CHAPTER II
CHAPTER – II

REVIEW OF LITERATURE

Review of literature is a systematic survey on the facts, figures and collection of major findings of past researches on a particular topic. It is useful to understand what has happened in the subject during the past. In every research, there are certain preliminary works done by the researcher and the review of literature is one of them. The review of available literature and studies is the basis for further research. It is worth to review the relevant literatures before doing a research study. It exhibits how much work has been already done in the area under research. A review of literature is further helpful to indentify the research gap and lead the study to fill such gaps. As the review of literature is the base for any study a separate chapter has been devoted for the said purpose. A detailed literature on the co-operative banks, financial performances and other related issues are given below.

Patel (2005)\(^1\) has discussed in his article that the District Central Co-operative Bank is the central financing agency in the entire district. At the district level, 18 Central Co-operative Banks including one Taluk Co-operative banking Union with their 1026 branches are operating within their area of operations. District Banks cater the financial needs of the Urban Cooperative Credit Societies, FSS, LAMPS and the other non-agricultural Societies, Taluk and District Sales and Purchase Union etc through their branches spread at taluk and village levels in the concerned District and thereby cover whole state. The cooperative credit structure has been developed in India with the mission that they will provide the agricultural and financial aids to the needy farmers at a reasonable rate of interest.

The DCCBs are mainly doing three activities in their area of operation like (i) advancement of agricultural finance (ii) collection of deposits and (iii) providing banking services. Up to 1990 the DCCBs has a Monopoly business and they were covering about 70 percent of the population particularly in rural area through their business. After the introduction of New Economic Policy (NEP) the business of the DCCBs has become very competitive and they are facing stiff competition in their area of operation where they have to flourish their business before Nationalized bank, Commercial Bank, Private Bank, Foreign Banks, Non-Banking Financing Agencies, and others. The overall profitability of the DCCBs is also going down year to year. Out of 18 DCCBs in Gujarat only 10 are earning profit and 8 are in loss. The percentage of NPA of the DCCB is also exceeding from 35 to 40 percent in most of the DCCBs. Looking to the present situation prevailing in the area of DCCBs it is revealed that DCCBs have to construct themselves more effective and efficient in the area of operation so that they can face the stiff competition and justify their objective of the existence.

Ramesha (2006)\(^2\) stated in his study that the Urban Co-operative Banks’ (UCBs) segment, which was considered as one of the robust and fast expanding segments of the banking system till late 1990s, has become one of the weakest with regular cases of failures. This research clearly establishes the relationship between the extension/tightening of prudential standards and performance of UCBs. On the one hand the share of deposits and advances of UCBs to the total of the banking system has shown a declining trend, on the other the tightening of prudential standards particularly after 2000-01 has resulted in a significant structural break in the direction of growth rates of key variables. This trend, if continued for next 4-5 years would not only further reduces the contribution of UCBs, but also may result in failures on a much

larger scale. It must be recognized that an UCB’s basic organization is driven by the philosophy of co-operation and in a increasingly competitive environment an urban bank becomes more vulnerable on account of factors like size, location and compulsions to lend to a sector and thus, is deprived of scale economies.

Rather than tackling the ever-increasing number of weak and sick UCBs through restructuring and rehabilitation programs, the Government/RBI must revisit the idea of setting up of a separate regulatory body for UCBs and promote professionalism and governance, so that to some extent the impact of size related disadvantages of UCBs are minimized. For smaller UCBs, a different set of norms may be carved out from the existing prudential standards and for larger UCBs having multi-state presence and offering full range of banking services, perhaps appropriate regulatory and supervisory mechanism is a pre-requisite for the extension of prudential standards on par with other players.

Suresh (2006)\(^3\) observed in his paper that the idea of co-operative took concrete shape in India for the first time in 1904, when ‘Co-operative Credit Societies Act 1904’ was passed, amended in 1912 and 1919, which has widened the scope of the co-operative movement in India. The co-operative banking sector in the Indian Economy holds a distinct identity, as it is the only institution of micro credit dispersion. The phenomenal growth of co-operative enterprise in recent years is a positive proof of the fact that among various financial institution agencies, they have been recognized as the best for supplying un-exploitative, cheap, sound and dynamic credit to small borrowers, professionals, artisans and the weaker sections of society. Due to certain changes in the banking sector and new economic policies, the co-operative sector in general and Urban Co-operative Banks (UCBs) in particular, have undergone a crisis. At the same time the

failure of some good Schedule Banks and Urban Banks has also attracted the attention of the people and raised the question of security of their funds. So that the need to find actual financial stability of the UCBs and assure investors about the operational as well as financial efficiency of the UCBs has been felt. Distinctive feature of the UCBs as compared to other banks have motivated the researcher to undertake research on the financial position of the UCBs. To examine profitability, financial efficiency of banks of North Gujarat, the data related to all the twenty Urban Co-operative Banks for the past seven years viz. 1997-98 to 2003-2004 have been collected and various techniques of measuring performance like Common Size Statement, Ratio Analysis and several statistical techniques have been applied to analyze and draw conclusions.

Swarup (2006)\textsuperscript{4} obtained in his article that cooperatives as an institution in India are more than a century old. With more than a lakh grass root level cooperatives, their presence is formidable. Notwithstanding, impressive gains made by cooperatives in terms of their rural outreach and coverage of small and marginal farmers, their financial health has been a matter of concern. The study is an attempt to enquire into the factors which impact financial health of cooperatives reflected through their recovery performance. The empirical findings suggest that Government should allow the cooperatives to evolve in a natural manner rather than through initial official encouragement and subsequent intervention. Government’s contribution to share capital of cooperatives should be stopped. There is also a need to revisit the issue of appropriate member size for a base level cooperative so that cooperative principles are internalized amongst members. Very large cooperatives should be avoided both in principle and practice.

Hesse and Čihák (2007)\textsuperscript{5} explained in their paper that cooperative banks are an important, and growing, part of many financial systems. This paper empirically analyzes the role of cooperative banks in financial stability. Contrary to some suggestions in the literature, we find that cooperative banks are more stable than commercial banks. This finding is due to the lower volatility of the cooperative banks’ returns, which more than offsets their lower profitability and capitalization. This is most likely due to cooperative banks’ ability to use customer surplus as a cushion in weaker periods. We also find that in systems with a high presence of cooperative banks, weak commercial banks are less stable than they would be otherwise. The overall impact of a higher cooperative presence on bank stability is positive on average but insignificant in some specifications.

Rutamu and Ganesan (2008)\textsuperscript{6} suggested in their article that capital deficiency is one of the causes for underdevelopment and backwardness in developing countries. Capital formation has three important stages: saving, financing, and investment. Financial institutions in general and banking sector in particular play a strategic role in the financing stage of capital formation. In the banking sector, cooperative banks undertake the responsibility of mobilizing the scarce savings of the community and canalizing these savings for purpose of productive investment in the economy. The paper has discussed the performance of Banques Populaires and the determinants of its Profit and Profitability. It has been noted that the Net Profit was not distinguished from Gross Profit in the years (1994-2004) that came after the civil war in Rwanda which had destroyed the economy of Rwanda and brought the Banques Populaires and other infrastructures to a standstill. The benefit tax expense was not deducted from Net Income of


Banques Populaires until 2005 when the bank had normalized its operations. The low return from investment of Banques Populaires indicates lack of proper expenses management and unsatisfactory sources of income other than interest from advances. It is, therefore, crucial that BP should make further effort for the improvement of its efficiency in operations so that the low profitability as highlighted in this paper is uplifted.

Gutiérrez (2008)\(^7\) discussed in his paper argues that the governance framework of cooperative banks may hamper raising capital, particularly at time of distress, complicating the bank resolution process—especially for large banks—and may not provide adequate incentives to control banks’ management. Reforms should preserve the positive characteristics that make cooperative banks a valuable addition to the Italian financial system, while providing enough flexibility and incentives for banks to adopt a suitable governance model. Our empirical analysis suggests that cooperative banks may enjoy a higher degree of monopoly power than commercial banks. Thus, regulations and the enforcement of antitrust policies should ensure a level playing field.

Harshitha et al., (2008)\(^8\) viewed in their paper that farm credit is a strategic input. Among the various financial institutions, the cooperatives have emerged as a major source of farm credit. The present study was undertaken with an objective to analyze the growth in the performance indicators of DCC Bank, Shimoga. The study used secondary data collected for the period 1990-91 to 2005-06 from various sources along with primary data relating to income level, experience and number of trainings undergone collected from the selected officials and non-officials of the

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bank for assessing their impact on overall performance of the bank. The result for the Head Office revealed that the number of deposit accounts showed the maximum growth of around 8 percent, followed by the number of employees (6 percent), and the number of members (3 percent), among others. All the financial indicators for the Head Office showed high positive growth, the highest one being in respect of advances (36 percent). Similar trends were observed for branches. The overall performance of the bank depended mainly on the training and experience of chairman and managing director.

Gupta et al., (2008)\(^9\) aimed in their article that the Indian banking sector, which was predominantly controlled by the Government, was liberalized in early 1990s. The resultant competitive forces, coupled with more stringent regulatory framework, have created pressure on the banks to perform. Efficiency has become critical for banks’ survival and growth. This paper analyzes the performance of the Indian banking sector, measured and compared in two stages: Through the construct of productive efficiency using the non-parametric frontier methodology, DEA and finding the determinants of productive efficiency through TOBIT model. Inputs and outputs are measured in monetary value and efficiency scores determined for the period 1999-2003. The study shows that SBI and its group have the highest efficiency, followed by private banks, and the other nationalized banks. The results are consistent over the period, but efficiency differences diminish over period of time. The capital adequacy ratio is found to have a significantly positive impact on the productive efficiency.

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Siudek (2008)\textsuperscript{10} discussed in his study the role of cooperative banks in development of agriculture and rural areas in Poland. The research results indicate that cooperative banks are the most important institutions financing this development by granting credits. They are also the main intermediaries in direct payments’ flow between EU agricultural funds and Polish farms. Empirical analysis results show that the increase in the level of agricultural loans granted by the cooperative banks positively influence development of agriculture in Poland.

Maditinos et al., (2009)\textsuperscript{11} stated in their paper that the merger effects of two banks. The merger took place in mid 1999s and the effect was the Alpha Bank. The research is performed in two parts. The first part investigates the merger in the short-term, while the second part investigates the long-term effects of the merger exploring the relative position of the Alpha bank within the industry. Results show a beta-risk value for the Alpha bank which is a reconciliation of the beta-risks coefficients of the two banks, and moreover, reveal that Alpha bank is not only profitable but also competitive within the industry.

Chowdhury and Ahmed (2009)\textsuperscript{12} investigated in their article that in a developing country like Bangladesh the banking system as a whole plays a vital role in the progress of economic development. In this paper we have tried to analyze the development and growth of Selected Private Commercial Banks of Bangladesh. It is observed that all the selected private commercial banks are able to achieve a stable growth of branches, employees, deposits, loans and advances, net income, earnings per share during the period of 2002-2006. Seven trend equations have been tested for different activities of the private commercial banks. Among them the trend value of


branches, employees, deposits and net income are positive in case of all the selected banks. Square of correlation coefficient (r2) has also been tested for all trend equations. The r2 of branches, deposits and net income is more than 0.5. It indicates the prospect of private commercial banks in Bangladesh is very bright.

Navarro (2009)\textsuperscript{13} suggested in his paper that credit co-operatives are now a reality in the majority of European Union countries and play a significant role in the national banking system. The co-operative credit system in Europe has 4414 local and regional banks, 62,328 branches, more than 45 million partners, 139 million customers, 7, 22,361 employees and a 20% market share of deposits. The Spanish credit co-operatives form a cooperative banking system which is created as a model of a federate bank similar to other European systems, like France, Holland, Finland and Germany, countries where the co-operative system has been developed. In this paper we will focus on the recent evolution of Spanish credit co-operatives and especially rural savings banks with the creation of “Caja Rural Group” in 1989, which 95% of rural savings banks belong to.

Pareek (2009)\textsuperscript{14} observed in his paper that profitability performance analysis is one such technique through which the overall efficiency of a financial institution can be analyzed. It is concerned with the income and expenditure analysis. It is carried out using two sets of ratios viz, Spread and Burden Ratios. Analysis of these two categories of ratio reveals the ability of banks to make profits. The Urban Co-operative Banks (UCBs) occupy a significant place in the Indian Co-operative Banking structure. But these banks are not able to increase their size due to lack of

public confidence. Barros et al., (2010)\textsuperscript{15} viewed in his paper that the Luenberger productivity indicator is employed to estimate and decompose productivity change in a sample of cooperative banks operating in 10 EU member states. An average annualized productivity growth of 2.59% is reported between 1996 and 2003, though there is heterogeneity in growth rates across countries. Generally speaking, productivity growth is driven by technological change. However, cooperative banks in southern European banking markets benefit as much from efficiency growth or catching-up with industry best practice. The results suggest that technology sharing arrangements and greater competition arising from deregulation are positive contributors towards productivity change.

Chander and Chandel (2010)\textsuperscript{16} explained in their article that co-operative Banks are organized and managed on the principals of co-operation, self-help, and mutual help. These have been playing imperative role in Indian financial system with broad network in both urban and rural areas. Around three hundred and seventy two District Central Co-operative Banks (DCCBs) with large number of branches and extension counters cater to the needs of nearly one lakh societies in rural India. In Haryana nineteen DCCBs with more than two hundred branches have been facilitating self-sufficiency in food grain production, creation of better employment opportunities and organizational strength to the rural people through banking services. Recently, the scams in co-operative sector, failure and closure of unviable branches, imposition of penalty by the regulators and payment of heavy money claims due to bankruptcy of co-operative banks etc. are few significant reasons which persuade to inquire into the financial affairs of these institutions. Many co-operative banks became insolvent and others are on the brink of mergers or

acquisition. The present study was conceptualized to examine the financial viability, efficiency and performance of four DCCBs operating in Gurgaon division in Haryana (India), viz. Gurgaon, Faridabad, Mahendergarh and Rewari for a period of twelve years (1997-98 to 2008-09) by financial analysis and z-score analysis. The financial parameters here taken are profitability, liquidity, efficiency, solvency, risk and bankruptcy. The results reveal that four DCCBs with approximately fifty branches have not been performing well on all financial parameters taken for study. The banks performed well on one parameter but deteriorated on another and in different years as well. All the banks have been a part of bankruptcy zone (weak performance zone) throughout the study period. The banks need to visualize their operations, policies and strategies for effective utilization of available financial and human resources. The banks should amend their vision and act accordingly for sustenance in fierce competitive financial environment.

Hsiao (2010)\(^1\) aimed in his paper that since 1992, Taiwan financial industry opened new banks to establish which terminated the 50 years monopolization of the public owned bank and changed the environment of financial industry. To accommodate the fast transition of financial environment and Government’s strong promotion of reforming of public owned bank, Taiwan Cooperative Banks license went on the market at Taiwan Stock Exchange Corporation on April 4th, 1995 and accomplished the goal of the public owned banks’ privatization. Because of this, it made bank industry face a highly blind competition due to the similarities within banks. The purpose of this study was to probe into the benefit of under the managing environment of low interest rate, how cooperative bank can go forward to the managing model of largeness, diversification and internationalization and establish financial holding companies. They hope that they can develop more financial products, satisfy the customers’ needs and increase more

profit and efficiency by the way of division of labor and cooperation. This study compared the Taiwan Cooperative Bank and the samples of 13 financial holding companies during 2006 to 2009 by using DEA (Designated Examining Authority). The results indicated MPI (Management Performance Indicator) to obtain the main reason that influenced the production in order to have better production. After privatization, Taiwan Cooperative Banks technical efficiency value, pure technical efficiency value or scale efficiency value are 1. It showed that Taiwan Cooperative Banks reforming is very successful and has a miniature and its own superiority to be a financial holding company in the future.

Khandare (2010)\textsuperscript{18} discussed in his paper that the origin of urban credit movement in India can be traced to the close of Nineteenth century. The growth performance parameters of urban cooperative banks in Beed district shows on an average positive growth rates during the study period. It is observed from the study that the farmer and female customers of these banks are only 5 and 8.5 percent respectively. 63 percent customers utilize demand draft service; 18 percent customers utilize locker facility, 6 percent customers utilized overdraft facility and 74 percent customers’ utilized clearing and transfer facility. It is observed that 90 percent customers expected electricity bill facilities, 80 percent A.T.M. services and 7.5 percent passport services.

Mitra (2011)\textsuperscript{19} stated in his paper that urban co-operative banks (UCBs) are one of the vital segments of the banking industry of India. They essentially cater to the credit needs of persons of small means. Though some UCBs have shown credible performance in the recent years, a large number of banks have shown discernible signs of weakness. The operational efficiency is unsatisfactory and characterized by low profitability, ever growing non-performing


assets (NPA) and relatively low capital base. Probably the biggest challenge facing the banking sector, especially the UCBs, is proper corporate governance. The large scale sickness in the UCBs has shaken the public confidence in co-operative banks. In this context, the paper makes an attempt to give an overview of corporate governance of urban co-operative banks in India.

Petropoulos and Kyriazopoulos (2010)\textsuperscript{20} observed in their paper that the analysis of the banking sector has been the object of study by many researchers. This study evaluated the profitability, the efficiency and the liquidity of the co-operative banks in Greece for the time period 2003-2007. In order to achieve this we present the course of the co-operative banks in Greece and we analyze a series of basic arithmetic indexes. A comparative analysis of the co-operative bank indexes with those of the Greek banking system as a whole is attempted as well. For the analysis of the economic magnitudes of the co-operative banks the groups of indexes such as: of profitability, of efficiency and of liquidity are being implemented. With the help of the above indexes the values of the corresponding magnitudes for the co-operative banks as a whole through the years is compared. Also the value of the above magnitudes is compared with the corresponding ones of the total banking sector. Finally, through the above analysis the reasons for these changes through time are pointed out. From the analysis is revealed that profitability and efficiency for the co-operative banks turn out to be very satisfactory. More specifically these indexes for the co-operative banks are better compared to the equivalent ones of the banks as a whole while the liquidity indexes for the co-operative banks are worse compared to the equivalent ones of the banks as a whole.

Raveesha et al., (2010)\textsuperscript{21} suggested in their paper that the Co-operatives play vitally in disbursing agriculture credit over the years. Its evaluation is essential for further improvement in its linkage and development of agriculture. Present study was on growth of primary co-operative agriculture and rural development banks (PCARDBs) undertaken in the year 2004-05 in five banks of Tumkur district (Karnataka). The 15 years time series data on various indicators were collected and Compound Growth Rate (CGR) analysis was applied. The gist inferred that growth of PCARDBs was reasonable and satisfactory in terms of total membership; increase in total share capital of PCARDBs was due to increased number of members and increase in per member share capital. Felt necessary to increase the loan amount advanced. However the problem of overdue was acute and requires bilateral attention, on the part of Government in implementing policies and greater skills on the part of management for loan recovery to provide sustainable services to the farmers.

Rejiek\textsuperscript{m} (2010)\textsuperscript{22} observed in his study that measuring customer satisfaction is critical in the process of serving the customer. The importance of improving service quality in the banking industry is highly considered for achieving objectives of the industry in whole. Service quality considerations are comparatively less among co-operative banks in the state due to various reasons. An in-depth analysis of the service quality perceptions of their customers is essential to achieve sustainable growth for the sector. The perceived quality is normally assessed based on service quality dimensions such as tangibles, reliability, responsiveness, assurance and empathy. The SEVPREF instrument is considered as an ideal instrument to measure service quality. This


study is an attempt to measure service quality among co-operative banks in Kerala using SERVPERF instrument.

Sadek et al., (2010)\textsuperscript{23} viewed in their paper that the objectives of this study were to determine mean comparison in all 6 dimensions between Cooperative Bank (CB) and Islamic Bank of Britain (IBB) in Leicestershire, United Kingdom, to compare the ranking for CB and IBB based on the customers preference and lastly to identify the similarities between CB and IBB based on customer preference. A sample of retail banking customers from CB and IBB was surveyed through a set of questionnaires. The proposed scale is called SERVQUAL and comprises 33 items named ‘CARTER’ with six dimensions (Compliance, Assurance, Reliability, Tangible, Empathy and Responsiveness), which customized for suitability of CB and IBB. The data was analyzed based on SPSS. The study indicated that the mean comparison for all 6 dimensions were compared and shown that the Compliance issues were very important for IBB customers, while the same cannot be mentioned for the CB customers, who gave more importance to Empathy and Responsiveness. On the other hand, the highest ranked between IBB and CB were found, where the customers of IBB chose No interest paid nor taken on saving and loan as a preferred items and CB customers more preferred to chose Run on ethical value as the highest rank. The results also demonstrated that the similarities were found where almost of the items in Assurance have a similar ranking in both of banks. Future research should be conducted with a big number of respondents to ensure the representative and conclusive finding. Next, the new research needs to increase a number of banks to obtain the good result.

Sapovadia (2010)\textsuperscript{24} obtained in his study that the Cooperative movement in India has its own status, role and impact in the socio-economic development of the country, specially for providing organizational and financial support to give impetus to income generating activities for weaker sections, like small farmers, artisans, weavers, landless labours, fisherman and urban poor etc. through half million cooperatives and 250 million members. The cooperatives in United States have corporate character and have lesser Government control. The members of US cooperatives are 100 million & comparatively educated and active. Here they take synergic benefit of cooperation. The activities are manifold and some time in newer field, a typical characteristic of approximate 50,000 cooperatives. Author has compared historical background & need of emergence of cooperatives in light of social, political & economic perspectives. By appraising financial performance of few key sector cooperatives & highlighting through prominent cooperative case study from both countries, author has critically suggested what can be done in current globalization era by Government & cooperatives of both countries.

Bhardwaj et al., (2011)\textsuperscript{25} analysed in their study that the role of Co-operative banks in agriculture credit in India from 2001/2002 to 2006/2007 with the help of ACGR. The study reveals that the aggregate amount of agriculture credit has increased, while, the share in total institutional agriculture credit has been decreased from 37.91 in 2001/2002 to 18.51 in 2006/07 and further, found that the level of NPAs in Co-operative banks is very high as compare to other financial institutions in India. So, co-operatives banks should control their NPAs level for surviving in credit market of India in future.


Franco et al., (2011)\textsuperscript{26} viewed in their paper that cooperative banks are small and their survival is not guaranteed by the "Too Big To Fail" policy so that their default can be concrete in time of crises. We analyze the contribution of efficiency to cooperative bank probability of default. We estimate several measures of bank efficiency (focusing on costs, revenues, net profits, operating income, intermediation and interest margins) and we run the survival analysis to identify if different managerial abilities play a different role. By using a discrete-time survival model, we show that efficiency has a positive and statistically significant link with the probability of survival of cooperative banks.

Hooda (2011)\textsuperscript{27} “analysed in his paper that banks are the backbone of Indian Financial System. In our country, the banking sector broadly consists of Scheduled Commercial banks (SCBs) and Co-operative Banks. The country witnessed rapid change in the banking sector after nationalization of banks. Co-operative banks supplement the commercial banks to deepen the financial intermediation by bringing large number of small depositors/ borrowers under the formal financial sector. The present paper is an attempt to compare the position of State Co-operative Banks (SCBs) with Scheduled Commercial banks (SCBs) on the basis of three financial ratios. Cash-deposit ratio of SCBs has been more than that of SCBs during the study period. Investment-Deposit Ratio of SCBs has also always been more than that of SCBs during the same period. Credit-deposit ratio of SCBs has been more consistent in comparison to that of StCBs under the reference period. The paper concludes that SCBs and SCBs differ significantly as per these selected ratios during the reference period.”

\textsuperscript{26} Fiordelisi, Franco and Mare, Davide Salvatore Mare, Efficiency and Probability of Default in Cooperative Banking (February 28, 2011). Available at SSRN: http://ssrn.com/abstract=1776423 or http://dx.doi.org/10.2139/ssrn.1776423.

Jayamaha and Mula (2011)\textsuperscript{28} stated in his study that many small financial institutions (SFIs) in developing countries make great effort to provide efficient services to poor house holders. It is generally accepted that maintaining the best financial practices which are of importance in corporate governance mechanism of institutions, has a close relationship with the efficiency of financial institutions, although they are small. This paper seeks to test best financial practices of cooperative rural banks in Sri Lanka (CRBs) and whether these practices have a significant impact on the efficiency of these institutions. The financial practices of CRBs was assessed using ratios of capital adequacy, liquidity, asset quality, loan to deposit, profitability, loan portfolio yield, operational efficiency, and operational self-sufficiency. The efficiency of CRBs in Sri Lanka was examined by using Data Envelopment Analysis (DEA). Based on the data extracted from CRBs’ financial statements, correlation coefficients showed that several ratios have significant associations with the efficiency of CRBs. This confirms that efficient CRBs maintain best financial practices which contribute to their higher levels of efficiency.

Kakulla and Reddy (2011)\textsuperscript{29} noted in his paper that banking sector in India is currently passing through a challenging phase. The reform measures taken in 1991 have brought about sweeping changes in this vital sector of the country's economy. Cooperative Banking is a key sector in the Indian Banking scene, which in the recent years has gone through a lot of turmoil. This paper mainly focuses on Cooperative Banking Sector and financial assistance to the people with small means to protect them from the debt trap of other money lenders. Co-operative Finance is a vast and powerful element of co-operative institutions in India. The main Cooperative banking segment in India has a lot of potential since every state in the country has


almost similar set up in each district. This paper explains about characteristics, procedures; assess the suitability to the country of a co-operative Banking sector.

Kumar and Kumar (2011)\(^{30}\) observed in their study that a cooperative is an ideal democratic association of its members, for its members and by its members, is based on the one member, one vote system of decision making, certain ethics and principles of its own, which differentiate it from other forms of organizations. A cooperative is usually viewed as a socio-economic organization, which can fulfill shared objectives of its members. Central cooperative banks are also a part of cooperative institutions. Central Cooperative Banks in rural areas mainly finance agricultural based activities including farming, cattle, milk, hatchery and personal finance etc. along with some small scale industries and self-employment driven activities through its branches and primary agriculture credit societies. In this paper an attempt had been made to evaluate the financial performance of Patiala Central Cooperative banks.

Kumar and Malhan (2011)\(^{31}\) viewed in their study that the role of Co-operative banks in agriculture credit in India from 2001/2002 to 2006/2007 with the help of ACGR. The study reveals that the aggregate amount of agriculture credit has increased, while, the share in total institutional agriculture credit has been decreased from 37.91 in 2001/2002 to 18.51 in 2006/07 and further, found that the level of NPAs in Co-operative banks is very high as compare to other financial institutions in India. So, co-operatives banks should control their NPAs level for surviving in credit market of India in future.


Mattei et al., (2011)\textsuperscript{32} analysed in their study that an extensive theoretical and empirical literature acknowledges the crucial role of cooperative banks in promoting local development. The history and peculiarities of the cooperative model seem, in fact, to make this type of bank particularly active in lending to families and SMEs. This study focuses on the Italian banking system, comparing two kinds of banks, banche Popolari – a particular type of cooperative bank in Italy – and joint stock banks, to investigate differences in the behaviour of such banks. In particular, we analyse a sample of 147 Italian banks over 2005–2009, focusing on the profit and loss account margins, credit quality and capital adequacy of these two institutional forms. The research concludes that cooperatives pay for their attitude to supporting SMEs with a lower credit quality, and they counterbalance this by showing higher capitalisation and higher profitability in terms of the net interest margin.

Rachana (2011)\textsuperscript{33} observed in his study that in an Index of Financial Inclusion, India has been ranked 50 out of 100 countries. Only 34% of the India's population has access to basic banking services. The objective of the paper is to study financial inclusion in rural areas, reasons for low inclusion, satisfaction level of the rural people toward banking services and to assess the performance of the banks which are working in the rural areas which mainly include the cooperative banks and regional rural banks. Structured questionnaire designed on the basis of literature review was used to collect data from 200 people residing in Ambasan, Jotana and Khadalpur villages of Gujarat. The paper first describes in detail the financial inclusion status in India and Gujarat followed with a review of scenario at the global level. The third section analyses the data with the help of Chi-square test and Tabulation followed with the discussion of


analysis, recommendations and conclusion indicating that there is lot of opportunity for the commercial banks to explore the rural unbanked areas. Though Regional Rural Banks (RRBs) and Primary Agriculture Credit Societies (PACS) have good coverage but most of them are running into losses. Commercial banks should seize this opportunity rather than looking at it as a social obligation.

Ramakrishna and Aiahanna (2011) \(^{34}\) presented in their paper that to evaluate their financial performance and to identify the problems faced by these banks in the state. The urban cooperative banks are the most important segment of cooperative sector in the country which is totally self reliant and most vibrant. Bangalore city was selected as the study area and 5 Urban Cooperative Banks in the city were selected randomly. The overall increase in number of UCBs in the state as a whole was 3.24 per cent per annum. The number of branches increased significantly with the growth rate of 8.44 and the membership registered a growth rate of 4.89 per cent per annum. The current ratio of UCBs in the study area was in the range of 0.52 to 3.64 which found to be above the standard norms indicating that these banks have maintained reasonable level of liquidity. Credit deposit ratio ranged from 44.4 to 83.2. However these banks are facing several problems like overdue, competition, dual policy of Government, low level of deposit mobilization, absence of trained staffs and continuous losses. The present study is confined to Bangalore city. The data pertaining to Urban Cooperative Banks was drawn from records of sample Urban Cooperative Banks in the Bangalore city.

\(^{34}\) Ramakrishna and Aiahanna, “Performance and problems of urban cooperative banks in Karnataka- A financial analysis”, Asian Journal of Development Matters, 5(3): 2011, pp.128-135
Ramu (2011)\textsuperscript{35} recommended in his paper that it is a common belief that in India, cooperative banks are not functioning well and will not be able to face competition from their counterparts. To confirm this statement, due to mismanagement in some of the urban cooperative banks in the states of Maharashtra, Gujarat and Andhra Pradesh, the public confidence in these banks has been adversely affected by failure of a few scheduled and unscheduled Urban Cooperative Banks (UCBs) during the years 2001 to 2004. However, these banks are now trying to regain public confidence and their deposits again have started showing improvement. Each bank needs to know its standing in the market so that it could formulate its business strategy. For this purpose, the bank also should be able to compare its performance with its peer group on ongoing basis in an increasingly competitive and risky market place. Under such circumstances, only banks that perform well on all fronts will survive. The present study is an attempt to investigate intensively into the profitability performance of UCBs with reference to Tamil Nadu state using a RoE and RoA measure of overall profitability. Five UCBs in Tamil Nadu are chosen as sample. This study covers a period of six years i.e. from 1998-99 to 2003-04. The study reveals that the sample banks show satisfactory performance as regards RoE, RoA and NIM. The low percentage of establishment cost reflects the efficiency of the sample banks with regard to cost control. Though a spurt in the interest expenditure is evident, by curtailing the operating expenditure, bank were able to show higher net profit than before. The major income of the sample banks comes from lending operations and it is stable in all six years. It clearly indicates that the cooperative banks will able to face competition in the present business environment.

Rayhan and Mondal (2011)\textsuperscript{36} discussed in their article that the objective of this study is Performance Evaluation and Competitive Analysis of state owned commercial banks in Bangladesh. This paper finds the development and growth of state owned commercial banks in Bangladesh. Secondary data were used for the research. The study reveals all the state owned commercial banks in Bangladesh are not able to achieve a stable growth, net profit, earning per Share, return on equity, return on assets, net asset value per share but they are capable to achieve a stable growth of deposit, loan and advances, equity. It is also observed that all the state owned commercial banks have high non-performing loan/classified loan and % of classified loan to total loan is very high. Employees of all state owned commercial banks are negative growth. Trend equations have been tested for different activities of the state owned commercial Banks. Positive growth was found in deposit, assets and expense while negative trend was found in number of employees. In case of non-performing loan and % of classified loan positive trend was found in Sonali Bank Limited and Rupali Bank Limited while negative trend was in Janata Bank Limited and Agrani Bank Limited. Square of correlation coefficient (r2) has also been tested for all trend equations. The r2 of branches, employees, deposit, assets are more than 0.5. It indicates that the prospects of these indicators of state owned commercial banks are bright. All other indicators like net profit after tax, earnings per share, non performing loan, and % of classified loan to total loan r2 are not more than 0.5 for all banks. It proves that all state owned commercial banks do not achieve these indicators during the period of 2005-2009.

Reddy and Prasad (2011)\textsuperscript{37} discussed in their paper that the regional rural banks would be a ‘model financial infrastructure’ for rural development with patronage and encouragement given by planners in the field. Thus, the State sponsored, regionally based and rural oriented commercial banks have taken birth in rural India which popularly known as ‘Regional Rural Banks’. These banks penetrate every corner of the country and have been extending a helping hand in the growth of the economy. Despite the RRBs journeyed over three decades, they have achieved performance to the expected level quantitatively not turning towards sound financial management and productivity. Moreover the achieved performance is not uniform though they are working under the approach of same management. Effective performance is the success of every business. In order to achieve the effective and efficient performance, the RRBs have been taken up amalgamation process in the entire organization in the year 2005-06. Amalgamation of regional rural banks was considered to strengthen all the branches financially. In every line of business, the performance of each bank is appraised in financial perspectives and ranked them. In this paper an attempt is made to discuss the financial performance of selected regional rural banks during post reorganization period. To measure the financial soundness of selected sample banks, the CAMEL Model which is an appropriate technique is adopted.

Sebhatu (2011)\textsuperscript{38} aimed in his paper that the rural economy and the urban economy in Ethiopia are largely disconnected. While urban banks have excess liquidity, which costs them money to manage, and some rural people have opportunities requiring credit to be profitable that are low risk, there is no mechanism to bring this liquidity from urban banks to rural businesses. Saving and Credit Cooperatives (SACCOs) can be the link that will give urban banks low risk

loan opportunities in rural areas and give rural businesses access to credit at costs for lower than interest rates currently charged by moneylenders. So, this paper is concerned with management of SACCOs from the perspective of outreach and sustainability of Rural SACCOs to reach large number of members. The required data were obtained from members and SACCO documentation and analyzed using tables and percentages, financial ratios, and correlation analysis with the help of Minitab, a statistical package. The descriptive findings show that membership and financial performance of the SACCOs under study showed an improving trend over the study period. The result of correlation analysis between independent variables and dependent variable showed that existence of strong positive correlation between financial performance (ROA) and the asset utilization. A moderate positive correlation relationship exists between operational efficiency and size of SACCOs (assets size). Conversely, there is a significant negative correlation between financial performance (ROA) and the operational efficiency with correlation coefficients. The study also came out with a range of perspectives on the factors affecting the outreach and sustainability of SACCOs under study. Lack of awareness and poor saving culture, weak organizational arrangement and governance, policy and regulatory environment, weak institutional capacity, low capital base, lack of differentiated products, inappropriate loan security requirements, and threats from other financial institutions (MFIs) were among the factors affecting the outreach and sustainability of SACCOs.

Shiralashetti (2011)\textsuperscript{39} noted in his study that the cotton is an important commercial crop grown in India in large scale. The cotton production in India has crossed 21.80 million bales at the end of March 2007. India stood third next to China and USA in production of cotton among the top five-cotton producing countries of the world. The cotton production in Karnataka State

stood 440 thousand bales during 2006-07. But the cotton production in Karnataka State is very low as compared to the cotton growing states like Gujarat, Maharastra, Punjab and Andhra Pradesh. The cotton textile industries in India in general and Karnataka State in particular have been contributing lot to the growth and development of economy by providing market for the cotton growers and employment opportunities to the many unemployed youths. The Gadag Cooperative Cotton Textile Mill Ltd., Hulkoti, has been in existence for the last 35 years located in a village called Hulkoti of Gadag District of Karnataka State. The Gadag Cooperative Cotton Textile Mill Ltd., Hulkoti, has performed very fine in the first few years. However, the financial statements of last few years of the firm show negative results like gross loss and net loss and imbalance the assets and liabilities structure. The present study is purely based on the secondary data i.e. Annual Reports of The Gadag Cooperative Cotton Textile Mill Ltd., Hulkoti. The data are extracted from the financial statement like manufacturing accounts, trading accounts, profit and loss accounts and balance sheets of the firm from 2002-03 to 2007-08. The collected data are analyzed by using the ratio analysis. Further, statistical tools like percentage, trends and tabulation, mean standard deviation, coefficient of variation and growth rate are also used for the purpose of the study.

Singh and Kaur (2011)\(^{40}\) observed in his study that as a result of financial sector reforms, co-operative banks have to face stiff competition in the market, thanks to the banking technology explosion, new prudential banking norms, customer central banking operations and deregulated and market-oriented banking systems. In response to these changes, co-operative banks had to redefine their business model and strategy. These banks are not only supposed to diversify the loan portfolio, but they have to channelize the savings and deposits to the economic system. The

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The present study is an endeavor to examine the trends in the deposits of the district co-operative banks in Punjab in the post diversification period.

Sunday (2011)\(^{41}\) viewed in his study that the need to main effective working capital management within Small and Medium Scale Enterprises (SMEs) remain pivotal to solvency and liquidity of SMES. Most SMES do not care about their working capital position, most have only little regard for their working capital position and most do not even have standard credit policy. Many do not care about their financial position, they only run business, and they mostly focus on cash receipt and what their bank account position is. For the purpose of this study, Standard working capital ratios were used to measure the effectiveness of working capital in the selected firms. The firms selected show signs of overtrading and illiquidity, concerns was on profit maximization without taken cognizance of payment of creditors. The firms exhibit low debt recovery over credit payment. It is recommended that for SMEs to survive within Nigeria economy they must design a standard credit policy and ensure good financial report and control system. They must give adequate cognizance to the management of their working capital to ensure continuity, growth and solvency.

Alwis (2012)\(^{42}\) presented in his article that co-operatives are exceptional type of organization because of their purpose for existence. They are running business based on predetermined norms called “Co-operative value and principles”. In point of fact, if they depart from this so-called value system, there is no cooperative continuation hereafter. One of the special features behind this body is the owner (member) plays dual role with it, as an owner and


\(^{42}\) Chamaru De Alwis, “The New Mechanism for Performance Evaluation of the Co-Operatives”, This item is provided by International School for Social and Business Studies, Celje, Slovenia in its series Knowledge and Learning: Global Empowerment; Proceedings of the Management, Knowledge and Learning International Conference 2012 with number 817-824.
the foremost customer segment. Because of those surroundings they cannot construct profit maximization as an organizational objective. But really, they have to earn some profits for the survival and long term advancement of the unit. Because of this foundation and special purpose for existence, they can be recognizing as “Co-operative business” by combing the purpose of the entity and its operation. Thus performance of this special entity must be measured through unique mechanism appropriate to the specialty. This article suggests new mechanism for the performance evaluation named “Co-operative performance matrix” by combining business and co-operative value performances.

Babu and Selkhar (2012)\textsuperscript{43} stated in his paper that urban Co-operative banking Sector is an important constituent of Multi Agency banking system operation in the country. These institutions play an important role in the economic enlistment of lower and middle-income group of persons. The Reserve Bank of India in its annual report on trends and progress in banking states that urban banks are important purveyors of credit to small borrowers and to weak sections of the society but is not coming out with any supportive policies that will strengthen the role of UCBs.

Bhat and Murthy (2012)\textsuperscript{44} observed in his study that cooperative banking structure, which is now a century old. The commercial banks after nationalization entered in rural areas, but the cooperative banks still continue to enjoy an important place in rural credit scenario. Goa has a well-knit banking system with as many as 586 banking offices as on 30th September, 2011. Presently there is a bank branch for approximately every 2500 people in Goa, taking into account the population of the State as per 2011 census. In this paper attempt has been made to study the

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performance of “The Goa state Co-Operative Bank Ltd” in the areas of working capital, deposits, advances and profit or loss for 12 years from 1993-94 to 2010-11. The adoption of technology required banks to re-engineer processes, network branches and introduce alternate delivery channels such as internet banking, phone banking and mobile banking, data warehousing and data mining, customer relationship management, integrated treasury management, human resource management and the implementation of core banking solutions.

Das (2012)\textsuperscript{45} analysed in his study that the credit cooperative movement in North Eastern Region (NER) of India which initially started with the establishment of Gaonlia Banks in 1912 in Assam. At present, the eight State Cooperative Banks in the region have 237 branches. The Meghalaya Cooperative Apex Bank (MCAB) was established in 1971 and at present occupies a significant place in cooperative banking in the country. The objectives of this paper are to access the growth and structure of cooperative credit societies in the North Easter Region of India. Further, to access the financial health and to identify overall performance of Meghalaya Cooperative Apex Banks is another objective of this study. The present paper is exploratory research in nature. The nature of data which is collected and used for this research article is secondary. The study covers 8 years from 2002-03 to 2009-10. This paper tries to explore the growth and current status of Meghalaya Cooperative Apex Banks in particular and State Cooperative Banks in North Eastern Region in general. It also aims to study the financial performance and financial health of Meghalaya Cooperative Apex Bank through descriptive statistics and ratio analysis of some selected financial indicators. The following parameters are taken to evaluate the performance of MACBs: 1) Owned Funds parameters: a. Share Capital b. Reserves. 2) Business Parameters: a. Deposits b. Loans and Advances (Outstanding). 3) Recovery

Performance Parameters: a. Demand b. Collection c. Overdue. However, it is observed that SCBs in North Eastern Region are not at par with the rest of the country. The Meghalaya Cooperative Apex Bank is the exception in this context but still faces some common problems that are suffered by other State Cooperative Bank in the region. Low Credit-Deposit (C-D) ratios, high over dues, high volume of Non-Performing Assets etc are common to all State Cooperative Banks in the North Eastern Region of India. But among the rest of all State Cooperative Banks in North Eastern Region, the Meghalaya Cooperative Apex Bank is performing very well in terms of profitability and operational efficiency.

Dharmendran (2012)\textsuperscript{46} examined in his paper that the Non-Performing Assets (NPAs) Concept and Status in State Co-operative Banks (StCBs) in India. This article analyses the prudential accounting norms relating to capital adequacy, income recognition, assets classification and provisioning standards. The position and growth standard assets, sub-standard assets, doubtful assets, loss assets, gross NPAs, provision for NPAs and net NPAs are discussed with the help of percentage analysis and compound growth rate for all the StCBs in India. With the tightening of prudential norms, the banking sector has been consistently conforming to and adopting international prudential norms and accounting practices. Such strengthening of prudential norms has resulted in increased levels of NPAs for the StCBs. Although StCBs continue to play an important role, the relatively high levels of NPAs have made these banks weak and vulnerable. Gross NPAs of StCBs in India stood at Rs.6168 crores (12.79\% of total gross advances) and the net NPAs at Rs.3171 crores as on March 31, 2008 (7.01\% of total net advances). These figures pose a severe threat to the profitability, liquidity, and solvency position of these banks. In the context of global competition, it is paramount task for the banks to manage

their NPAs more efficiently so that they can change their character from non-performing assets to performing assets.

Doumpos et al., (2012)\textsuperscript{47} explained in their paper that cooperative banks play an important role in the European banking system. This paper presents an evaluation of the efficiency and performance of the European cooperative banks. For this purpose an integrated approach is employed using both data envelopment analysis as well as a multi criteria evaluation methodology. Through data envelopment analysis the efficiency of the banks is evaluated under both the profit and the intermediation approach, while controlling for the effect of different country characteristics. The multi criteria evaluation process enables the comparison of all banks in a common setting. The data set involves banks from Germany, France, Italy, Spain, and Austria over the period 2005–2010.

Gnanasekaran et al., (2012)\textsuperscript{48} aimed in their paper that urban co-operative bank ranked a very significant position in the Indian banking sector. Competent management is pre-requisite for the success of any organization. At present highly competitive and globalized business environment, there is an urgent need of professional management for the successful controlling and managing the affairs of the urban co-operative banks. Increasing political hindrance in co-operatives has also affected the strong growth of the cooperative organization. In order to make the management of these banks professional and managing the affairs of these banks on scientific lines, there are several institutions which are directly or indirectly connected involved in imparting education and training to all levels of management. It is hoped that the State

\textsuperscript{47} Michael Doumpos, Constantin Zopounidis, “Efficiency and Performance Evaluation of European Cooperative Banks”, Working Paper No. 05., 2012

Governments will not delay acceptance of the recommendations made by the RBI. In view of the financial sector reforms and de-regulation, Urban Co-operative Banking Sector should be right away freed from restrictive provisions of co-operative Acts so as to make them self- reliant and self- supporting. The purpose of this paper examines the growth and success of the urban cooperative banks in Vellore District through statistical analysis.

Gupta and Jain (2012)\textsuperscript{49} viewed in their article that banking business has done wonders for the world economy. The simple looking method of accepting money deposits from savers and then lending the same money to borrowers, banking activity encourages the flow of money to productive use and investments. This in turn allows the economy to grow. In the absence of banking business, savings would sit idle in our homes, the entrepreneurs would not be in a position to raise the money, ordinary people dreaming for a new car or house would not be able to purchase cars or houses. The Government of India started the cooperative movement of India in 1904. Then the Government therefore decided to develop the cooperatives as the institutional agency to tackle the problem of usury and rural indebtedness, which has become a curse for population. In such a situation cooperative banks operate as a balancing centre. At present there are several cooperative banks which are performing multipurpose functions of financial, administrative, supervisory and development in nature of expansion and development of cooperative credit system. In brief, the cooperative banks have to act as a friend, philosopher and guide to entire cooperative structure. The study is based on some successful co-op banks in Delhi (India). The study of the bank’s performance along with the lending practices provided to the customers is herewith undertaken. The customer has taken more than one type of loan from the banks. Moreover they suggested that the bank should adopt the latest technology of the banking

like ATMs, internet / online banking, credit cards etc. so as to bring the bank at par with the private sector banks.

Kulkarni and Surti (2012)\textsuperscript{50} discussed in their article that banking sector in India play a very important role for country’s economic growth. Banking companies include commercial banks and co-operative banks. In banking sector major reforms have taken place particularly after 1991. Co-operative banks are one which is facing the numbers of problems and such banks are unable to survive them against public sector, private sector and foreign banks. The UCB’s are facing the problems of Non-performing assets since so many years which indicate the performance of UCB’s in India. The numbers of UCB’s in India has declined is due to the increase in NPA and the RBI directive imposed over UCB’s and large numbers of merger / amalgamation had taken place in the co-operative sector. The NPA’s is also a parameter which shows the financial soundness of any banks. Here in this paper the authors try to analyze the NPA’s of UCB’s and had taken the period from 2001 to 2011 for the study. However, RBI Report on trend and progress of banking in India shows the data for gross NPA and Net NPA of UCB’s.

Laxman (2012)\textsuperscript{51} focused in his paper that the performance of the Sangli District Central Co-operative Bank Ltd. Sangli in respect of Agricultural Finance during the financial years 2008-09 to 20010-11. The study is mainly based on secondary data which is collected from Annual Reports of the bank. Primary data regarding problems of the bank have been collected by using discussion and observation method. The analysis of the data revealed that, in general, the


bank is trying to provide more finance to agricultural sector for various purposes and activities, particularly, to small farmers. However, the bank is facing some administrative and banking problems. In view of this, the paper comes out with some specific suggestions for improvement in agricultural finance.

Li and Tian (2012)\textsuperscript{52} suggested in his paper that the implementation of specialized cooperative organizations of farmers Law of P. R. China in 2007, the specialized cooperative organizations of farmers in China has entered a stage of quick development. But beyond the increasing quantity of cooperatives, whether such development is sustainable or not has become a question that caught attention from both Government and academics. This thesis took 142 specialized cooperative organizations of farmers in Sichuan province as object, by using AHP from 5 aspects including governance mechanism, income, development potential, social influence and ecology influence, finally concluded the study on evaluation of performance. The result of the evaluation shows that competitiveness of farmer's cooperatives in Sichuan is still rather weak, operation management is not yet standardized, integral development is inconsistent and development potential of which require further improve.

Mane and Abhijeet (2012)\textsuperscript{53} presented in their paper that the DCC Banks occupy a position of cardinal importance in three-tier credit structure in India. They came into existence due to failure of PACCs to collect the required sources of village community on one hand and to inspire the habit of thrift saving among the members to private strong capital base on the other. The PACCs could not meet the credit requirements of their members. Hence the need was felt to provide parental help to primaries. The DCC Bank is a federal society of all primary co-operative


\textsuperscript{53} M.J.Mane & Mr. Abhijeet Mane, “Problems and Prospects of District Central Co-operative Banks in India”, Golden Research Thoughts, 1(10): 2012.
societies in a district. This Bank provides financial assistance to village primary societies, which requires for providing it further to their members. A State Co-operative Bank provide financial accommodation to DCC Banks in a state, it is closely linked with the NABARD, RBI which provided considerable financial assistance to co-operative credit structure. The DCC Banks plays distinct and prominent role in the development of agricultural, industrial and economic in each district. The DCC Banks act as intermediaries between SCBs and PACCs. The success of co-operative credit movement in a district is largely depends on their financial strength.

Marfo-Yiadom and Kwaku-Agyei (2012)\textsuperscript{54} aimed in their study that the main thrust of this study is to unveil the working capital management practices of SSEs in the Central Region of Ghana. The study used descriptive statistics for the presentation and analysis of findings. The results show that 38 percent of SSEs received credit from their suppliers and the average credit period ranged between two weeks to one month. On the other hand, the credit period given by SSEs to their credit customers ranged between less than a month and 60 days. From the study, two main problems faced by SSEs in dealing with credit customers are late payment and bad debt. The results show that 50 percent of respondents use notebooks while only 0.7 percent uses computers for inventory control. Fifty-seven percent of the respondents had bank account for their businesses. Personal savings accounted for about 60 percent of start-up capital and SSEs consider inflation/price increases to be more problematic than even high debtors turnover period and low stock turnover. Consequently, it is recommended that there should be greater collaboration between the Business Advisory Centre (BACs) and the various associations of SSEs for the financial training of entrepreneurs. Government will have to expand the BACs

currently located in only the district and regional capitals. The National Board for Small Scale Industries (NBSSI) should design and print more simplified record keeping documents, like their current cash book, for use by the SSEs. The SSEs should use their associations in a co-operative manner to procure inventory.

Mitra (2012)\textsuperscript{55} viewed in his study that urban Co-operative Bank (UCB) refers to the primary co-operative banks which were set up to meet the banking and credit requirements of urban and semi urban people and to protect them from exploitation. One of the vital problems which vitiate cooperative banking is inability of the borrower to repay their contractual obligations of interest and principal, leading to Non-Performing Assets (NPA). The presence of NPA has had an adverse impact on the productivity and efficiency of UCB. Therefore an attempt has been made through this paper to study management of NPA by the UCBs especially in the district of Hooghly in the state of West Bengal.

Nallusamy (2012)\textsuperscript{56} discussed in his paper that the performance of the banking sector, evidence found from its profitability of the bank. Profitability has been an important criterion to evaluate the overall efficiency of a bank’s operations. Being a relative measure, it is devoid of the pitfalls associated with interpretation of term ‘profit’. Even if one ignores the past year or peer aspect of measuring profitability, it is still the best indicator of efficiency of banking operations. The concept of profitability is used and interpreted the same way both in a business firm and a banking company. Bank’s profitability has assumed greater importance in the changing scenario of autonomy to banks and financial reforms. Profitability in banking parlance demotes the efficiency with which a bank deploys its total resources to optimize its profit and


thus serves an index of asset utilization and managerial effectiveness. The present paper attempts to explore the relationship between bank profitability and its determinants. Since there are many variables affecting profitability, a model giving the most critical variables / ratios has been developed by using Multiple Discriminant Analysis.

Ory and Lemzeri (2012)\textsuperscript{57} analyzed in their paper that how French cooperative banking groups adapted their organization, status and model to develop and grow, until the current financial crisis. It explores how they benefitted from evolutions in cooperative law that lowered financing constraints and increased the scope of their activities, becoming large banking groups, and identifies how these groups tried to develop a model of governance, characterized by internal control, which was partly dedicated to the members, but biased more and more towards the top of the organizational pyramid and to stockholders (the new stakeholders coming from the existence of listed vehicles). While the developing business model for cooperative banks appeared to confer a comparative advantage and was synonymous with efficiency before the financial crisis, it seems that the hybridization of the cooperative model has also been a source of conflict of interest, weakness in strategy and an incentive to increase risk. The third part of the article examines how French cooperative banking groups have been hurt by the recent crisis and whether different organizational and strategic features or choices may explain different levels of resilience to financial turmoil.

Patel (2012)\textsuperscript{58} presented in his study that the Co-operative movement in India was started a century ago with the enactment of Co-operative society Act in 1904. The Co-operative structure in India can broadly be divided into two segments. While the urban areas are served by


Urban Co-operative Banks (UCBs), rural co-operatives operate in the rural parts of the country. The banking related activities of UCBs are governed by the Reserve Bank of India (RBI), whereas the registration and management related activities are governed by the Registrar of Co-operative Societies (RCS) in case of UCBs operation in single state and Central RCS in case of multi-state UCBs.

Pawar (2012)\(^{59}\) observed in their paper that as a result of Prudential Accounting Norms (PAN) the urban co-operative banks came under the financial tsunami, and became non-viable. But the Cosmos Cooperative Bank Ltd. established in the year 1906, has been emerged as a role model for urban co-operative banks in our country. The relationship identities of profit model has revealed that its profit performance quantified with spread and burden has increased from Rs. 39.79 crores in 2004-05 to Rs. 90.48 crores in 2008-09. Thus the Cosmos Co-operative Bank Ltd. has emerged as a role model for other urban co-operative banks. The increasing profit performance of the bank is due to dynamic and effective leadership, professional approach of management, timely applications of information technology, new products profile and right type co-operative work culture among its operative personnel. The Malegaon Committee is exploring the possibility of using UCBs for financial inclusion of unbanked and under banked areas in our country.

Pratibha (2012)\(^{60}\) viewed in her paper that 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-operatives are organized groups of people and jointly managed and democratically controlled enterprises. They exist to serve their members and depositors and produce better benefits and


services for them. Professionalism in co-operative banks reflects the co-existence of high level of skills and standards in performing, duties entrusted to an individual. The co-operative banks in rural areas mainly finance agricultural based activities, personal finance, finance to small scale industries and self-employment driven activities etc. Thus, for achieving the objectives of economic development and economic planning, banking institutions have to play a vital role for raising the level of savings and for mobilizing those for investment in a proper channel. Present paper is an attempt made to analyse financial performance of Sangli Urban Co-operative Bank Ltd., Sangli, and Dist-Sangli as an empirical case study.

Rakshit and Rakshit (2012)\(^6\) suggested in their paper that NPAs reflect the performance of cooperative banks. A high level of NPAs suggests high probability of a large number of credit defaults that affect the profitability and net -worth of cooperative banks and also erodes the value of the asset. The NPA growth involves the necessities of provisions, which reduces the overall profits and weaken cooperative structure. The issue of Non Performing Assets of cooperative banks has been discussed at length for financial system of India. The problem of NPAs is not only affecting the cooperative banks but also the whole Indian economy. In fact high level of NPAs in cooperative banks is nothing but a reflection of the state of cooperative structure. The paper deals with understanding the magnitude of NPAs in cooperative bank and major causes for an account becoming non-performing in cooperative banks and concluding remarks.

Ramesh and Kishan (2012)\(^2\) explained in his paper that Indian financial system is blended with vast network of financial institutions, markets, services and instruments, where each component plays significant role in an integrated way. Recognized as rural economy


globally, the impetus to financial institutions operating in rural sector has increased
tremendously and cooperative credit institutions having a lead, proved their worth at various
stances. Cooperative credit institutions are engaged in production, marketing, distribution,
servicing, processing and banking with vast and powerful superstructure. Cooperative banks
have been working at state, district and village levels. But scams in cooperative sector, failure
and closure of unviable branches, imposition of penalty by RBI or NABARD and payment of
heavy money claims by DICGC due to bankruptcy of cooperative banks are few significant
reasons which tempt to have a look into the financial affairs of these institutions. Many banks
became insolvent and others are on the verge of mergers or acquisition. The 19 DCCBs with
nearly 100 branches and covering varied 33000 societies have been working as a backbone for
the rural banking sector in Haryana. In the present study, an attempt is made to analyze the
financial performance, efficiency and viability of Five District Central Cooperative Banks
(DCCBs) operating in Rohtak division in Haryana (India) for a period of twelve years (1997–98
to 2008–09) through financial analysis with different parameters and z-score analysis. The end
results reveal that these banks are in astonishing situation as one bank performed well on one
criterion and deteriorated on another, like all the banks performed well in case of liquidity but
needs to make improvements on profitability, solvency, efficiency and risk parameters.
Similarly, all the DCCBs have been deficient on different parameters and make the situation
more vulnerable on bankruptcy parameter. These banks have been suffering from financial
mismanagement and underutilization of resources.
Rene (2012)\textsuperscript{63} examined in her article that the performance effects of merger within the German cooperative banking sector on the basis of agency, synergy and market power related changes. Furthermore, from a strategic management perspective the role of strategic similarities is analyzed. Performance enhancing effects are found from a synergy and market power theory perspective in terms of a reduction in interest costs. Furthermore, problems with synergy gains in the area of personnel costs are discovered. These are so serious that they have hampered a significant change in overall bank performance. A change in market power is also measured in terms of a significant increase in other operating income. It is not possible to detect any significant change in agency related costs. Further, I describe that strategic similarities and size differences are not leading to increased profitability. Instead, differences in diversity of earnings are found to be performance enhancing. Therefore, the previously described increase in other operating income can also be facilitated by economies of scope: services that are originally only provided to the customers of one bank are in the post-merger period provided to the united institute’s combined customer base.

Sant and Chaudhari (2012)\textsuperscript{64} investigated in their paper that the performance of Urban Cooperative banks for the period 2004-2009. Financial ratios are employed to measure the profitability, liquidity and credit quality performance of Ten Urban Cooperative banks from Jalgaon and Greater Mumbai The study found that overall bank performance increased considerably in the years of the analysis. A significant change in trend is noticed at the onset of the global financial crisis in 2007, reaching its peak during 2008-2009. This resulted in falling profitability, less liquidity and deteriorating credit quality in the Indian Banking sector.

\textsuperscript{63} Gohlich, Timo Rene, “The Performance Effects of Mergers within the German Cooperative Banking Sector”, University of Twente Student Theses, 2012.

Siraj and Pillai (2012) discussed in his paper that NPA is a virus affecting banking sector. It affects liquidity and profitability, in addition posing threat on quality of asset and survival of banks. This study explored movement of various NPA indicators; Gross NPA, Net NPA, Additions to NPA, Reductions to NPA and Provisions towards NPA and compare it with Total Advances and Total Deposits of banks. The study utilized bank-group wise performance statistics for post-millennium period up to the period ended 31st December 2011. The study utilized growth rate calculating using AAG rate, correlation and regression study to analyze the movement and significance of NPA indicators during the period. The effect global financial crisis on the NPA indicators as well is explained. The study concluded that NPA still remains a major threat and the incremental component explained through additions to NPA poses a great question mark on efficiency of credit risk management of banks in India.

From the above review it has been understood that, no study had been focused exclusively on financial performance of co-operative studies. Hence, the present study entitled “A study on financial performance of Dharmapuri District Central Co-operative Banks Limited (DDCCBL)” has been taken up with a view to fill the above research gap. Further it is hoped that the study shall highlight the importance of management of funds and utilization of funds in the co-operative bank. Realistic suggestions of the study may prove helpful in improving the financial performance of the District Central Co-operative banks.

To have an idea over the concepts and the origin of co-operatives and the growth of district central co-operative banks in India and the study pursuing state Tamilnadu and district has been discussed in the following chapter.

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