Abstract

Though the Co-operative Banks have been established with laudable objective, they are suffering from various problems and as a result, their working of co-operatives banks is very precarious. This is due to many a number of reasons such as lower or negative spread, mounting nonperforming assets, entry of other Banking Institutions into the area earmarked for the Cooperative Banks as a result of which there is an increasing competition, etc. Moreover high levels of non-performing assets and high growth in credit of UCBs and Rural Credit Cooperative Institutions continue to be the major area of concern. Therefore, it is necessary to assess the working of Co-operative Banks. In this background, the present study intends to focus on the analysis of working of Co-operative Banks in general and of selected Co-operative Banks in Gulbarga district in particular with the objective of ascertaining the reasons for the same and also the extent to which each has contributed to the poor working of Co-operative Banks in the study area.

Keywords: Co-operative banks, agriculture, financial & non-performing assets.

Introduction

Agriculture plays a stupendous role and occupies a cardinal place in the Indian economy. The fact that half of the national income is being contributed by export of agro-based produces substantiates this point. Further, majority of the Country’s people is depending on agriculture in one way or the other. Hence, the welfare of the people and their economic condition, and also the economic development of the Country depend, to a greater extent, on the output, progress and prosperity of agricultural sector. In spite of this significant role of agriculture, it is unfortunate to note the pathetic situation of agriculturists as half of the rural population live below poverty line and most of them remain indebtedness.

Co-operative bank, in a nutshell, provides financial assistance to the people with small means to protect them from the debt trap of the moneylenders. It is a part of vast and powerful structure of co-operative institutions which are engaged in tasks of production, processing, marketing, distribution, servicing and banking in India. A co-operative bank is a financial entity which belongs to its members, who are at the same time the owners and the customers of their bank. Co-operative banks are often created by persons belonging to the same local or professional community or sharing a common interest. These banks generally provide their members with a wide range of banking and financial services (loans, deposits, and banking accounts) Co-operative banks differ from stockholder banks by their organization, their goals, their Values and their governance.

Co-operative Banking System in India is characterized by a relatively comprehensive network to the grass root level. This sector mainly focuses on the local population and micro-banking among middle and low income strata of the society. These banks operate mainly for the benefit of rural areas, particularly the agricultural sector.

Co-operative communities are now wide spread with one of the largest and most successful examples being at Mondragon in Basque country of Spain. Co-operatives were also successful in Yugoslavia under Tito where workers council gained a significant role in management. In many European countries, co-operative institutions have a predominant market share in the retail banking and insurance businesses. The Indian co-operative movement was initiated by the government. It spread and diversified with the encouragement
and support of the government. Its present condition on is also to a great extent because of the intrusive involvement of and interference by the government.

One of the reasons for this has been on account of inadequate returns from agriculture sector. Besides, modernization schemes in agriculture resulted in the substantial increase in the investments on seeds, fertilizers, pesticides, irrigational facilities, and cost of labour and on labour saving equipment. As a result, the working requirement of farming-community has been increasing year after year on a consistently increasing basis. To put it differently, the farmers are in need of higher amounts of credit/loan for the purpose of undertaking agricultural activities. In this background, Co-operative Banks, based on their past performance, are recognized as the better institutions for the provision of sound and dynamic credit to farmers. The Co-operative Banks have been performing well in mobilizing small rural savings and using the same, besides the funds mobilized from other sources, to finance the requirements of various growth sectors including agricultural sector.

An overview of Banking Sector

Indian banking system has undergone a number of remarkable changes during six decades of post-independence period. Though it is very difficult to present all the changes, an attempt is made herein under to present the important changes.

Nationalisation of Reserve Bank of India: The Reserve Bank of India was established on April 1, 1935 as shareholders’ bank. The first major step taken by the Union Government of India in the field of Indian Banking was the nationalization of Reserve Bank of India on January 1, 1949. It is a symbol of financial sovereignty 3 and stability of the country. It holds the ultimate reserves of the Nation, controls the flow of purchasing power - whether currency or credit, and acts a banker to the State.

Nationalisation of State Bank of India: The State Bank of India was set up in July 1955, under the State Bank of India Act. 1955, when it took over assets and liabilities of the former Imperial Bank of India. The Imperial Bank was the biggest commercial bank in the country. The State Bank of India functions/serves as the agent of Reserve Bank of India at places where it has a branch and where the Reserve Bank of India has no branch.

Nationalisation of major Commercial Banks: A significant change in the field of commercial banking since Independence was the nationalization of banks with deposits of Rs.50 crore or more. The objective of bank nationalisation in 1969 was to remove the ownership and control of a few industrial enterprises over the commercial banks. This move aimed at preventing the concentration of income and wealth in the hands of a few.

Co-operative Banks: The Co-operative banks have been established under Cooperative Societies Acts of different states. The co-operative movement was started in 1904 with a view to provide financial assistance to agricultural sector.

Regional Rural Banks: The Regional Rural Banks are the new banking institutions which have been added to Indian Banking Sector since October 2, 1975. The primary objective of Regional Rural Banks is to develop the rural economy by providing credit and other facilities particularly to the small and marginal formers.

National Bank for Agricultural and Rural Development (NABARD): The NABARD has emerged as an apex refinancing institution for agricultural and rural credit in the country since July 1982. It has taken over the financing function of Reserve Bank of India in respect of State Co-operative Banks and Regional Rural Banks, and it provide all types of production and investment credit to agriculture, 4 small scale industries, cottage and village industries and other allied economic activities.

Development Banks: Development Banking or the Institutional Banking System has been introduced in India mainly to provide medium-term and long-term capital for industry and agriculture.

Statement of the Problem

Though the Co-operative Banks have been established with laudable objective, they are suffering from various problems and as a result, their working of co-operatives banks is very precarious. This is due to many a number of reasons such as lower or negative spread, mounting nonperforming assets, entry of other Banking Institutions into the area earmarked for the Cooperative Banks as a result of which there is an increasing competition, etc. Moreover high levels of non-performing assets and high growth in credit of UCBs and Rural Credit Cooperative Institutions continue to be the major area of concern. Therefore, it is necessary to assess the working of Co-operative Banks. In this background, the present study intends to focus on the analysis of working of Co-operative Banks in general and of selected Co-operative Banks in Gulbarga district in particular with the objective of ascertaining the reasons for the same and also the extent to which each has contributed to the poor working of Co-operative Banks in the study area.

Objectives of Study

The study would covers following main objectives

1. To study the inception, growth and structure of Co-operative Banks in India and Karnataka.
2. To analyse the working efficiency and effectiveness of Co-operative Banks in Gulbarga district.
3. To make findings and suggest the policy measures for improving the working of Co-operative Banks.

Hypotheses of the Study

Hypotheses are the heart of the research work and it is the nature of researchers to assuming the something before the actual condition of the event occurs. After the event these assumptions may wrong.

The researcher has been employed the following hypotheses.

1. There is no significant association between gender and awareness about working of DCC bank in Gulbarga district
2. There is a significant association between gender and awareness about working of DCC bank in Gulbarga district
3. There is no significant association between category and income of the respondents
4. There is a significant association between category and income of the respondents
Methodology and Database
The methodology to be adopted for a particular research study would depend upon the purpose and objectives to be achieved. Based on the objectives and the hypotheses to be tested, the required data have been gathered from both primary sources and secondary sources. Selection of the study area: the present study is based on survey method. researcher selected backward region i.e. Hyderabad Karnataka is consists of Bidar, Kalaburagi, Raichur, Bellary, Yadigir and Koppal districts. Kalaburagi is selected for the purpose of the study. It is influenced by Maharasthra and Telangana state. The Gulbarga (Kalaburagi) district is consists of seven taluka and all taluka are the same climate conditions but difference is admistrative of the financial functions of the study area.

The Primary Data
The primary data source collected from the sample households having DCC bank working concerns by using questionnaire, selected through a multi stage random sampling process. A structured interview schedule is constructed for collection of the field data from the sample households.

Secondary Data
The secondary data have been mainly drawn from audited annual financial statements like Profit and Loss Accounts, Balance Sheets, Auditors Reports, the RBI and Co-operative Bank Bulletins, Publications of the Indian Banks Association, etc.

Sampling of the Study
The Study population includes the customers of co-operative banks and Sampling Unit for Study is Individual Customer with the randomly selected Sample Size of the 312 Respondents that have been undertaken i.e., 5% of 1560 total universe of the study area

Tools used for analysis Data
This study uses suitable of statistical tools and techniques that have been used for analysis of the available data such as applying in frequencies, ratios, Simple percentages, averages, hypothesis, charts, graphs for conclusion and also tabular forms have been used to draw the important findings of the study.

Scope of the Study
The study intends to analyze the working of Co-operative Banks in the Gulbarga district. For this purpose, it is planned to select the Co-operative Banks Gulbarga district in Karnataka giving representation to geographical area, size of the Banks, working (selecting some Banks which are earning profit and which are incurring loss), etc. The study covers the assessment and evaluation of working of Cooperative Banks and Rural Credit Institutions with an emphasis on unearthing the reasons for the mounting losses and non-performing assets. Further, the study will be based on the working condition of the Co-operative Banks during the last five years (2012-13 to 2014-15) which enables to identify the trends in their performance.

Impact of District Central Co-Operative Bank Credit on Economic Development
Rural area is dominated by agriculture and allied activities till today. Though the agriculture alone is not sufficient for rural development, besides agricultural development, development of allied sector, rural industries, and rural business/ trade other agricultural allied sectors in rural areas. Present study has been pursuing to assess how extent the District Co-Operative Central Bank credit is being influenced on the farm non-farm sector of the rural area, how the credit has been assisting for achieving the development of these two sectors in the study area. The credit impact has been assessed by taking selected indicators in farm and non-farm sector such as crop loan, minor irrigation, and fisheries in farm sector various non-farm activities undertaken by the hotel loan and horticulture of these selected area have been discussed here.

Table 1.1: Classification of respondents based on different age groups

<table>
<thead>
<tr>
<th>S. No</th>
<th>Age of the respondent</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>18-25</td>
<td>59</td>
<td>24.67</td>
</tr>
<tr>
<td>2</td>
<td>26-35</td>
<td>77</td>
<td>30.99</td>
</tr>
<tr>
<td>3</td>
<td>36-45</td>
<td>83</td>
<td>32.71</td>
</tr>
<tr>
<td>4</td>
<td>46-60</td>
<td>55</td>
<td>21.55</td>
</tr>
<tr>
<td>5</td>
<td>60 and above</td>
<td>38</td>
<td>12.18</td>
</tr>
<tr>
<td>6</td>
<td>Total</td>
<td>312</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: Primary Data

The Table (1.1) highlights that the Classification of respondents based on different age groups out of 312 respondents of different type of age group the majority of the respondents age group is 36-45 83 i.e. 26.61 percent and age group of the 26-35 followed the 77 i.e.24.67 percent. The age group of 18-25 and 46-60 are the slight different 59 and 55 i.e.18.91 percent and 17.63 percent, but above 60 age respondents are only 38 i.e.12.18 percent. It is conferred that only middle age group of the respondents are involved in the co-operative banks.

Table 1.2: Classification of respondents based on caste of the respondents

<table>
<thead>
<tr>
<th>S. No</th>
<th>Caste of the respondents</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>SC</td>
<td>89</td>
<td>28.52</td>
</tr>
<tr>
<td>2</td>
<td>ST</td>
<td>51</td>
<td>16.34</td>
</tr>
<tr>
<td>3</td>
<td>OBC</td>
<td>93</td>
<td>29.81</td>
</tr>
<tr>
<td>4</td>
<td>GM</td>
<td>79</td>
<td>25.33</td>
</tr>
<tr>
<td>5</td>
<td>Total</td>
<td>312</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: Primary Data

The Table (1.2) highlights that out of 312 borrowers categorized based on caste of the respondents 89 of them are in SC caste, 51 of them are in ST group, 93 borrowers are in OBC, another 79 borrowers are in GM categories, which accounted 28.52 percent, 16.34 percent, 29.81 percent, 25.33 percent respectively.
male respondents are more concerned with the co-operative banking involvement compare to female respondents in the study area. It gives an idea about gender wise classification of the respondents.

The Table (5.3) exhibited that out of total 312 respondents majority of the respondents are male 207 i.e. 66.35 percent and female respondents are 105 that is 33.65 percent which accounted 66.35 percent, 33.65 percent respectively in the study area. The table 5.4 exhibited the classification of borrowers on the basis of level of education, out of 312 borrowers, 78 of them are illiterates, 84 of them are completed primary education (7th standard), 63 of them are completed secondary school education (SSLC), 52 them are completed PUC and 35 of them are completed up to degree level which accounted for 25.00 percent, 26.93 percent, 20.20 percent, 16.66 percent, 11.21 respectively.

Table 1.6 provides the detail information regarding level of income of the respondents in the study area. Out of 312 respondents 59 respondents income falls on Rs.15000 – 25000, 80 respondents have their income of Rs. 26000 – 50000, 86 respondents income Rs. 51000 – 75000, whereas 57 respondents Rs 76000 – 100000 and 30 respondents Rs 100000 and above. This accounts 18.91 percent, 25.65 percent, 27.56 percent, 18.27 percent, 9.61 percent respectively.

Table 1.7 provides the picture of the respondents based on types of house out of 312 respondents only 65 respondents have Pukka house, 82 respondents have kachcha house, 88 respondents were living in huts and 77 respondents have mud house, which accounts 20.83 percent, 26.29 percent, 28.21 percent, 24.67 percent respectively.

Table 1.8: Classification of respondents based on awareness about DCC Bank

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Awareness</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Yes</td>
<td>264</td>
<td>84.61</td>
</tr>
<tr>
<td>2</td>
<td>No</td>
<td>48</td>
<td>15.39</td>
</tr>
<tr>
<td>3</td>
<td>Total</td>
<td>312</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: Primary Data.

Above table describes the information regarding awareness about DCC Bank in the study area, highest 312 respondents aware about DCC Bank and 48 respondents were not aware about DCC Bank, which accounts 84.61 percent, 15.39 percent respectively.
percent. The majority of the respondents were well aware about the DCC Bank in the study area.

![Chart 1.8: Classification of respondents based on awareness about DCC Bank](chart1_8.png)

**Table 1.9: Opinion of the respondents based on functioning of the DCC Bank**

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Member</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Satisfactory</td>
<td>264</td>
<td>84.61</td>
</tr>
<tr>
<td>2</td>
<td>Not Satisfactory</td>
<td>48</td>
<td>15.39</td>
</tr>
<tr>
<td>3</td>
<td>Total</td>
<td>312</td>
<td>100.00</td>
</tr>
</tbody>
</table>

**Testing of Hypotheses**

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Hypotheses</th>
<th>Chi square value</th>
<th>P-value</th>
<th>df</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$H_0$: There is no significant association between gender and awareness about the working of DCC bank in Gulbarga district</td>
<td>28.1</td>
<td>0.000</td>
<td>1</td>
<td>Rejected</td>
</tr>
<tr>
<td></td>
<td>$H_1$: There is a significant association between gender and awareness about the working of DCC bank in Gulbarga district</td>
<td></td>
<td></td>
<td></td>
<td>Accepted</td>
</tr>
<tr>
<td>2</td>
<td>$H_0$: There is no significant association between category and income of the respondents</td>
<td>29.0</td>
<td>0.0038</td>
<td>12</td>
<td>Rejected</td>
</tr>
<tr>
<td></td>
<td>$H_1$: There is a significant association between category and income of the respondents</td>
<td></td>
<td></td>
<td></td>
<td>Accepted</td>
</tr>
</tbody>
</table>

The present study made an attempt to trace the association between the demographic factor of the respondents and statement regarding the DCC bank working in the study area. Table No. 1 shows that the significant association between the gender of the respondents and awareness about the DCC bank working. The chi square value 28.1 (df 1) at the 5 percent of the significant level. The chi value is more than the table value hence null hypothesis has been rejected and alternative hypothesis accepted. It reveals the significant association of gender with awareness regarding the DCC bank working in the study area.

Table-2 in the above table reveals the chi value 29.0 (df 12) at significance level of 5 percent. The table value is less than chi square value it means the null hypothesis has rejected and alternative has been accepted. It also shows that the category and income of the respondents in the study area.

**Conclusions**

Agricultural development leads to economic and social change of farmers. Increase in agriculture production and other allied activities increase the income of the farmers. The increase in income of farmers leads to more savings, which can be used either for further development of agriculture and can be spent for leading better life. The increase in purchasing power of a farmer determines, the socio economic conditions viz. the level of imparting education to the children of the farmers, social mobility, capacity to perform festivals, celebration of marriage functions, expenditure towards maintenance of health of the family members are the some of the indicators of socio-economic condition of farmers. Various policy stipulations of the government had prevented the cooperative banks to act fully according to its financial compulsions. Unlike other commercial banks, the cooperative bank has to mobilize considerable deposits, allocate a good percentage of its funds to priority areas like agriculture and allied activities and take part compulsorily in lending to the poor who cannot afford any security.

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