ABSTRACT

Increasing number of the rural poor in India is availing of banking services. This development has given a fillip to the efforts of financial inclusion spearheaded by the government in which cooperative banks, operating in rural and semi-urban regions, are expected to play a crucial role. However, the process is in its nascent stage at present and has miles to go before its beneficial impacts are felt. Cooperative banks should strive to identify the real and deserving entrepreneurial entities / families in their area of operations who should be assisted with finance for executing productive projects. This study found that by and large cooperative banks operating in Odisha in general and the KDCCB in particular have been found to be failing in this test. The reason for that could be one or all of these, like not having expertise for judicious credit appraisals, lack of resources for conducting a rigorous due diligence of prospective borrowers, pressure from politicians and other interested lobbyists and corruptions.

Cooperative banks in general and KCCB in particular should take the assistance of the various agencies for rural development, Self Help Groups and NGOs to get all information about a prospective borrower relevant to credit analysis. Villagers and entities with unscrupulous intents, like willful defaulters of bank loans for instance, must be avoided by all means. Only then, the tax-payers’ money which governments of the states and the centre are aiming to use for rural upliftment, would be said to have been well deployed. The cooperative movement is about a hundred years old in India. It originated with the idea of a mass participation in eradicating rural poverty. However, the desired extent of involvement of people in the grass-root level in this movement is not found as yet. The reasons for this failure are manifold. Briefly stated, those are as follows :
Primary Agricultural Cooperative Societies are mostly interested in providing finance to established business houses of their area and not to new generation entrepreneurs. The predominant motive of PACS is avoidance of any kind of risks, even though the governments have well defined policies in place for PACS, urging them to extend financial assistance to innovative business proposals presented by first generation entrepreneurs.

The Management of cooperative banks are not proactive decision-makers. Measures for resolution of members’ complaints are not taken up expeditiously. Policy decisions, wherever they have been adopted, are not implemented enthusiastically.

Workings of the cooperative banks which include KCCB, are not automated. The lack of modernity in their working environment does not attract young and talented workers of the twenty first century to cooperative banks. An overall environment of traditional outlooks permeates KCCB where this study was carried out.

KCCB has rarely advertised its entrepreneurship-oriented products and services, resulting in the targeted entities not being aware of those offerings.

It is high time cooperative banks re-positioned themselves proactively to be in tune with the main line commercial banks of the 21st century. They have not only to embrace prudential banking principles and practices but have to implement them. Gone will be days soon in which they were zealously protected and nourished by their respective state governments. The time has now arrived for them to submit voluntarily and fully to the jurisdiction of Reserve Bank of India if they want to survive as banks.
The present study examines the various factors that contribute the non-performing assets of cooperative bank especially the Khordha cooperative credit bank in Odisha. For the collection of date 873 people approached and finally 406 members responded. The data collected analyzed under two segments. One is general and other is specific. Under the general it includes gender, age, educational qualifications, income distribution, and number of dependents and sources of income. Similarly for the specific data after conducting pilot study 18 items shortlisted for the questionnaire purpose and these includes the 70 sub-variables. For the analysis purpose simple percentage and ranking method is used and the study found that NPAs are considered as an important parameter to judge the performance and financial health of the banks. The level of NPAs is one of the drivers of financial stability and growth of the banking sector. Reeducation of NPA will improve the profitability of the banks and comply with capital adequacy norms. The quality appraisal, supervision, proper follow up undoubtedly will assist to solve the problems. In a situation, where nature of clientele is bit complicated the top management of cooperative banks must ensure that the right amount of credit is given to the right client. The judicial system need to be restored to have a smooth the progress of quick recovery of dues from defaulters. The pre credit and post credit appraisal should be done more objectively. The politicians’ interference should be reduced and it needs a political will on the part of the government to short out the issues related to politicians. The mounting NPAs of co-operative banks deter their financial health of profitability, liquidity and economics of scale of operation. The bank has to take timely action against delegation of performing assets. The management of NPAs has been an immense task before the bankers because it challenges the banks resistance capacity. The occurrences of NPAs may not avoidable entirely but they can be managed effectively. The fresh incidence of NPAs should be avoided but not at the cost of fresh deployment of credit.
Last but not the least, the Cooperative Banking System itself needs to be revamped in the state of Odisha. Gone are the days when cooperatives were based on one cardinal principle – ‘Cooperation’. In the complex and uncertain domain of banking business of the 21st century, cooperatives have to function on another guiding principle – ‘Profit’. With profit they would flourish; with loss they would perish. The three tier structure of Cooperative Banking System prevalent in Odisha is steeped in traditions for ages. Business models of entrepreneurs have changed, while the format of working of cooperative banks has not. There is therefore a huge disconnect between the two. The attitude of politicians under whose strangle hold the cooperative banks function, the infrastructure of cooperative banks, their quality of human resources, their method of conducting business, standard of customer service – all have to be repositioned to be in tune with the modernity of this millennium. Reserve Bank of India, India’s regulator of banking system, has been desperately trying to change all that and bring the cooperative banks of the country into a new groove. It has still miles to go to achieve even a semblance of success in its endeavors, because of stiff opposition from politicians and other vested interest entities. But then time waits for none. Politicians and the others of their ilk better read the writings on the wall and eschew opposition to RBI. Else, the saga of the cooperative movement shall soon be a close chapter in the annals of India.