CHAPTER – II

REVIEW OF LITERATURE

2.1 Introduction

2.2 Literature regarding co-operation

2.3 Government reports on credit and co-operation

2.4 Other studies on co-operative banking
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REVIEW OF LITERATURE

2.1 INTRODUCTION

In view of the fact that the present study is primarily related with the contribution of the Beed District Central Co-operative (BDCC) Bank Ltd. Towards agricultural development in Beed District, it would not be out of Place here to present a brief review of the literature of co-operative banking.

The literature on co-operative credit is plenty, studies on the ‘Organization and Management of Co-operative Central Bank’ is peripheral. Volumes of literature on co-operative expert committees and researchers. Most of the studies focused their attention of working of different levels of co-operatives were written by many co-operators, administrators, study teams, expert committees and researchers. Most of the studies focused their attention on working of different levels of co-operative structure (i.e. Apex, Intermediary and primary levels), principles of co-operation and problems involved in the working of various co-operative institutions. These studies have been made on the basis of data collected from secondary sources. All these studies may be termed as reports of enquiry committees, research studies of institutions and studies of researchers. The review of literature is divided into different categories.

2.2 Literature regarding co-operation

2.3 Government reports on credit and co-operation

2.4 Other studies on co-operative banking

2.2 Literature regarding co-operation

Co-operation has always remained a matter of study. The co-operative movement in India is an impact of global co-operative movement. Thus the study co-operation and co-operative banking in India has started at the beginning of last century during the British rule. Some of the important studies are as follows:
Hough (1966) “The Co-operative Movement in India” has also presented a detail review of co-operation in India.¹


Dr. Kulkarni (1964) study “Co-operation in India and abroad” is a monumental study in four volumes reviewing the history of co-operative movement all over the world as well as India.³

Prof. Gadgil D. R. (1961) in his book “Towards a Co-operative Commonwealth” can also be said to be a noteworthy contribution towards studies in Co-operation.⁴

Dr. Bhatangar’s (1970) “Co-operation in India and abroad” also summarizes the history of co-operation in India.⁵

Raghuvir Bedi’s (1958) Theory, History and practice of Co-operation present a vivid picture of the co-operative movement in India and can be called an informative study.⁶

2.3 Governments reports on credit and co-operation

The maclagan Committee (1915): ‘The Committee on Co-operation’ was appointed in the year 1915 under the chairmanship of Shri. C.D. Maclagan to review the progress made during 1912-15 and to suggest appropriate measures. The committee stressed the need for evolving certain norms about the structure, financial management, role of the co-operative department, supervision over primary societies building adequate resources, production oriented loans etc.⁷

The Royal Commission (1928): ‘On Agriculture in India’, studied the working of co-operative movement as a whole and opined that poor standards of internal efficiency, ineffective supervision and illiteracy of the members are the important causes for failure of the co-operative movement in India. The committee
suggested various measures for the orderly growth and development of co-operative movement.\(^8\)

**The Central Banking Enquiry Committee (1931):** Was appointed by the Government of India in 1931 to report on the existing state of affairs in the co-operative movement. On the basis of its recommendations, the RBI was established in the year 1934 and subsequently Agricultural Credit Department came into existence in 1935.\(^9\)

**The co-operative Planning Committee (1931):** Which is also called Sariya Committee enquired into the possible ways of improving the financial strength of CCBs and suggested the coverage of more population under the co-operative fold with the help of starting co-operatives in a wide range of fields. Its other recommendations include entrusting the supervision responsibility to CCBs wherever co-operative unions are not available, establishment of uniform pattern of co-operative department in all the states, adherence to the targets of viability such as deposits, loans, working capital etc.\(^10\)

**The Gadgil Committee (1945):** ‘The Report of the Agricultural Finance Sub-Committee’ headed by Shri G. R. Gadgil suggested the establishment of agricultural finance corporation after studying the adequacy of existing agricultural financial facilities.\(^11\)

**The All India Rural Credit Survey Committee (1951):** After the independence, AIRCSC was appointed in 1951 under the chairmanship of Shri. A.D. Gorwala to review the flow of agricultural finance to the cultivators through co-operatives and make suitable recommendations to overcome the existing bottle-necks. The committee suggested strengthening the financial position of co-operatives with the help of state partnership. Other suggestions include top priority to agricultural credit, production oriented lending’s to the agriculturists, rehabilitation of cultivators in the event of widespread natural calamities, increased financial assistances from the RBI and Apex Banks, etc.\(^12\)

**The committee on Co-operative Credit (1959):** Which was appointed under the chairmanship of Shri. V.L.Mehta to review the adequacy of co-operative credit
has recommended strengthening the internal resources of co-operatives with the help of linking share capital with borrowings, increased state contribution and measures for mobilizing adequate deposits. It has also recommended limiting the borrowing power on the basis of credit with marketing. Regarding the administrative activities of co-operative, a committee was appointed under the chairmanship of Shri. V.L. Mehta by the Government of India in October 1963 to suggest the personnel requirements at each level. Though the committee suggested the strength of the staff at each level, it was not taken on the basis of work performance, but on the basis of information provided by the state departments.  

The All India Rural Credit Review Committee (1966): This was appointed under the chairmanship of Shri. B. Venkatappaiah to reassess the rural credit situation after implementing the suggestions of AIRCS, recommended increased state contribution to share capital, procedure for streamlining the crop loan system, re-organization of CCBs at the rate of one bank of a district, etc.

Dr. C.D. Dattey Committee (1972): A study is made in 1968 on “Training Program for Junior Co-operative Personnel and Member Education” by Program Evaluation Organization, Planning Commission and Government of India. The study covered the existing junior co-operative training facilities was appointed under the chairmanship of Dr. C.D. Dattey by the RBI in December, 1972 to study the position of over-dues at various levels of three tire co-operative credit system and to ascertain the causes. It has stated that inefficiency of the managements is one of the important causes for poor recovery and suggested that there should be many controllable causes, such as timely disbursement of loans, timely recoveries, minimization of lengthy procedures etc.

Shri R. Gandhi Committee (2007): This was appointed under the chairmanship of Shri. R. Gandhi in 19 Dec, 2007. The Reserve Bank in March 2005 drafted a Vision Document for UCBs pointing out the problem of dual control as a restrictive mechanism inhibiting its ability to handle the weaknesses of the entities within the sector. As per the terms of the document, so far 23 State Governments and Central Government (in case of multi-State UCBs) have signed the Memoranda of Understanding (MoUs) with the Reserve Bank covering 98.6 per cent of the total number of the UCBs representing 99.2 per cent of deposits of the sector. As a part of
the MoU, the State level Task Force for Cooperative Urban Banks (TAFCUBs) have been set up to identify the potentially viable and non-viable UCBs in the State and to chart out the revival path and non-disruptive exit route for the two sets of banks, respectively. These measures instilled public confidence in the sector which is evident from the increase in deposits for three successive years, \(i.e.,\) from 2005-06 to 2007-08.\(^{16}\)

### 2.4 Other studies on co-operative banking

Many researchers brought out studies on the co-operative banking in different states micro level studies to bring out deficiencies in managerial aspects such as credit dispensation, loaning procedures, recovery procedures, supervision. Organization structure and their suitability, utilization of co-operative credit, administrative procedures etc., are not taken up extensively by the researchers except in few instances.

The present study is micro-level study of Urban Co-operative Banks in Beed District such type of studies have also been conducted with reference to different blocks in India. Such studies are important from the point that the conclusion in respect of one geographical area can be advantages applied to other areas. Therefore some significant contributions in the area of micro-level studies are outlined here.

**Krishna Rao (1964):** In his study “Six agricultural credit Societies - A case study in Madurai and Salem District”, reviewed the working of the co-operative credit societies in the light of members’ economic conditions.\(^{17}\)

**Ramamuni Reddy (1969):** A Research study made by Shri Ramamuni Reddy, on ‘financing Agriculture by DCCBs’ attempted to focus it attention on organization pattern, resource mobilization, provision of credit and mode of vigilance on utilization of loans etc.\(^{18}\)

**Agro-economic Research center of Vallabh Vidyanagar (1971):** Has also conducted a study entitled ‘An Enquiry in to the Working of Co-operative Credit Institutions.’ The study examines the following limiting factors in the supply of Agricultural credit: Such as Lack of infrastructure in the district, Lack of
homogeneity, Lack of social homogeneity and quality of leadership, Structural and organizational impediments, Procedural impediments and Legal impediments.  

Singh and Balishter (1980): Have studied the effect of flow of institutional credit in agriculture in Bichpuri Block Agra district (U.P.). They have selected its borrowers and classified into small, medium and large size groups, it was observed that the commercial bank mainly financed for fixed capital credit needs of farmers.  

Narayanswami and Ramachandran (1987): Have studied the profitability performance of South Arcot District Central Co-operative Bank. The profitability of the bank was assessed using data relating to the period 1974-1984, Different financial ratio were employed in the analysis involving volume of business, interest earned or paid out, wages, total profit, etc. Profitability has been decreased over the decade under consideration.  

Pandy and Kumar (1989): Have studied on economic of Co-operative credit in Indian agriculture. The paper examines nature and growth of co-operative credit in different States of India over the period 1971-1981.  

Wangikar (1990): Has conducted as study in Parbhani district of Maharashtra and it was concluded that for a large majority of the farmers (66.11 per cent) were advanced insufficient loan. Thus insufficient and in time credit delivery was the main problem faced by the farmers.  

Dr. D.M. Deshmukh (1991): “Administration and financial management of salary earn Co-operative Credit Societies with special reference to Ahmednagar District”. The researcher has made an in depth study of administration of ECCS and financial management. It considered organizational structure operating results and micro study of selected ECCS in Ahmednagar District and a critical appraisal on administration and financial management factors.  

Makadia (1992): Has also conducted a study on evaluation of acquisition and utilization of Co-operative credit in Junagadh district and found that the average per hectare credit requirement was of the order of Rs. 2849/- while the average institutional credit gap was Rs. 1296/- per hectar.

Shrma (1992): Has conducted a case study on recovery of agricultural loans needed for innovative approach. This paper charts the inability of Indian banks to recover debt in a climate of increased lending to agricultural sector.  

Sujata and Gunther (1993): Have studied fund management and profitability of district co-operative Banks. The present study based on a secondary data collected from record of Ernakulm District co-operative Bank.  


Veerashkerappu (1994): Has studied in his research work “The determinants of institutional credit flow to agriculture, an inter district analysis of Karnataka”.  

Bhatt N.S. (1994): A study has been conducted by Mr. Bhatt entitled “The factors causing over-dues in agricultural finance: a case study” the study analyses some important problems of agricultural finance in India having huge over-dues in agricultural credit.  

Rajput M.A. and Verma A.R. (1995): Have studies an impact of farm loans on farm productivity. It was a case study of State Bank of India in Indoor district of Madhya Pradesh.  

Chopra Sanjeev (1998): A study has been conducted by Sanjeev on the structure and organization of the agricultural credit in India. He has studied the relationship between primary societies, apex bodies and CDFA’s.  

Chandra Engandula (1999): has studied the performance appraisal of Karimnagar District Central Co-operative Bank in Andhra Pradesh.
Dr. K.V. Bachute (2000): A study of Human Recourse Aspect of non-agricultural co-operative credit society in Wai taluka, there is regional & sectional imbalance. Most of the societies have to play a vital role in the progress quantitative & qualitative development of the societies depends upon the efficient, effective & active participation of the Human Recourse available at each level on management.  

Dr.R.S.Ramesh (2000): The article of credit co-operative in free market economy a SWOT analysis a study of the functioning of rural credit co-operative in the state of Karnataka has shown that while there are strong and viable co-operative societies, there are a number of co-operative societies which are financially weak and depend largely movement support for their existence in addition to SWOT analysis measures, some external policy measures, some external policy measures may be suggested for creating a congenial environment in tune with the changing market need.  

Roy Partho Partim (2001): Management of Urban Co-operative Bank, Himalaya Publishing House, Mumbai. The co-operative credit movement has changed the rural and urban life of the people. The separate regulations in 1984 for the development of UCB’s, but after liberalization of licensing policy the UCB’s are facing hurdles in their function. UCB’s suffered the problems of productivity, efficiency and accountability of Non Performing Assets. The Reserve Bank of India and Government must Reserve take strong measures to strengthen UCB, other wise the survival of UCB will become difficult. It is seen that all the UCB in Maharashtra have earned more net profit.  

Dr.G.R.Mulla (2001): “Financial Analysis of non-agriculture credit co-operative societies in Pune District with special reference to Junnar, Ambegaon and Khed Taluka.” The researcher studied the financial analysis of Non agricultural Credit Co-operative Credit Societies. He considered trends in wording capital, share capital, reserve fund and other funds, deposits and advances of non-agricultural Credit Co-operative Credit Societies in Pune District. He studied the need of frequently amendment in co-operative law, need of professionalism in co-operative management.
Dr. S.R. Walunj (2003): “Impact of co-operative credit on agriculture Rural development and employment” It is observed that 95% of the total Borrowers obtained loan from primary agricultural credit society because they were located in villages and easily approachable to farmers. Another important point is that farmers can get short, medium & long term loan at a time as a single window service. In addition to these agricultural inputs such fertilizer, seeds, insecticides etc. are also available at it of the society Land Development Bank are located at Taluka places and more time is required for credit delivery. 39

Dr. K.P. Patil (2005): “Evaluation of financial working and operational performance of non-agriculture co-operative credit societies in Jalgaon District.” The researcher has made a study of financial working of operational performance of NACCS in Parola city. The study is confined the analysis and comparison of the financial working of the NACCS considering the banking parameters viz. paid up capital per member, deposit per member, advanced per member, over-dues percentage and credit deposit ratio. The study is considered the horizontal analysis of financial wording of and operational performance of NACCS in Parola city for analysis of past efficiency income analysis, expenses analysis and profit analysis. 40

Dr. R.B. Teli (2005): “Performance evaluation of urban co-operative bank in Kolhapur district”. The researcher has made the study of performance evaluation of urban co-operative banks in Kolhapur district. The researcher considered the progress of different indictors of VCBS in Kolhapur district showed considerable growth in their membership, share capital reserves, owned fund, deposit, loans and net profit. But at the same time there is an increase in overdue and number of banks made losses and thus, there is an urgent need for further investigation of the working of UCBS in Kolhapur district. 41

Dr. S. G. Khawas (2005): “Financial analysis of Employees’ co-operative credit societies in Nanded City.” The researcher has made an in depth analysis and evaluated financial structure and operational performance of Employees’ co-operative credit societies in terms of capital, advancement of loan, recovery discipline and profitability with the help of management accounting techniques. 42
Dr. B. S. Gite (2005): “Performance evaluation of Mahila Urban Co-operative Banks in Parbhani District.” He has made a study of Evaluation of profitability of selected Mahila Urban Co-operative Banks (Mahila UCBs) in Parbhani District. His study is confined to the profitability position of selected Mahila Urban Co-operative Banks in Parbhani District, profit during the period under study, but the rate of increased in the net profit is flexible according to administrative division and type of bank. Mahila UCBs is a step forward towards freedom of woman and woman empowerment particularly in a backward area like Parbhani district of Marathwada region, this is a good sign of woman entrepreneurship. The two Mahila UCBs have shown notable performance. This is also a new dimension of co-operative activities in the banking sector.  

Miss. Banishree Das and Dr. Nirod Kumar Palai (2006): “Problems and prospects of the co-operative movement in India under the globalization regime.” This paper presented in IXV international economy history congress, Hel-Sinki (2006) Session 72. This paper intends to analyze the problems and prospects of co-operative sector in India under free markets. The paper focuses on several petals and shortcoming like poor infrastructure, lack of quality management, over dependence on government, dormant membership, non-conduct of elections, lack of strong human resources policy, absence of professionalism etc.

Dr. S.V. Ghaisas (2007): “A Study of Asset Recovery Management in Urban Co-operative Banks in Western Maharashtra with Special Reference to Multi State Co-operative banks”. The researcher has made the study of Asset Recovery Management & performance evaluation in Scheduled and Multi state UCBs. The researcher considered the progress of different indictors of UCBs showed considerable growth in their membership, share capital, reserves, owned fund, deposit, loans and net profit.

Dr. V.K.Sawant (2008): “Performance of salary Earners Co-operative Bank in Maharashtra.” He has made a study of Evaluation of profitability of selected salary Earners Co-operative Bank in Maharashtra. His study is confined to the profitability position of selected salary earners co-operative bank in Maharashtra profit during the period under study, but the rate of increased in the net profit is flexible according to administrative division and type of bank. The problem of overdue is not serious is SECB because these bank have their own distinct method for recovery of loan through pay roll U/s-49 of MSC act; 1960. Non-interest income of these banks is very negligible. It means that SECB are doing traditional practices, so they have limited income by way of non-conventional sources.47

Dr. Martand Khupase (2009): “Challenges before co-operative bank regarding loan overdue.” The paper considered the overdue of co-operative banks. The researcher highlights the problem and their solution of overdue in depth. The board of director should follow the code of conduct while disbursement of loan. The co-operative bank must use various ideas and policy for collection of outstanding loan.48

Dr. Mrs. Kulkarni S. S. (2009): Regional imbalance in the growth of co-operative movement and rural development. This is a constant increase in the number of co-operative society in all taluka’s in Sangli district. The causes behind this imbalance in co-operative movement are many like social, economical, environmental, political etc. The imbalanced development in co-operative movement has also affected the overall development of rural areas in these taluka’s.49

Dr. D. M. Chaudhari (2009): “Co-operative Credit Movement of salary earners.” The paper considered the historical background of co-operative movement of India as well as Maharashtra. It is observed that the researcher studied the objective and procedure of salary earners co-operative credit and also highlights the NPA norms.50

Dr. A. R. Gaikwad (2010): “Financial Analysis of Employees’ credit Co-operative Societies in Ahmednagar District” These the study is analysis of Co-operative Credit Structure and Employees’ credit Co-operative Societies (ECCS), Regulation and Control of ECCS, Financial analysis and interpretation of the working
of ECCS and Financial performance i.e. Raito used for assessing Liquidity, Profitability, Solvency, Operational efficiency. 51

The review of fore-going literature on co-operatives reveals that most of the studies are made on working of the co-operatives on aggregate basis and studies on micro-level problems seem to be very few. Hence the proposed study on “An Evaluation Study of Financial Performance and Non Performing Asset of Urban Co-operative Banks in Beed District” is an attempt to investigate, assess and analysis the role of management in the deficient performance of Central Co-operative Bank. Four Urban Co-operative Banks have been selected for the purpose of present study.

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Dr. A. R. Gaikwad (2010): “Financial Analysis of Employees’ credit Co-operative Societies in Ahmednagar District”