 (56.25)	11 (34.37)	1 (3.12)	2 (6.25)	4 (12.50)	5 (15.62)	1 (3.12)	32 (43.24)	74 (100)
Marginal Farmers	7 (24.13)	12 (41.37)	1 (3.44)	1 (3.44)	3 (10.34)	4 (13.79)	1 (3.44)	29 (42.64)	68 (100)
Non- Farmers	1 (5.26)	4 (21.05)	--	--	3 (15.78)	9 (47.36)	2 (10.52)	19 (28.78)	66 (100)
Grand Total	24 (21.42)	39 (34.82)	2 (1.78)	6 (5.35)	12 (10.71)	25 (22.34)	4 (3.57)	112 (37.33)	300 (100)

Table 4A: Purpose-wise Proper Utilization of Loans by Beneficiaries Rajasthan State

Category	Agriculture			Non-agriculture					Total utilized	Total
	Agriculture	Allied Activity	Gardening	Rural Industry	Small Business	Transport	Other			
Big Farmers	1 (11.11)	3 (33.33)	—	--	1 (11.11)	4 (44.44)	---	9 (24.32)	37 (100)	
Medium Farmers	5 (26.31)	9 (47.36)	—	1 (5.26)	1 (5.26)	3 (15.78)	---	19 (34.59)	55 (100)	
Small Farmers	7 (23.33)	11 (36.36)	1 (3.33)	1 (3.33)	3 (10.00)	6 (20.00)	1 (3.33)	30 (40.54)	74 (100)	
Marginal Farmers	6 (23.07)	10 (38.46)	1 (3.84)	1 (3.84)	2 (7.69)	5 (19.23)	1 (3.84)	26 (38.23)	68 (100)	
Non- Farmers	---	3 (17.64)	—	--	4 (23.52)	7 (41.75)	2 (12.50)	17 (25.75)	66 (100)	
Grand Total	19 (18.81)	36 (35.64)	2 (1.98)	3 (2.99)	11 (10.89)	25 (24.75)	4 (3.96)	101 (33.66)	300 (100)	

Source: Interview Schedule

Note: Figures in the bracket represent percentage of the tota

Table 4 depicts that case of Haryana state, out of total sample beneficiary only 37.30 percent beneficiaries' have utilized the bank loan properly. In case of big, medium, small, and marginal farmers and non-farmers 29.72 percent, 38.18 percent, 43.24 percent, 42.64 percent, and 28.78 percent beneficiaries have made proper use of bank loan respectively. Thus, 21.42 percent, 34.21 percent, 11.40 percent, and 21.92 percent beneficiaries have made proper utilization of loan in agriculture allied activity, small

business, and transport. In Rajasthan 33.66 percent beneficiaries have utilized their loan properly. In case of big, medium, small, and marginal farmers and non-farmers 24.32 percent, 34.54 percent, 40.54 percent, 38.23 percent, and 25.75 percent beneficiaries have used their bank loan properly. However, 18.81 percent, 35.64 percent, and 24.75 percent beneficiaries have used their loan for agriculture, allied activity, and transport properly.

The data regarding the beneficiaries who generated resource from bank loan has been presented in tables 5 and 5A

Table 5: Resource Generation by Beneficiaries-Haryana State

Category	Agriculture			Non Agriculture					Total Resource Generated	Total
	Agriculture	Allied Activity	Gardening	Rural Industry	Small Business	Transport	Other			
Big Farmers	5 (31.25)	6 (37.50)	--	1 (6.45)	1 (6.25)	3 (18.75)	--	16 (43.24)	37 (100)	
Medium Farmers	9 (27.27)	18 (54.54)	1 (1.85)	1 (1.85)	1 (1.85)	2 (3.70)	1 (1.85)	33 (60.00)	55 (100)	
Small Farmers	24 (48.97)	12 (24.48)	--	3 (6.12)	2 (4.08)	2 (4.08)	6 (12.24)	49 (66.25)	74 (100)	
Marginal Farmers	11 (25.00)	21 (47.72)	1 (2.27)	3 (6.81)	1 (2.27)	3 (6.81)	4 (9.09)	44 (64.70)	68 (100)	
Non Farmers	3 (9.37)	25 (78.12)	--	--	1 (3.12)	1 (3.12)	2 (6.25)	32 (48.48)	66 (100)	
Grand Total	52 (29.88)	82 (47.12)	2 (1.14)	8 (4.59)	6 (3.44)	11 (6.32)	13 (7.47)	174 (58.00)	300 (100)	

Source: Interview Schedule

Note: Figures in the bracket represent percentage of the total

Table 5A: Resource Generation by Beneficiaries- Rajasthan State

Category	Agriculture			Non Agriculture					Total Resource Generated	Total
	Agriculture	Allied Activity	Gardening	Rural Industry	Small Business	Transport	Other			
Big Farmers	3 (17.64)	6 (35.29)	1 (5.88)	1 (5.88)	2 (11.76)	4 (23.52)	--	17 (45.94)	37 (100)	
Medium Farmers	7 (23.33)	16 (53.33)	1 (3.33)	1 (3.33)	1 (3.33)	3 (10.00)	1 (3.33)	30 (54.54)	55 (100)	
Small Farmers	25 (52.08)	13 (27.08)	--	3 (6.25)	2 (4.16)	2 (4.16)	3 (6.25)	48 (64.86)	74 (100)	
Marginal Farmers	9 (24.32)	19 (51.35)	1 (2.70)	2 (5.40)	1 (2.70)	3 (8.10)	2 (5.40)	37 (54.41)	68 (100)	
Non Farmers	3 (9.67)	23 (74.19)	1 (3.22)	--	1 (3.22)	1 (3.22)	1 (3.22)	31 (46.99)	66 (100)	
Grand Total	47 (28.83)	77 (47.23)	4 (2.45)	7 (4.29)	7 (4.29)	14 (8.58)	7 (4.29)	163 (54.33)	300 (100)	

Source: Interview Schedule

Note: Figures in the bracket represent percentage of the total

Table 5 exhibits that in Haryana state, 58 percent beneficiaries' have generated resources from the bank loan. It may be noted that big, medium, small, marginal, and non-farmers who generated the resource from bank loan has been 43.24percent, 60 percent, 66.25 percent, 64.70 percent and 48.48 percent respectively. The highest percentages 66.25 of respondents belong to the category of small

farmers, while the lowest 43.24 percent to the category of big farmers. However, 29.88 percent and 47.12 percent 1.14 percent, 4.59 percent, 3.44 percent, 6.32 percent, and 7.47 percent beneficiaries respectively generated the resources for agriculture equipment, allied activities, gardening, rural industry, and transport.

In Rajasthan 54.33 percent beneficiaries' generated resource from bank loan. However, the per category of big, medium, small, marginal, and non-farmers has been 45.94, 54.54, 64.86, 54.41 and 46.99 respectively. The highest percentage 64.86 beneficiaries belong to the category of small farmer, while the lowest percentage 45.94 beneficiaries' lie in the category of big farmers. A sector wise analysis reveals that 28.83, 47.23, 2.45, 4.29, 4.29, 8.58, and 4.29 percent beneficiaries respectively generated the resource in agriculture equipment, allied activities, gardening, rural industry, and transport sectors. Tables 5 and 5A show that 58 percent of Haryana state beneficiaries generated resource in comparison to 54.33 percent in Rajasthan

Suggestions

- The political and bureaucratic interferences should be transformed into support to the staff and beneficiaries of the co-operative institution.
- 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.
- The concern of wide gaps between cases received, sanctioned and disbursed should be given a consideration. This gap should be brought down to the lowest level.
- The credit limits for each individual borrower should be need and production oriented.
- Cooperative Banks should try to co-ordinate between the Board of Management, Members, Depositors and Employees of bank.
- 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.

Conclusion

Co-operative banks in the state of Haryana and Rajasthan have played a significant role in bringing the economy on the path of progress. The co-operative institutions have made serious strides for making the economic condition of the people of the state sound by helping them through various schemes. These institutions have been taking care of all the development needs of small and marginal farmers and agriculture labourers by providing them institutional credit facilities as and when required. In a planned economy like India, which primarily aims to ameliorate the conditions of the rural poor through creation of employment opportunities, improvement of skills and productivity of land and labour, banks are expected to play an active role in this venture. In Haryana 68 percent, beneficiaries have borrowed loan for the agriculture and allied activities against 64 percent in Rajasthan. In Haryana 37.33 percent beneficiaries have made proper utilization of bank loan whereas the number of such beneficiaries in Rajasthan is 33.66 percent. Study shows that 58 percent of Haryana state beneficiaries generated resource in comparison to 54.33 percent in Rajasthan

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