CHAPTER 1

INTRODUCTION, REVIEW OF LITERATURE AND RESEARCH DESIGN OF THE STUDY
1.1 **INTRODUCTION**

India is the seventh largest country in the world. It covers an area of 3,287,782 sq. km., has a land frontier of about 15,200 km. and a coastline of about 6100 km. India is rich in natural resources and manpower. The Indian economy is characterized by too much dependence on agriculture and thus it is a primary producing economy. 61% of the total working population of our country is engaged in agriculture and allied activities and is contributing about 25% of the total national income. In most of the countries of Asia, Middle East and Africa, two-third to four-fifths of their total population solely depend on agriculture. In the most of the developed countries like U.K., U.S.A, and Japan, the percentage of population actively engaged in agriculture ranges between 2 to 5 percent. In India, two outstanding features of agricultural production are the wide variety of crops and preponderance of edible over non-edible crops. The major crops are rice, wheat, jawar, bajra, maize, ragi, pulses, potatoes, sugarcane, groundnut, cotton, tea, coffee, rubber, etc. Agricultural credit is one of the most crucial inputs in all agricultural development programmes. For a long time, the major source of agricultural credit was the private money lenders. This was inadequate, expensive and exploitative source of credit. The financial requirement of farmers can be of three types depending upon the period and purpose for which they are required:

1) Farmers need funds for short periods of less than 15 months for cultivation or for domestic needs. They may need money to buy seeds, fertilizers, fodder for cattle etc. such loans are repaid after the harvest.

2) The loans for medium period ranging between 15 months and 5 years is required to make improvement on land, buying cattle, agricultural implements etc.

3) Long term loans required to purchase additional land, to make permanent improvement on land, to pay off old debts and to purchase costly agricultural machinery. They are required for more than 5 years.

The short term and medium term financial requirement are met through loans from moneylenders, cooperative credit societies, regional rural banks and the Government. For long term requirement the farmers depend upon money lenders, Land Development Banks and Government. There are many defects of non-institutional credit agencies (money lenders, traders and commission agents, relatives, land lords and others). Their main interest is to exploit farmers and grab their land.
They charge very high rate of interest and indulge in many malpractices. They even force the farmers to sell their products at a low price. So institutionalization of rural credit started with the establishment of cooperatives following the enactment of Cooperative Societies Act in 1904. Efforts to develop the cooperatives were intensified following the recommendation of the Rural Credit Survey Committee (1954). Based on the recommendation of All India Rural Credit Review Committee (1969), a multi agency approach to rural credit was adopted with the commercial banks supplementing the efforts of cooperative banks. Now institutional sources of credit are cooperative banks, commercial banks and the regional rural banks. State Government also provides loans to farmers besides extending financial support to State Cooperative Banks and Land Development Banks. This credit is not exploitative and basic motive is to help the farmers to raise productivity and maximize their income. The rate of interest is low and different for different purposes. The Government of India has set up the National Bank for Agriculture and Rural Development (NABARD) to act as agency for promoting integrated rural development and to provide all sort of production and investment credit for agriculture and rural development. Table 1.1 presents the data relating to flow of institutional credit to agriculture by Cooperative Banks, Regional Rural Banks and Commercial Banks in India.

Table 1.1: FLOW OF INSTITUTIONAL CREDIT TO AGRICULTURE

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<tbody>
<tr>
<td><strong>COOPERATIVE BANKS</strong></td>
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<tr>
<td>SHORT TERM MEDIUM/TERM TOTAL</td>
<td>7250</td>
<td>8331</td>
<td>9750</td>
<td>10895</td>
<td>12571</td>
<td>14845</td>
<td>16583</td>
<td>18828</td>
<td>20247</td>
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<td>SHORT TERM MEDIUM/TERM TOTAL</td>
<td>2156</td>
<td>2148</td>
<td>2729</td>
<td>3190</td>
<td>3386</td>
<td>3518</td>
<td>4218</td>
<td>4776</td>
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<td>TOTAL</td>
<td>9406</td>
<td>10479</td>
<td>12479</td>
<td>14085</td>
<td>15957</td>
<td>18363</td>
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<td><strong>REGIONAL RURAL BANKS</strong></td>
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<tr>
<td>SHORT TERM MEDIUM/TERM TOTAL</td>
<td>1396</td>
<td>1710</td>
<td>2423</td>
<td>3245</td>
<td>3777</td>
<td>4156</td>
<td>4680</td>
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<tr>
<td>TOTAL</td>
<td>1083</td>
<td>1381</td>
<td>1684</td>
<td>2040</td>
<td>2460</td>
<td>3172</td>
<td>4219</td>
<td>4854</td>
<td>5467</td>
<td>6080</td>
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<td><strong>COMMERCIAL BANKS</strong></td>
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<tr>
<td>SHORT TERM MEDIUM/TERM TOTAL</td>
<td>8349</td>
<td>9622</td>
<td>11697</td>
<td>13486</td>
<td>17004</td>
<td>17904</td>
<td>21878</td>
<td>23400</td>
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<tr>
<td>TOTAL</td>
<td>8255</td>
<td>10172</td>
<td>11783</td>
<td>15831</td>
<td>18443</td>
<td>24733</td>
<td>27807</td>
<td>33587</td>
<td>41047</td>
<td>43840</td>
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<tr>
<td><strong>GRAND TOTAL</strong></td>
<td>18744</td>
<td>22032</td>
<td>26946</td>
<td>31956</td>
<td>36860</td>
<td>46268</td>
<td>52827</td>
<td>62045</td>
<td>70810</td>
<td>80000</td>
</tr>
</tbody>
</table>

Source: Economic Survey 2003-04. @ estimated * data not available
1.1.1. **COOPERATION**

The term ‘Cooperation’ means different things to different persons. It is worthwhile to examine the concept of cooperation to put it in right perspective.

Cooperation is a philosophy of life which can permeate every aspect of human activity. Cooperation means in its literal sense “working together” from the Latin word “Cooperare”. In the complex structure of modern society, Cooperation has grown enormously and has been regarded as one of the “Economic miracles of the last century.” The cooperative movement developed in different countries in different forms. The main reason is that in some countries they are aided and controlled by the state, in some they are used as an instrument of state planning, in some, they are state partnered, state organs and in some they are voluntary organizations.

1.1.2. **DEFINITIONS**

**International cooperative Alliance** defined cooperative as “a system which is organized in the interest of the whole community and is based upon mutual self help”

**Mr. C.R.Fay** defined a Cooperative society as “an association for the purpose of joint trading, originating among the weak and conducted always in an unselfish spirit on many terms that all who are prepared to assume the duties of membership may share its rewards in proportion to the degree in which they make use of the association.”

**Mr. H. Calvert**, the then Registrar of Cooperative Societies of Punjab defined cooperation “as a form of organization in which persons voluntarily associate together on a basis of equality for the promotion of their economic interest.”

**Holyoake** defined cooperation “as a voluntary concert, with equitable participation and control among all concerned in any enterprise.”

According to **Dr. E.M. Hough** “In its broadest sense, cooperation may be defined simply as voluntary association in a joint undertaking for mutual benefit.”

**Shri V.L.Mehta** defined cooperation “as only one aspect of a vast movement which promotes voluntary associations of individuals having common needs who combine towards the achievement of common economic needs.”

**Sir M.L.Darling** described cooperation as “something more than a system. It is a religion applied to business. It is a gospel of self-sufficiency and service.”
According to Dr. K.N. Katju,11 “Cooperation is self help as well as mutual help. It is a joint enterprise of those who are not financially strong and cannot stand on their own legs and, therefore, come together not with a view to getting profits but to overcome disability arising out of want of adequate financial resources and thus better their economic condition.”

The Maclagan Committee12 described Cooperation as: “The theory of Cooperation is, very briefly, that an isolated and powerless man can, by association with others and by moral development and mutual support, obtain, in his degree, the material advantage available to the wealthy and powerful persons and thereby develop himself to the fullest extent of his natural abilities.”

Jawaharlal Nehru’s13 vision of cooperatives had made him a legendary cooperative leader in his lifetime itself. Nehru had made most significant contribution towards the development of Indian cooperatives during the pre and post independence period. The ultimate goal in promoting and developing cooperatives in the vision of Nehru was to establish Cooperative Commonwealth in the country which is essential for economic activities as well as for social, cultural and political fields. Nehru had visualized certain postulates on the bases of which cooperatives were to be organized and their functioning to be carried out. These may be identified as voluntariness, autonomy, social cohesion or mutuality, flexibility and financial self reliance.

Cooperatives are the important type of voluntary organizations throughout the world as they deal with agriculture, marketing and supply, provision of credit and distribution of consumer goods.

1.1.3. PRINCIPLES OF COOPERATION:

Principles of cooperation are those practices which are essential for the achievement of the Cooperative Movement’s purpose. The principles of cooperation arise out of the characteristic features of cooperation. Cooperation is a form of economic organization. It is a voluntary and democratic association of human beings, based on the equality (of control and opportunity) and equity (of distribution of surplus), for the promotion of their common interests. Solidarity, democratic control, mutuality or self-help through mutual help, equality and service motive are its
characteristic features. The principles of Cooperation are based on these features. The following are the principles followed by Rochdale Pioneer:

1. Voluntary and open membership
2. Democratic control by “One member one Vote”
3. Division of the surplus in proportion to patronage
4. Limited interest on Capital
5. Political and religious neutrality
6. Cash trading
7. Promotion of education

The International Cooperative Alliance had also confirmed the above principles and classified them as essential and non essential which are as under:

**Essential principles**

1. Open membership
2. Democratic Management
3. Limited interest on Capital
4. Payment of dividend in proportion to transaction

**Non essential principles**

1. Religious and Political neutrality
2. Education
3. Cash trading

Development of cooperatives as a means for:

1) Improving the economic, social and cultural conditions of persons of limited resources and opportunities as well as encouraging their spirit of initiative.
2) Increasing personal and national capital resources by the encouragement of thrift, by eliminating usury and by sound use of credit.
3) Contributing to the economy an increased measure of democratic control of economic activity and equitable distribution of surplus.
4) Increasing national income, export revenues and employment by a fuller utilization of resources, both in agriculture and industry.
5) Helping to raise the level of general and technical knowledge of their members.
Cooperatives play very vital role in the economy by:

1) Mobilizing resources internally.
2) Providing benefit of economies of scale to weaker sections
3) Providing certain essential services to population not covered by other programmes.
4) Building institutional framework on a permanent basis.
5) Developing human resources through education and popular participation.
6) Introducing competition in the non-competitive markets.

1.2 COOPERATIVE MOVEMENT

Cooperative movement owes its origin in the forties of the 19th Century in Europe when the poor sections of the population saw in cooperation an effective means to secure salvation from the hardship of the rapid industrial revolution. But this was viewed as a conspiracy in restraint of trade and so intended to be suspected by the Governments of the day. In the second half of 19th Century, the movement was accepted as a legitimate effort but it was only tolerated rather than welcome by Governments. Gradually with the turn of the century, the Governments of Western Europe were not only prepared to accept the movement but also ready to promote it. And “today cooperation is a world wide movement. It exists in some form or the other in every continent and in nearly every considerable country.”

International Scenario

The movement has always been the brain-child of necessity and distress. Among all the sympathizers and philanthropists of Cooperative movement, “Robert Owen” of England was considered as the father of Cooperative movement. Under the influence of “Robert Owen”, Cooperation became a new principle of social organization as it occurred to the people to be a new way of escape from their poverty. A small group of 28 weavers started co-operative consumer stores on August 15th of 1844 at Rochadale town of Lancashire. This incident gave birth to various types of cooperative movements in the world like cooperative credit movement in Denmark, co-operative dairy movement in Denmark, cooperative farming in Israel, consumer co-operative
dairy movement in Denmark, cooperative farming in Israel, consumer co-operative movement in Sweden etc. “Raiffeisen” a great Co-operator started first Co-operative Credit Society in Germany in 1849. The first co-operative bank was started in the year 1850 by Schulze-Delitzsch in Germany. Dr. Ulen Berg started a Rural Bank in the year 1883 in Italy. In China, the seed of cooperation as panacea for the ills of the-then Chinese economy was sown in 1912 by Dr. Sun Yet Sen. Gradually the cooperative movement slowly spread to the other parts of the world.17

National Scenario

The cooperative movement in India had its origin in the efforts to rid the farmers and rural people from the clutches of the money lenders who were exploiting them due to their poor financial condition and heavy indebtedness. The Deccan Riots of 1875 brought the appalling problem of the rural indebtedness to the forefront. It was only then that the Colonial Government was forced to find out some kind of an institutional alternative to the money lending class. The provincial Governments in order to mitigate the sufferings of the peasants enacted several ‘palliative’ measures such as –

- Deccan Agricultural Relief Act (1879)
- Land Improvement Loans Act (1883)
- Agriculturists Loans Act (1884)

But these measures were not enough for coping with the chronic and complex problems of the rural indebtedness. Another land-mark in the development of rural credit was NICHOLSON’S famous report which contained his prescription i.e. Cooperatives. The Government introduced cooperative societies on the Raiffeisen model and enacted the Cooperative Societies Act, 1904.18 Under the act, a number of cooperative societies came to be established with the objective of raising funds for lending it to their members and promoting a spirit of self help and thrift. Subsequently in 1912 the Cooperative Societies Act was passed for facilitating the establishment of new organizations for supervision, auditing and supply of cooperative credit. By 1920 the cooperative credit system had become the principal institutional agency for the provision of agricultural credit both for production and investment. The great depression of 1930’s dealt practically a death blow to the cooperative movement. But, with the end of Second World War, which saw a period of economic recovery, the
cooperative banking system acquired a place of importance in the Indian banking system by the late forties. The Bombay Committee with Sir Janardan Madan as the Chairman, in 1931 and the Agricultural Finance Sub-Committee in 1944, showed the way for further development, and by 1949 a system of agricultural cooperative credit was brought into being "under this scheme, the short-term and medium-term credit has been organized on federal lines with the agricultural primary societies as the base. The district bank as the federal organization at the intermediate level, and the State Cooperative Banks as the Apex Institutions. The most important landmark in the history of cooperative movement in India after independence was the appointment by Reserve Bank of India of the Committee of Direction to conduct an All India Rural Credit Survey. The Committee in its report submitted in 1954 revealed that in the field of rural credit, cooperatives have failed to make any significant inroads accounting for only about 3% of credit requirements of farmers. The Committee laid many recommendations to correct the position which among others included state partnership, effective integration of credit with marketing and processing and management through trade personnel. Banking companies Act 1949 was extended to certain cooperative societies in terms of the Banking Laws (Application to Societies) Act, 1965 with effect from March 1, 1966. The date on which this Act came into force, those State Cooperative Banks, Central Cooperative Banks and Primary Agricultural Societies which have paid up capital and reserves of not less than one lakh has been brought within the regulatory frame work of the Reserve Bank. Accordingly the name of banking act was changed into Banking Regulation Act.

The All India Rural Credit Review Committee (1969) reported that for various reasons the performance of the cooperatives was not up to the expectations and it came to the conclusion that there was need for some supplementary effort, so that the agricultural production did not suffer. As a result there has come into being what we may call “Multi Agency Approach” to lending operations in rural India and the commercial banks, cooperative banks and regional rural banks are the major partners under this approach. Nevertheless the cooperative banking after an initial failure has come to stay as the most important source of institutional credit in rural areas.
13. INITIATION OF COOPERATIVE MOVEMENT IN HARYANA

To give momentum to the cooperative movement in Haryana, the governing Acts i.e. Punjab Cooperative Societies Act, 1961, and Punjab Cooperative Agricultural Development Bank Act, 1957 which lacked in several supporting provisions were repealed and the new Cooperative Societies Act, 1984 was put into force. Moreover the following considerations also lead to the enactment of the Act

- to provide an unified statute applicable to all types of cooperative societies in the state,
- to remove/modify the existing restrictive provisions of Cooperative Societies Act,
- to provide democratic control of cooperative societies,
- to provide provisions to strengthen the working of cooperative societies and
- to include the Deposit Insurance Scheme to enable cooperative banks to attract more deposit.

Cooperatives in Haryana, ab initio, have been undertaking need-based programmes, however, challenging these may be. The cooperative movement in Haryana has traveled a long way since its inception. The working capital of the movement jumped from Rs. 58.90 crores in 1966-67 to Rs. 12159.64 crores in 1999-00 and Rs. 15038.36 crores in 2000-01. During the same period i.e. in 1999-00 its membership shot up from 9.23 lacs to 45.71 lacs and in 2000-01 to 47.05.

The cooperative lent their full support towards the achievement of green revolution, by supplying short, medium and long-term credit and other agricultural inputs in a package form at the doorsteps of the farmers. The credit in Haryana has contributed much to its economic development continuously to make steady progress since the formation of the state. Table 1.2 shows the general position of Cooperatives in Haryana:
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</thead>
<tbody>
<tr>
<td>1.</td>
<td>No. of Societies (all types)</td>
<td>12379</td>
<td>12550</td>
<td>12622</td>
<td>10316</td>
<td>9557</td>
<td>11035</td>
<td>11141</td>
<td>15100</td>
<td>22860</td>
<td>22969</td>
<td>22555</td>
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<td>2.</td>
<td>No. of Members (in lacs)</td>
<td>9.23</td>
<td>9.57</td>
<td>11.07</td>
<td>15.31</td>
<td>19.49</td>
<td>25.21</td>
<td>31.20</td>
<td>39.36</td>
<td>44.15</td>
<td>45.71</td>
<td>47.05</td>
</tr>
<tr>
<td>3.</td>
<td>Share Capital (Rs. crore)</td>
<td>8.71</td>
<td>10.66</td>
<td>18.76</td>
<td>41.67</td>
<td>82.34</td>
<td>144.25</td>
<td>243.73</td>
<td>432.67</td>
<td>582.27</td>
<td>639.46</td>
<td>699.53</td>
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<td>4.</td>
<td>Own Capital (Rs. core)</td>
<td>14.31</td>
<td>17.93</td>
<td>28.95</td>
<td>68.18</td>
<td>151.53</td>
<td>291.47</td>
<td>472.9</td>
<td>1055.08</td>
<td>1605.97</td>
<td>1731.36</td>
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<td>5.</td>
<td>Working Capital (Rs. core)</td>
<td>58.90</td>
<td>67.17</td>
<td>152.79</td>
<td>374.72</td>
<td>826.74</td>
<td>1719.47</td>
<td>2934.86</td>
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<td>10312.59</td>
<td>12159.64</td>
<td>15038.36</td>
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<td>6.</td>
<td>No. of Societies per lakh of population</td>
<td>163</td>
<td>165</td>
<td>126</td>
<td>103</td>
<td>74</td>
<td>85</td>
<td>68</td>
<td>92</td>
<td>139</td>
<td>140</td>
<td>107</td>
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<tr>
<td>7.</td>
<td>No. of Members per thousand of population</td>
<td>122</td>
<td>127</td>
<td>110</td>
<td>152</td>
<td>151</td>
<td>195</td>
<td>190</td>
<td>239</td>
<td>268</td>
<td>278</td>
<td>223</td>
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<tr>
<td>8.</td>
<td>Average Working Capital per head (Rs.)</td>
<td>78</td>
<td>89</td>
<td>152</td>
<td>373</td>
<td>640</td>
<td>1333</td>
<td>1783</td>
<td>4013</td>
<td>6264</td>
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1.4. COOPERATIVE CREDIT

An important segment of the organized sector of Indian Banking is Cooperative Banking. The segment is represented by a group of societies registered under the Acts of the State relating to Cooperative Societies. Cooperative banks are a part of the vast and powerful pyramid structure of cooperative institutions which are engaged in the task of production, processing, marketing, distribution, servicing, and banking in India. The cooperative play an important role in the Indian financial system, especially at the rural level. In the rural finance, as a means of reaching the last man in the last village, cooperative credit has no rival except the traditional money lenders.

1.4.1. MEANING

A credit cooperative is a voluntary association of members for self help, catering to the financial needs on a mutual basis.

Cooperative banking means a democratic institutionalized system of banking business where money lending and the money deposit and other banking activities are performed by the recognized cooperative credit institution and the supreme power of decision making and control is found in the hands of general body rather than in the hands of a few persons. The objective of cooperative banking is to bring a better change in socio economic life of the people by serving them with the service motives and not with profit earning motive. In cooperative the business of banking is done for no profit and no loss. The earned profit is, again, redistributed among their members.

1.4.2. CHARACTERISTICS OF COOPERATIVE CREDIT/BANKING SYSTEM

Cooperative credit institutions play a pivotal role in the financial system of the economy in terms of their reach, volume of operations, and the purpose they serve. The main characteristics of cooperative credit/banking are:

1. They are organized and managed on the principles of cooperation, self-help, and mutual help. They function with the rule of “one member, one vote”.
2. They function on the basis of “no profit, no loss”.

12
3. Cooperative banks perform all the main banking functions of deposit mobilization, supply of credit and provision of remittance facilities.
4. Cooperative banks do banking business mainly in the agricultural and rural sector.
5. Cooperative banks are perhaps the first Government sponsored, Government supported, and Government subsidized financial agency in India. They get financial and other help from RBI, NABARD, Central Government and State Government. They constitute the “most favored” banking sector with no risk of nationalization.
6. Cooperative banks belong to the money market as well as the capital market.
7. Cooperative banks have a federal structure of three-tier linkages.
8. Cooperative banks accept current, saving, and fixed or time deposits from individuals and institutions, including banks. Some Urban Cooperative Banks are allowed to open and maintain the Non Resident Indians account in Rupees, but not in foreign currency.
9. Cooperative banks are also subjected to cash reserve ratio and liquidity requirements, as other scheduled and non-scheduled banks are.

1.4.3. **MERITS OF COOPERATIVE CREDIT/BANKING SYSTEM**

Cooperative banks fill in the gaps of banking needs of small and medium income groups not adequately met by the public and private sector banks. The cooperative banking system supplements the efforts of the commercial banks in mobilizing savings and meeting the credit needs of the local population. Many advantages of cooperative credit/banking system have been claimed:

1) Cooperatives, like money-lenders, can possess intimate knowledge of the character and financial position of their members, and of the local production possibilities and chances of growth.
2) Cooperatives have lower administrative costs on account of voluntary services rendered by their members.
3) They instill among their members a strong feeling of responsibility for prompt payment of interest and repayment of loans.
4) They promote thrift and savings among their members and mobilize their small savings for productive or useful purposes.

5) The procedure of deposit and withdrawal of a cooperative credit society or a bank is far less complicated, since personal identification and such other problems do not exist.

6) Cooperatives may be provided loans to their members at lower rates of interest and save them from the clutches of shylock-type money-lenders.

7) They make their members financially more secure.

8) They are suitable to help people with small means.

1.5 STRUCTURE OF CO-OPERATIVE BANKING SYSTEM IN INDIA

Cooperative credit structure in India consists of different constituents which can be broadly divided into two categories:

- **Short term and medium term credit structure**: At the base of the structure are primary societies which render various types of services. In the sphere of short term and medium term credit, there are over and above the primary societies, central banks at the district level and above them are banks at the state level, known as apex bank.

- **Long term credit structure**: long term credit structure consists of land mortgage or land development banks.

Figure 1.1 portrays the long term credit structure as well as short term and medium credit structure of cooperative banking system in India:
The cooperative credit structure in India for short term and medium term loan is a three-tier federal structure and for the long term two-tier federal structure. Out of this structure, only State Cooperative Banks figures in the second schedule of the RBI Act and hence has the status of Scheduled Banks.
1.5.1. **SHORT-TERM COOPERATIVE CREDIT STRUCTURE**

The short term cooperative banking system in India is federal in structure. It has a pyramid type of three-tier structure constituted by

1. Primary Credit Societies (PCSs)
2. Central Cooperative Banks (CCBs)
3. State Cooperative Banks (SCBs)

In each state, there is a State cooperative Bank at the apex level. In each district there is Central Cooperative bank and at the base level there are primary credit societies.

**Figure 1.2: Short Term Cooperative Banking Structure**

The above figure provides in a nutshell an idea of the short term cooperative banking system in India.
1.5.1.(a) **State Cooperative Banks (SCBs)**

**Organization:-**

State Cooperative Banks are the upper most rung of a three tier cooperative credit structure. There is a State Cooperative Bank in every State. In India, 30 State Cooperative Banks with 847 branches are functioning.

**Functions:-**

1. Provide a link through which the RBI provides credit facilities to the Cooperatives.
2. Function as balancing centre for the Central Cooperative Banks by making available the surplus funds of some Central Cooperative Banks since the CCBs are not allowed to borrow or lend among themselves.
3. Finance, control and supervise the Central Cooperative Banks and through them Primary Societies.
4. Link between Indian Money Market and Cooperative Sector. They also function as Commercial Banks.

**Working Capital:-**

Working capital of State Cooperative Banks consists of:

1. Owned fund (Share capital and various type of reserves)
2. Deposits
3. Borrowings
4. Funds received from other sources.

A large portion of share capital consists of contribution from member societies and Central Cooperative Banks and the rest is contributed by the State Government. Individual contribution is very small.

**Loans and Advances:-**

State Cooperative Banks are mainly interested in advancing loans to the cooperative societies. It is estimated that more than 98% of their loans have been granted to these societies and of these loans about 75% have been given for short period. Mostly these loans have been given for agricultural purposes.

**Management:-**

Each State Cooperative Bank is managed by Board of Directors elected by General Body or Board of Administrators nominated by State Government. The number of Directors varies from 10 to 30 for elected and 5 to 10 for Board of Administrators.
The representative of Primary Societies, Central Cooperative Banks and individuals from the general body meet once a year.

1.5.1.(b) **Central Cooperative Banks (CCBs)**

Central Cooperative Banks are the middle rung of a three tier cooperative credit structure. 368 Central Cooperatives Banks with 12652 branches are operating in India. They are of two types:

i) Cooperative Banking Union

ii) Mixed Central Cooperative Banks

**Cooperative Banking Unions:**

Cooperative Banking Unions are those Central Cooperative Banks whose membership is open only to Cooperative Societies. They exist in Haryana, Punjab, Rajasthan, Orissa, and Kerala.

**Mixed Central Cooperative Banks:**

Mixed Central Cooperative Banks are those Central Cooperative Banks whose membership is open to both individual and Cooperative Societies. The Central Cooperative Banks in the remaining States are of this type.

**Functions:**

1. Provide credit facilities to Primary Credit Societies without any security.
2. Provide credit to individual customers on the security of Gold etc.
3. Provide remittance facilities to their customer.
4. Inculcate the habit of the thrift and saving among their members by accepting deposits.
5. Provide all sort of facilities, help in maintaining a balance while transferring fund and also help in proper utilization of reserve of primary societies lying with them.

1.5.1.(c) **Primary Agricultural Credit Societies (PACS):**

The PACS form the base of the federal cooperative credit structure. These are village level institutions which directly deal with rural masses by providing short and medium term credit, distributing agricultural inputs like fertilizers and seeds etc. They are the link between the rural borrowers and the upper tiers of cooperative movement. A Primary Agricultural Credit Society can be organized according to the provisions of the Act with 10 or more person of village. The number of PACS has
been decreased from 212000 (during 1960-61) to 92000 (1999-2000). Now, 98247 PACS are functioning in India.

1.5.1 (d) **Urban Cooperative Banks**

Cooperative Credit Societies established in urban areas are referred as urban cooperative banks. These banks are confined to the municipal area of a town. They are of type: (i) unit banking type, and (ii) branch banking type. These banks usually meet the needs of specific types or groups of members pertaining to a certain trade, profession, community or even locality. They are also called Primary Cooperative Banks by RBI.

1.5.2. **LONG-TERM COOPERATIVE CREDIT STRUCTURE**

The long term credit requirements of Indian farmers are fulfilled by the Land Development Banks for buying equipments like pump sets, tractors, etc., and for other development purposes, such as reclamation of land, buying of additional lands etc. These banks have no uniform pattern. In some states, they are unitary and in some other states, they are federal. Under its federal structure, Land Development Banks have two-tier institutions:

1. State Cooperative Agriculture and Rural Development Banks (SCARDBs).
2. Primary Cooperative Agriculture and Rural Development Banks (PCARDBs).

There is only one State Cooperative Agriculture and Rural Development Bank in each state and one Primary Cooperative Agriculture and Rural Development Bank at the district level.

Under the federal structure, the Primary Land Development Banks deal with the farmers directly and the Central Land Development Bank deals with the Primary Land Development Bank. Under unitary structure, the state may have more than one Central Land Development Banks and they make direct deal with the farmers. 20 SCARDBs with 887 branches and 768 PCARDBs with 1091 branches are functioning in India.

Table 1.3 and 1.4 exhibits the different categories of short term and long term cooperative structures respectively which are prevailing in the states of India.
### Table 1.3

**SHORT TERM STRUCTURE**

<table>
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<tr>
<th>THREE-TIER</th>
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<td>1 Andhra Pradesh*</td>
<td>1 Arunachal Pradesh</td>
<td>1 Assam</td>
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<td>2 Bihar</td>
<td>4 Delhi</td>
<td>2 Himachal Pradesh</td>
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<td>3 Chhatisgarh</td>
<td>5 Goa</td>
<td>3 Jammu &amp; Kashmir</td>
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<td>4 Gujarart</td>
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<td>5 Haryana</td>
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<td>7 Madhya Pradesh</td>
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<td>9 Odisha</td>
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<td>17 Uttarachal</td>
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* INTEGRATED (BOTH ST & LT)  $ SCB not formed as on 31.3.2002

### Table 1.4

**LONG TERM STRUCTURE**

<table>
<thead>
<tr>
<th>UNITARY</th>
<th>FEDERAL</th>
<th>MIXED</th>
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<tr>
<td>1 Assam</td>
<td>1 Chhatisgarh</td>
<td>1 Himachal Pradesh</td>
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<td>2 Bihar</td>
<td>2 Haryana</td>
<td>2 West Bengal</td>
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<td>3 Gujarat</td>
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<td>4 Jammu &amp; Kashmir</td>
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<td>10 Tamil Nadu</td>
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Source: NABARD- Cooperative Credit Structure, An Overview: 2001-02
1.6. **ECONOMIC LIBERALIZATION**

The reform process for economic liberalization was initiated in India in 1991 and during the past 13 years, several important reforms were carried out in the economy covering fiscal, trade, industry, foreign exchange, capital markets and financial sectors. The area of financial sectors reforms has a direct effect on the cooperatives.

1.6.1. **FINANCIAL SECTORS REFORMS**

Financial sectors reforms were aimed at improving the efficiency and productivity of the credit delivery system, simultaneously augmenting the credit flow for sustainable growth of economy. Introduction of reforms was done with relative smoothness in Commercial Banks and Regional Rural Banks, but initiation in cooperatives needed different treatment. Cooperatives being a state subject needed a consensus from all the State Governments before bringing in any reform on account of lack of uniformity in the systems. Further, the organizational and financial control of cooperatives is vested with three major groups, namely, members and their elected leaders, professional managers and regulatory authority. Balancing the interest of these three groups is vital for success of reforms. The reform process has been initiated in the cooperative credit institutions in the following key areas:

**Deregulation of interest rates on deposits and advances:**

Total freedom has been given to cooperatives (with a floor rate of 12% per annum for lending) with a view to provide flexibility to the local units to fix their own lending and deposit rates, based on the market condition, transactions cost, risk cost etc.

**Prudential Norms:**

The prudential norms of income recognition, asset-classification and provisioning have been made applicable to the State Cooperative Banks and Central Cooperative Banks from the year 1996-97 and are being made applicable to State Land Development Banks from 1997-98. These norms will bring in more transparency in the balance sheets of these banks.
Development Action Plans:

The Cooperatives Banks, guided by NABARD, have prepared the Developed Action Plans with the aim of attaining the sustainable viability coupled with improved current out-reach at the earliest. The important milestone to be reached in operational parameters and steps to be initiated for the purpose in the given time-frame are committed by banks through Memorandum of Undertakings entered into by the concerned banks, State Government and NABARD. Presently, the banks have internalized the concept of cost effectiveness, improving out-reach, recycling of funds and viability in their business planning.

Cooperative Development Fund:

NABARD has set up a corpus under the head ‘Cooperative Development Fund’ in the year 1992-93. The fund helps the cooperative to help their managerial skills and management information system (MIS), enhances their capacity for deposit mobilization and strengthens their recovery through improved mobility.

1.6.2. CHALLENGES AHEAD:

As a part of the liberalization process, the economy has opened up and banking has become competitive. In addition to the existing players, private banks and foreign banks are also envisaging entry into the rural financial market. The urban cooperative banks have been permitted to lend in rural areas like Regional Rural Banks. Agricultural Development Finance Companies and Local Area Banks also pose competition to cooperatives. These are some of the structural changes which may influence the current status of cooperatives.

There are some more challenges coming up on the functional side. With liberalization the client would be prepared to pay higher prices for services, but he would also become demanding. Client service is a weak area in the cooperatives and it needs to be strengthened through office automation and capacity building of existing staff. GATT, the agreement that made the globe a single market, rewards those with the competencies, leaving the rest far behind. These are some of the future challenges posed to cooperatives at this juncture. Truly, cooperatives are at the cross roads. They are no longer sole players in the rural market. In the present situation, they will survive if they perform; or perish if they don’t.
1.6.3. OPPORTUNITIES IN THE EMERGING SCENARIO:

Some of the opportunities offered by the liberalization to the cooperatives in India are:

1. Growth in traditional business
2. Growth in new business on account of General Agreement on Tariffs and Trade (GATT).
3. Shifts in demand for credit from different rural communities, with emphasis on content, scale, timing and expertise.
4. Input cost marked to the market, resulting in large credit needs and
5. New technology which provides opportunities to serve their client better.

To avail these opportunities, cooperatives have to improve their efficiency, effectiveness and adaptability. Credit cooperatives are exposed to competition in the rural market. Fortunately, the clients and beneficiaries are one and the same as each and every member of the cooperative is its part owner. The competitive forces that govern the environment of cooperatives are complex on the account of their interlinkages. Success is more often the result of a conscious strategy of creating and sustaining competitive advantage through intervention than a mere change.

Cooperatives have to come out with superior strategies than their competitors and create niche markets using their competitive advantages. The banks have to come out with new strategies like lower cost through greater efficiency, new technology, new products and services for customizing their services to their niche clientele some or all of these, depending upon the prevailing situation of existing players, new entrants, suppliers and clients. Porter envisages that formulation of policy by Government and occasionally, changes are the factors that determine the success/failure of a player in the market. Thus, Government has an important role to play in this situation.
1. Other RFIs, ADFCs.
2. Depositors, Owners, NABARD, GOI & State Governments.
3. Existing and new clients and borrowers.
4. Commercial Banks, RRBs, and other operators in the rural market.

Framework adapted from *The Competitive Advantage of Nations* by Micheal Porter

1.8. **VALUE CHAIN**

Another concept which is of utmost relevance is the value chain. In an organization, every function creates a value. For attaining competitive advantage, the organization has to continue and the value so generated, as a system. Coordination of activities and management of linkages form part of the core of competitive advantage generated through the value chain.32
In the value chain for credit cooperative in India, the primary services form the length of the chain. The breadth of the chain is formed by the support services contributed by the man power, managerial process, innovation, investment in technology and the resources at the disposal of the bank for betterment of the client service. Productivity forms the thickness of the chain. Volume of the customers attracted is a function of thinness of margin and quality of service.

Given the structure of the value chain, cooperatives have to enrich their core competence-knowledge and skills to deal with large rural clientele with improved quality of service and thin margins, thus making their services competitive in comparison with other players in the market. Though the margins are thin, the volumes would arise from the increased volume of business.

1.8. **COOPERATIVE REFORMS:**

1.8.1. **AUTONOMY OF COOPERATIVES:**
The new Multi-State Cooperative Societies Act, 2002 broad based on the recommendations of the Choudhary Brahma Prakash Committee has been enacted by the Parliament and brought into force from 19 August 2002. The Act aims at
providing full functional autonomy and democratic management to the societies. It provides for reflection of the Government’s policy based on internationally recognized cooperative principles, simplification of the registration and amendments. The Government’s power to give direction and suppression of the Board has been restricted to such societies in which the Government holds 51% or more equity. The societies are free to raise resources by receiving deposits, raising loans and grants. Under the Act, the federal cooperatives have more responsibilities and the disputes would be settled through arbitration at the choice of the society. Auditor would be appointed by the society itself.

1.8.2. THE NATIONAL COOPERATIVE DEVELOPMENT CORPORATION (AMENDMENT) ACT, 2002:

The NCDC (Amendment) Act, 2002 has been enacted and has come into effect from 16 September 2002. Now NCDC shall be financing more activities allied to agriculture, like animal husbandry products such as milk, meat, skin, wool, etc., to help augment the earnings in the rural areas. Similarly, service sector and industrial cooperatives including goods produced by the cottage and village industries will come within the purview of the NCDC. The NCDC would also be able to undertake direct financing of cooperatives against reasonable security and without State/Central Government Guarantee.

1.9. NATIONAL POLICY ON COOPERATIVES:

Department of Agriculture and Cooperation, Ministry of Agriculture, Government of India has announced National Policy on cooperatives. As outlined by them, the basic concepts of the cooperatives are as under:

“A Cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise”.

The objectives of national policy relating to cooperative announced by the Department of Agriculture and Cooperation, Ministry of Agriculture, Government of India are:
• Ensuring functioning of cooperatives based on the basic cooperative rules and principles.
• Revitalizing of the cooperative structure particularly, in the case of agricultural credit.
• Reduction of regional imbalances which suffered from Central Government / State Government particularly in the under-developed states / regions.
• Strengthening of cooperative education and training and human resource development of professionalisation of the management of the cooperatives.
• Greater participation of members in the management of cooperatives and promoting the concept of user members.
• Amendments / removal of provision in cooperative laws providing for restrictive regulatory regime.
• Verify the system of integrated cooperative structure by entrusting the federation predominantly the role of promotion, guidance, information systems, etc. to their affiliated members and potential members.
• Verifying the system of in-built mechanism in cooperative legislature to ensure timely conduct of general body meetings, election and audit of cooperative societies.
• Ensuring that the benefits of the cooperatives endeavor to reach the poorer sections of the society and encouraging the participation of such sections and women management of cooperatives.

The policy envisages, inter-alia, that the regulatory role of the Government will be mainly limited to the conduct of timely elections, audit of the cooperative societies and measures to safeguard the interest of the members and other stakeholders in the cooperatives. There shall, however, be no interference in the management and working of the cooperatives. The Government recognizes the apolitical nature of cooperatives.

A Plan of Action for implementation of the Policy has been formulated. The Action Plan envisages amendments of State Cooperative Acts on the lines of model cooperative act suggested by Brahma Prakash Committee and removal of restrictive provisions of the Cooperative Acts. State Governments are being persuaded to undertake reforms in cooperative sector in accordance with the Action Plan. Six States viz. Andhra Pradesh, Bihar, Orissa, Kerala, Madhya Pradesh and J&K have
already enacted parallel cooperative laws providing full freedom in functioning of those cooperative societies who do not seek any financial assistance from the State Governments. More States are considering enactment of similar legislation.

1.10. NEED FOR STRUCTURAL REFORMS IN COOPERATIVE BANKING

The cooperative credit system has many problems associated with it. Organizational structure of the cooperative banking system in India is considered to be a contributory factor for these problems. Thus, restructuring of the organizational set up is considered as one option for improving the viability of the cooperative banking system. Two alternatives in this regard can be:

1.10.1. Merger of the Long-term and the Short-term structure

The merger of the Long-term and the Short-term structure has been suggested by various committees. However, in spite of such unequivocal recommendations, Andhra Pradesh has remained to date, the only State which has implemented the integration of Long-term and the Short-term structure in 1986. A study (Satyasai and Vishwanathan, 1998), examining the impact of integration concluded that:

1. The flow of long-term and the short-term loans was higher during post-integration (1986-87 to 1994-95) that what would have been possible had there been no integration.
2. The management cost showed deceleration.
3. Bad debts showed declining trends.

The results of the above study suggest that, integration of the Long-term and the Short-term Structure may have several beneficial impacts.

1.10.2. Delayering of the Cooperative System

Delayering of the short term cooperative system has been suggested by the Narsimham Committee II. But, according to a senior cooperative banking sources, the elimination of any one of the tiers of existing structure may not result in savings of
more than 0.25% of the total cost incurred by the cooperative system and, hence there is no point in disturbing the existing system.

India’s rural credit system is unique in its reach and diversity. Besides the basic role of financial intermediation, the Indian credit institutions play a unique role in accelerating agricultural growth and support country’s continuing efforts to reduce poverty. Notwithstanding the significant contribution from industries and services sectors, Indian economy continues to be predominantly rural in character. The cooperative banking sector especially with their existence of about a century has made significant strides in the field of rural credit. Over the years, they have remained the prime institutional agencies with their vast network, wide coverage and outreach extending to remotest part of the country. But, the ever increasing incidence of overdues and consequential non-performing assets occasioned by poor recoveries of loans disbursed by the co-operatives has crippled their financial solvency, economic viability, productivity and profitability. Inadequate human resources development is another grey area apart from unabated politicization of the co-operative credit movement. All the ailments, to quote a few, from which co-operatives suffer at present, require immediate and effective treatment. Cooperatives have to come out with superior strategies than their competitors and create niche markets using their competitive advantages. The banks have to come out with new strategies like lower cost through greater efficiency, new technology, new products and services for customizing their services to their niche clientele some or all of these, depending upon the prevailing situation of existing players, new entrants, suppliers and clients. Despite these grey areas, cooperatives continue to enjoy a place of crucial importance in the rural credit scenario.

1.11. **REVIEW OF LITERATURE**

Cooperative banking is an important segment of the organized sector of Indian Banking and has been an important area of research. Empirical studies have been conducted covering different facets of cooperative banks. In order to find out research gap, important findings of some of the studies conducted in the past, having bearing on the discussion of the performance and role of the cooperative banking, are reported below:
Saha, B.G. (1961)\textsuperscript{26} in his research study “Cooperative Credit Movement in Sinar Mahal” made in Baroda District examined various cooperative credit institutions in this district and found that there were overlapping of function among the different types of cooperative banks and cooperative institutions, such as cotton sale societies and credit societies. Cooperative credit structure had become very weak and needed revitalization. Further the cooperative institutions/banks were not functioning at all in a number of areas and there was no linking of credit with marketing and rural development.

Riazzudin, Ahmed (1964)\textsuperscript{27} carried out a study on Cooperative Movement in South East Asia to ascertain the role of cooperatives in social and economic development. He observed that the basis for starting a cooperative organization is the necessity of satisfying an economic need by mutual help and mutual effort. Though the satisfaction of their common economic needs by the cooperative methods, the members are by themselves able to improve their economic condition and raise themselves from weakness into strength. It is intended to be a shield for the weak and the poor against the evils of capitalism and competition.

Chaudhary and Ojha (1968)\textsuperscript{28} in his work “A study of high-yielding variety in Saran district of Bihar” examined role of cooperative credit institutions in high-yielding variety programme in Saran district of Bihar. They found that self-finance by participants in the programme played a greater role than the cooperative credit institutions, as these institutions were inadequate to meet the credit requirement for the rural development. The main reasons for non-borrowing from cooperative credit institutions were:

- Non coverage of small farmers,
- Sufficient income to cover the production cost, and
- Lack of proper knowledge of the service provide by the cooperative banks.

Harold, A. Mile’s study (1969)\textsuperscript{29} on farm credit in India made an attempt to present a comprehensive picture of the farm credit institutions especially cooperative credit institutions in India. He examined the various aspects of the crop-loan system. The study pointed out that the cooperative banks were weak and were not in a position to meet the total credit requirement of the agriculture and non-agriculture sector. Small farmers and tenants were excluded from the membership of the Primary cooperative credit societies. There were delays in supplying the crop loan and even supervision of
end-dues of credit was not satisfactory. He suggested a comprehensive training programme for the cooperative personnel.

**Jangid, Satya Narayan (1969)**[^30] in his doctoral thesis assessed the progress of Cooperative Banking in the Punjab region and evaluated its position and performance. He observed that co-operative banking in Punjab has extended itself to the length and breadth of the region. Its resources and loan operation have also increased. The operational efficiency of co-operative banking in Punjab was better. But loans were not properly utilized and recovery problem was also acute. The credit requirements were still to be adequately met. He opined that the dominance of borrowed finance, meager owned resources and low volume of deposits indicate that there was considerable scope for increasing its internal financial strength.

**Nakra (1970)**[^31] undertook doctoral dissertation ‘Cooperative Banks and Rural Development of MP’, with the objective of examining the role played by Cooperative Banks in the rural development of Madhya Pradesh, revealed that one of the hopeful factors of the position of cooperative credit magnitude of credit was sizeable and growing. He emphasized that efforts were continuously made to persuade these institution to adopt production oriented lending policies to improve their operational efficiency to promote the growth of viable units at all levels and above all to coordinate their working with the marketing and processing of agricultural produce and supply of agricultural requisites.

**Singh, Mohinder (1970)**[^32] undertook a study on Cooperatives in Asia. He observed that cooperatives are not merely business organization. For the very starting of the cooperatives and its successful working, sense of brotherhood, common fellowship, love and sacrifice are must. He concluded that cooperatives have a brighter future in India, as their objective is eradication of poverty in the country and bridging the wide gap between rich and the poor. Further the cooperative movement when it is spread out will guarantee abolition of the malpractices of hoarding, profiteering and man-made scarcities in the country.

**Ghoshal (1972)**[^33] in his work on ‘Agriculture Financing in India’ analyzed the short term and medium term credit needs of the farmers. He observed that despite the existence of cooperative institutions, which were established to make available timely and adequate credit to farmers, the agricultural development continued to suffer due
to lack of credit facilities. He is of the opinion that because of the failure of cooperative credit structure the responsibility has been entrusted to commercial banks for financing this neglected sector.

Krishnaswami (1972) made an attempt to study the reorganization of the short and medium term credit structures. He observed that the record of credit system in India was not altogether satisfactory due to various structural and operational weaknesses and deficiencies. He made an action programme for the reorganization at all the three levels i.e. Primary, Central and State by suggesting constitutional reforms, cooperative education and professional management.

Mirdha (1972) carried out a study to ascertain the problems related with agricultural credit services provided by the cooperatives. He observed imbalance in credit distribution, neglect of small farmers and large overdues in rural credit system. He suggested an integrated agricultural credit services i.e. provision of credit along with organization of facilities for its conversion into inputs and service required by the farmers to use credit effectively. The integrated credit service covered the complete range of farm produce upto the marketing stage and also ancillary farm occupation, of rural artisans and craftsman which provide services to the farmers. He also suggested area-by-area approach in the development of cooperative programmes.

Ramamoorty et al (1972) in their study “Credit needs and availability to farmers” analysed the nature and working of various institutional and non institutional sources of finance to farmers. They have found that institutional sources have larger coverage as compared to non institutional sources. They observed that the cooperative banks (62 %), commercial banks (13%) and moneylenders (25%) were the main sources of supply of credit to the sample farmers of two districts of Tamil Nadu. They suggested the reorganization of credit societies into rural and cooperative banks of multipurpose type in order to render a package of integrated services to the patrons.

Ames et al (1973) undertook a study “Cooperative Credit for Farm Production in Mysore-State, India” concluded that over 69% of all defaulters were large farmers and they accounted for over 74% overdues of short-term credit in the poor and very poor repayment categories. Further, the small farmer defaulters advanced the following reasons for their overdue short term loans, 46% natural calamities, 5% fall in agricultural prices, 5%limited resources and 44% gave other reason such as diseases and medical expenses for the family, no marketable surplus and the
misutilisation of cooperative credit for litigation, marriage and livestock purchase. But
the point to be noted, however was that large farmers too have reported similar
repayment problems.

**Pal and Muhopadhay (1973)** in their work ‘Agricultural Finance in West Bengal’
have made a joint effort to assess the credit requirements of the farmers of West
Bengal. They hold that no doubt, the cooperative banks and Government-sponsored
institutions are meeting the credit needs of the farmers, yet the agriculturists are
suffering for want of funds. The authors proposed suitable institutional changes to
bridge the credit gap, which is likely to widen in the coming future. They suggested
that Reserve Bank of India and other financial institutions should amend their
working procedures to enable the common agriculturists to get the benefits of
agricultural credit in easy way.

**Kodesia (1974)** made an attempt to analyze the suitability and viability of the credit
institutions in his paper “Agricultural Credit in India: An Appraisal” and reached on
the conclusion that one of the most distressing features of the cooperative credit
structure was the increasing proportion of overdue year by year, a large part of which
was due to willful defaulters. The defaulter members were relatively well off and
better placed in respect of land resources, income and expenditure as compared to
non-defaulters. He suggested that the production should be linked with marketing of
crops to make the recovery system more efficient and effective. Thus the efficient
operation of these systems will not gear up the sector but it will definitely provide an
opportunity to exercise control over the problem of overdues.

**Agrawal, Satish Chandra (1976)** undertook his doctoral dissertation ‘Land
Mortgage Banking in Haryana’ discussed the progress of Land Mortgage Banking in
Haryana. He observed an upward trend in ‘Reserve and Surplus’, but deposit did not
show upward trends. Corresponding with the increase in the business of Land
Mortgage Banking, the amount of overdues and operational costs were increasing.
Profits of the Haryana State Land Mortgage Banks were increasing significantly.
There was poor coordination among different agencies of the State, viz., Government,
Commercial Banks, RRBs, Local Administration involved in agricultural
reconstruction.

**Patil (1976)** in his paper “ Financing agriculture by cooperative and commercial
bank in Cuttack Sadar Block ” has examined the extent of financing agriculture by
cooperative and commercial banks in Cuttack district of Orissa. He observed that cooperative credit institutions have played a vital role in the rural credit. He found that on an average 85.7% of credit was met by Cooperative Banks and the role played by the commercial banks was not so prominent in the Cuttack district of Orissa. He concluded that the main beneficiaries of cooperative credit continued the 'Haves' rather than the 'Have-nots'. He recommended the formation of Farmers Service Cooperation.

**Prasad, Rabindra D. (1978)** in his study “Cooperative and rural development” observed that cooperative in the broadest sense could be viewed as on voluntary association in a joint undertaking for mutual benefit. It is aimed at the promotion of thrift. The cooperative movement is an undertaking of the masses, which implies a free, and liberal flow of people’s involvement and talents with states role confined more to vigil their interference and restriction. He opined that the cooperative societies which reaches the remote areas and where Government machinery and democratic management is interlinked could serve the nation in the area of production, processing, consumer distribution, rural industry and transport. He further advocated that the Planning Commission, while drafting a Plan Paper should take a hard look at cooperative sector.

**Goel (1979)** made an attempt to examine the working of a cooperative federation. The issues covered were the policy making, executive directions, human resources administration, organizational structural project formulation, financial management, marketing management, processing management and distribution management. It is an extensive study of cooperative management. He observed that cooperatives originated in India as a Government Policy. Cooperation got a predominant place in Government’s scheme of social and economic reform and growth with creditable account on rural development and small-scale production. There were over three lacs of cooperative societies with a total membership of 70 millions. They cover a wide variety of socially important economic activities from wholesale and retail trade to credit and service facilities. He observed that the Cooperatives are a training ground for the people to take initiative in organizing to assume responsibility in administration and direction. Thereby they create experts from their own ranks to carry on enterprises in their own interests.
Singh (1979) in his work “An economic appraisal of cooperative agricultural finance in Unnao district of U.P.” has made an economic appraisal of cooperative agriculture in Unnao district. He observed that cooperative credit institutions have played important role in agriculture finance. He also found that the Land Development Bank was the main source of finance in the district. He suggested that in order to manage the cooperatives effectively, there should be a line between the members and the Board of management. He further emphasized that the cooperative banks and their regulatory agencies, Government functionaries and the Registrar of Cooperative Societies and its field officers should have definite assignment in providing cooperation and guidance to management.

Deepak (1980) carried out a study, “Agricultural Credit Problems and Recovery” in which he pointed out that the procedure of determining the adequacy of the loans was quite unscientific and the extension services were ineffective for rural development. Lack of will and discipline among the borrowers were the principle cause for overdues. He suggested a number of measures to check the recovery. He suggested that a recovery cell should be set up by each credit lending institution for monitoring the recovery process; the banks should also be given the right of lien so that the properties of defaulters can be attached without recourse to court; to reduce overlapping and duplication of loans; one borrower and one financial institution principle should be strictly implemented and that willful defaulter should be strictly dealt with.

Prasad, M.S. and Gadwar, A.V. (1980) in their work “The farmer preferences of utilization of cooperative credit in Western Rajasthan villages” attempt to find out the farmer preferences of utilization of cooperative credit in Western Rajasthan villages. They have found that there has been diversion in loan utilization affecting adversely the repaying capacity of the farmers. They revealed that for promoting a total and comprehensive rural development, the building and strengthening of cooperative credit system is must for its success in the sphere of agricultural credit.

Goel (1983) in his paper, “Role of cooperatives in agricultural development-Citizens perception” advocated that the discipline of cooperative organizations cannot be achieved by sheer multiplication and appointing officials only. Something more is required on the part of policy makers, decision makers and administrators in order to enhance the image of cooperative in nation building and reconstruction. He concluded
that though cooperatives cannot provide advances against the produce or loans to produce in terms of harness as it is against the basic principle of cooperatives, they ought to be polite, courteous, and ensure all the comforts that can be provided to their members.

Lamba, Kiran (1984) in her doctoral thesis attempted to study the 'Profitability management in Public Sector banking Industry in India' in general and was specifically based on the management of income and expenditure of the five selected banks (Syndicate Banks, Punjab National Bank, Central bank of India, United Commercial Bank, Oriental Bank of Commerce) at the branch, supervisory and total bank level. The major findings of study were:

- The profitability of the sample banks exhibited declining trend.
- The branch level performance, as reflected in earning/expense ratios and productivity parameters, was better in most respects in comparison to supervisory and total bank level.
- No direct association between bank size and organizational level.

Siddhu, D.S. and Siddhu, J.S. (1984) in their study “Credit distribution by Primary Cooperatives in Punjab State - A case study”, observed that the pattern of credit distribution service by cooperative societies was not discriminating between small and marginal farmers. The share of credit to non-agriculturist weaker section was declining. They stressed the need to go deep into the systematic and empirical investigations of conditions that significantly affect the formation sustainability and impact of cooperatives.

Singh, Kulwant (1987) undertook his doctoral dissertation “Cooperative Agricultural Credit Utilization in Himachal Pradesh” discussed the progress and pattern of cooperative credit in Himachal Pradesh. He observed that agricultural technology did not have impact on credit utilization. The credit utilization is significantly affected by variables like:

- literacy
- value of farm assets
- size of loan
- size of income
- family size and
- land holding pattern.
Kaul, T.N. (1988)\textsuperscript{51} in his research paper, “Indian Cooperatives: Making the Rich Richer and Poor Poorer” evaluated the performance of Indian Cooperatives at national level. He concluded that the respondents had borrowed from non-formal and non-institutional sources even when the burden of informal loans was found to be much higher for the medium and big farmers due to their tendency to raise loans from moneylenders after defaulting with the financial institutions. The central and state Governments should invite concrete suggestions and give specific instructions where something needs to be done urgently to improve the system and fulfill the aspirations of the people at large and poorer section in particular.

Moorthi, Vashisht and Parmar (1988)\textsuperscript{52} in their study made an attempt to analyze the utilization and overdues of cooperative loans in Himachal Pradesh by preparing a case study of Pandrukhi Block of District Kangra. The study concluded that membership of the societies has increased with average annual compound growth rate of 3% for the block as a whole but the growth has not been uniform in all V.I.W. circles. Policy for providing small loans linked with small savings would call for some innovative efforts in which landless people or rural artisans could be involved to act as saving agents/credit agents for rural development.

Prasad, J.V.S. and Naidu, M.R. (1988)\textsuperscript{53} in their study, “Cooperative Credit Adequacy” concluded that the scales of finance fixed by District Central Cooperative Bank were not only inadequate to the total working capital needs of the borrowers but also the proportion of the kind and cash component (25:75) was quite disproportionate and the kind component was far below the needs of the borrowers with regards to commercial crops. Total amount of Cooperative Crop Loan per farm, too, left large credit gap unabridged with proportion to the size of holding.

Agrawal, Anil Kumar (1989)\textsuperscript{54} in his published Ph.D. thesis discussed the role of Bhagirath Gramin Bank in the rural development of Sitapur District of U.P. He evaluated the performance of the bank from different angles like development impact, benefits to weaker sections, deposit mobilization, recoveries, utilization and efficiency aspect. He concluded that Bhagirath Gramin Bank has succeeded in making the good beginning in promoting rural development with social justice. This success of the bank attributed to refinance facilities; introduction and implementation of various schemes to attract more deposits; vigorous methods to mobilize savings and directing them to productive fields and by branch expansion. He opined that there was an
urgent need for reorganizing its structure and improving its working in several ways to enable it to play a more important role under present rural environment.

Pandey and Anthony (1989)\textsuperscript{55} carried out a study “Loan Delinquency among Borrowers of Nigarian Agricultural and Cooperative Bank (NACB)”. The cross-section analysis of loan delinquency amongst N.A.C.B. defaulters revealed the fact that large scale farmers borrowed significantly higher amount from the N.A.C.B. and became chronic defaulters by cornering significant amount for non-productive purposes. These defaulters put forth reasons such as drought, flood, fire, animal diseases and social problems as their reasons for default. Moreover N.A.C.B. also has inefficient loan supervision and recovery machinery. The large scale farmers in terms of socio economic characteristics such as literacy, operational size of holding, cropping intensity, capital assets, annual income and consumption expenditure.

Ravindernathan, N. (1989)\textsuperscript{56} in his study “Institutional credit for Agriculture Development Performance and Promises of Central Cooperative Banks” observed that the new agricultural technologies can be applied only to a limited extent unless more farmers come together for various purposes and services organized for them on a project wise basis. He suggested that concept of rural extension has to be broadened to include group action and organization supported by institutional credit preferably by the Cooperative for achieving improved agricultural productivity. The overall strategies must be to facilitate the transformation of the rural economy from a predominantly agricultural basis to a mixed agro-industrial economic system. The goals and targets for each category of the cooperative have to be fixed on the basis of the past performance, credit potential and the local requirements. The District Cooperative Banks have a definite role in this context to give a lead in this direction by developing a full-fledged extension wing.

Bhave, G.P. (1990)\textsuperscript{57} made an attempt to study the role of Cooperative Banks in Planned Economic Development. In the context of credit disbursement linked with efforts to improve production, he pointed out that the service area planning which was initiated earlier for commercial banks could be extended to cooperative banks could/should be used. In this service area planning apart from identifying credit demand for different sectors and for different purposes, it was necessary to ensure appropriate linkages with better technology and better marketing and processing. The
practice of first disbursing credit through the cooperative banking structure and then announcing write offs and other concessions should be given up immediately.

Gupta (1990) carried out a study, “The framework of Cooperative Societies for Rural Development in India” in which he revealed that the cooperative movement is yet to cover large segments of target groups. The society located in the urban area has switched over exclusively to credit business while the society functioning in the rural area continues to undertake credit as well as non-credit activities. He emphasized that well planned efforts should be made in an existing or a newly established organization to ensure that the special need and interests of low income group people are fully taken into account. He suggested that the main initiatives and the efforts must come from the people themselves and be channelised through the cooperatives at grass root level.

Mani, K.P. and Latha, T.P. (1990) in their work “Reserve Management of Cooperative Banks” revealed that if cash reserve ratio was kept at the rate of 3% and the entire excess amount was utilized for commercial lending at 25% statutory liquidity ratio net loss would be Rs. 77.51 lakhs of Trichur District Cooperative Bank. If cash reserve ratio was kept at the rate of 3% and the entire excess amount was utilized for different lending operations at 25% statutory liquidity ratio net loss would be Rs. 53.48 lakhs. If cash reserve ratio was kept at the rate of 4.5% and the entire excess amount was utilized for commercial lending at 25% statutory liquidity ratio net loss would be Rs. 42.11 lakhs. If cash reserve ratio was kept at the rate of 4.5% and the entire excess amount was utilized for different lending operations at 25% statutory liquidity ratio net loss would be Rs. 31.72 lakhs. The range of opportunity cost was Rs. 77.51 lakh-31.72 lakh of Trichur District Cooperative Bank.

Naryana, N.V. (1990) carried out a study “Financing of Small Farmers by Cooperative Agricultural Development Banks- A Case for ‘Single Window’ system”. In the light of the empirical study, it was suggested that Cooperative Agricultural Development Banks (CADBs) should pursue a location specific strategy to service the credit requirement of small farmers more effectively. In the present empirical study conducted in Anantpur district, it was found that there was inadequate or no support from the short-term wing of credit cooperative sector for investment credit provided by PADBs and vice-versa. When a sample of 75 farmer borrowers from PADBs were interviewed, it was observed that nearly 35% of them could not secure short term
production credit and the rest of them were not members of PACs. This anomaly can be removed and small farmers can be supplied with integrated credit services at a single point under integrated cooperative credit system.

Pandey R.N., Agarwal Kusum and Gangwar (1990) made an analysis of Repayment Performance of farmers regarding agricultural loans in Kurukshetra District (Haryana). They opined that the credit institutions must be encouraged to concentrate more on financing of those projects which are technically feasible, financially viable and socially desirable. Scale of finance for crops, livestock and other allied activities should be revised frequently to avoid the under financing. The willful defaulters must be forced to repay the loans through appropriate legal actions. All possible steps must be taken sincerely by the Government to eliminate the political interference in the normal functioning of the credit institutions.

Singh R.I., Singh R.P. and Singh A.K. (1990) in their study, “Role of cooperative in agricultural financing - A Case Study of Basti District (UP)” revealed that the cooperatives plays the vital role in agricultural financing in the selected areas. The other institutional credit agencies such as commercial banks provide a marginal loan for the agriculture. These credit institutions in the study area advanced only 33% and 22% of total loan. The long process of sanctioning the loans, mortgage problems, high rate of interest, scatter location of banks unfamiliarity with the loaning process are some constraints for not taking loans through commercial banks by the farmers, especially poor ones.

Winfred, John (1990) in his paper tried to study the Credit Delinquency in DCCBs in Tamil Nadu”. He observed that there had been slackness in recovery of loans resulting in mounting overdues. The position of recoveries appeared better only in two banks forming above 60% and in eleven banks the recoveries were below the state average (29.3%). In 1981-82 there were nine banks with overdues exceeding owned funds. Therefore, all efforts should be taken to improve the level of recovery of loans. The tempo of recovery drive should be maintained by the societies throughout the year instead of initiating it towards the close of the year. A well-planned recovery campaign should be launched well ahead of the due dates and the recovery machinery geared up for action at the time of harvest of crops.

Pasricha (1991) made an attempt to present a comprehensive picture about the performance and prospects of cooperative banking in Punjab during the period 1986-
1991. He observed that cooperative banks with a 23% share in branch network of entire banking system in the state have performed rather badly with regard to deposit mobilization (only 5-6%) and credit advancement (about 11%) in the state. Their performance in rural and semi-urban areas was slightly better. With regard to advances to priority sector, direct agriculture and weaker sector, the performance of cooperative banks and the banking sector as a whole has been very high as compared with national goals. Cooperative banks have concentrated their financial activities mainly in the agricultural sector and the other sectors of rural economy have remained neglected by them. Even the specific programmes initiated by Government of India for rural development have not got much favor with cooperative banks. The only matter of satisfaction has been very high percentage of credit deposit ratio and priority sector advances by them.

Sukumaran and Shaheena (1991) made an attempt to study management of Spread, Burden and Profitability by preparing a case study of Palghot District Cooperative Bank. The study concluded that:

- The profitability and interest expenditure of the bank showed a fluctuating but unfavorable trend.
- Analysis of spread and burden ratio indicate towards some deficiency in the fund management within the bank.

In short, the whole analysis indicated that the management of spread, burden and profitability within the bank during the reference period was not that much effective, and unless and otherwise the bank take immediate and necessary steps, the position of the bank may become still worse or even uncontrollable within a short span of four or five years.

Tarun, M.S. (1991) made an attempt to study the financial base in Cooperative Banks in Haryana. An inter-institutional level comparison showed that the compound growth rates (CGR) of reserves, owned fund, deposits, total business and working capital have the increasing tendency with the change in level from low to high i.e. from ground level (PACs) to intermediate level (CCBs) and from later to apex level (HARCO BANK). It has been observed that profit position has also the tendency to improve with the changes in the levels of institutions in the upper direction, it offers the logical inference that the bank institution that gains strong profit base relies on the borrowing and still can afford to carry on with less amount of share capital because
the deposits and reserve as a better (less costly) input for making advances. It should be noted that the cooperatives are not liable to distribute dividend to shareholders, hence the share capital seems to be cost free. But the share capital carries an implicit cost in that if it is eroded due to constant losses, the creditors and the depositors would start losing confidence in the cooperatives and refrain from depositing their savings and extending credit facilities. Therefore, there was strong point in having a strong financial base in the cooperative banks, and it calls for the necessary remedial steps to overcome this crisis.

Vaikunthe, L.D. (1991) carried out a study “Agriculture Cooperative Credit utilization and recovery performance”. The results of the study seems to have far reaching policy implications, as the percentage of borrowings is higher in case of big farmers in comparison to small and medium farmers. He observed that all the groups in the irrigated area utilized the credit for productive purpose. A small amount was being misutilised. Misutilisation of credit was more in the non-irrigated area compared to the irrigated areas. Again in the non-irrigated area, the small and medium farmers misutilised credit more than the big farmers. Repayment was more in case of the farmers in the irrigated area as compared to the non-irrigation area.

Xavier (1991) in their work “The Service Cooperative Banks in Kerala” revealed that if efforts are made to reduce overdues, overdrafts and establishment charges and increase the percentage of advance to working capital, the societies could earn more profits. The societies should try to increase the volume of its business. It should mobilize more deposit by providing better facilities to the customers, giving more emphasis to savings and current deposits. If the commercial banks in the area, some of which were started recently, could mobilize deposits in terms of crores of rupees, the societies can also do the same things being the institution of people in the area; provide it can offer better services with a broader coverage and in a true spirit of cooperation.

Chinnappa, K. (1992) made an attempt to study the problems of the District Central Cooperative Bank. He observed that Cooperative banks didn’t put up the appearance of banks and they have conducted their business in same outmoded way without attractive counters, name boards and charts exhibiting rates and better margin of interest available on deposits then the commercial banks still people think there was no safety in depositing the money with cooperative though there was insurance
cover for the deposits like other commercial banks. Therefore the cooperative banks should realize that the creditability of the commercial banks lie in their decent appearance of which they were lacking. Heavy overdues of cooperative banks have impaired their capacity to borrow from higher financing agencies.

Kandasami (1992)\(^7\) carried out a study “Cooperative Loan Recovery in Periyar District of Tamil Nadu”. He evaluated the recovery mechanism of Cooperatives in Periyar. He pinpointed that by the joint efforts of supervisor of District Central Cooperative Bank, the special officer and secretaries of primary societies and the employees of Government of Tamil Nadu, The Periyar District Central Cooperative Bank was able to achieve top position in a state in the recovery performance of crop loan advances. So, in order to make the rural credit delivery system stronger to meet the increasing challenges, the role of cooperatives in agricultural financing has to be revived and revitalized.

Maitin, T.P. (1992)\(^7\) in his paper outlined the need for Disciplined Management of Cooperatives. He observed that it is not the concept of cooperatives, which can be discounted; it is the faulty execution of the concept by the people responsible for their management, which has often defeated the entire purpose, and spirit of cooperative movement in India. Cooperative principles and policies, therefore, have to be translated into practice in a more disciplined manner. Though the system has not been without success in selective areas, its operational application by and large has been an utter failure. Cooperative’s actual management, however, demand a more favorable shift in behavior and attitude of people entrusted with the task or organizing and using cooperative resources so as to justify the continued relevance of the system to social utility.

Ram (1992)\(^7\) undertook his doctoral dissertation ‘Role played by Agricultural Refinance and Development Corporation’ with the objective of examining the role played by ARDC in the agricultural development of Haryana and its association with RBI, Cooperative societies, RRBs, Agricultural Finance Corporation. The study concluded that up to 30\(^{th}\) June 1982 the state of Haryana got 8.33% of total refinances disbursed by ARDC and after this date ARDC was merged in National Bank for Agricultural and Rural Development (NABARD) but unfortunately Haryana’s share fell from 8.33% to 5.3% on 31\(^{st}\) March 1991. It was suggested to raise the Haryana’s share at least up to the old ratio.
Sharma, R.D. and Sharma, S.R. (1992)\textsuperscript{73} in their work “Cooperative Agricultural finance in hilly areas” evaluated the performance of Cooperatives in hilly areas in terms of their operations. He concluded that in hilly areas the cooperative banks concentrated much on small and marginal farmers. With the help of short term loans, the people of the area under study have shown interest in setting up allied agricultural units. Further cooperative banks have shown favorable position in meeting the credit need of agriculturist.

Sundaram (1992)\textsuperscript{74} observed the uneven distribution and spread of urban cooperative banking in India. Over 76\% of the banks were concentrated in four states of Maharashtra, Gujarat, Karnataka and Tamil Nadu. These states account for 80\% of their total advances of Rs.5,207 crores. This means that the organization of the urban cooperative banks has not been consistent with the potential existing in different states. The movement was particularly weak in the states like West Bengal, Madhya Pradesh, Assam and Bihar. The urban cooperative banks were functioning without any structural support from any higher institutions. He suggested that urban banks should see that incremental income generated by the investment outlay was productively utilized. The branch expansion policy should concentrate on the areas in urban and semi urban areas having high incidence of weaker sections population. The organization of a national level urban cooperative bank and state level urban cooperative banks should not be kept in abeyance. Considering the vital role played by these banks in serving the priority sectors, this measure should receive top priority.

Dayanandan, R. and Dr. Sasikumar, K. (1993)\textsuperscript{75} carried out a study on Performance Evaluation of District Central Cooperative Bank in Kerala. They revealed that though the Central Cooperative Banks have achieved better performance in respect of share capital, membership, deposits and reserve funds there was no corresponding achievements in the net profit because of the unfavorable steady rise in overdues. It can be stated in another way that the growth of CCBs in Kerala was effected because of high overdues. If the management of the banks takes suitable measures for controlling its overdues then only it can perform well in future.

Goyal S.K., Pandey R.N. and Modi M.K. (1993)\textsuperscript{76} in their study “ Repayment Capacity of Defaulter and Non-Defaulter Borrowers of Cooperative Societies in Haryana” observed that the non-defaulters were well off and better placed with respect to average yield of major crops, value of farm assets, total cash returns of the
households and repayment capacity as compared to defaulter borrowers. The defaulter borrowers utilized a relatively large proportion of their total earning on consumption purposes and thereby leaving less for investment in production processes. This resulted into low repaying capacity of the loan on the part of defaulter borrowers.

**Modi, M.K. and Rai, K.N. (1993)** made an attempt to study the credit utilization pattern in different categories of farm in Kurukshetra (Haryana). They observed that borrowers were still attracted to the non-institutional sources because of simple methods and fewer formalities adopted by them. The study reported that major share of credit was utilized for the purposes it was taken. However, out of the total amount diverted 50% was further used for productive purpose other than specified one. He suggested Need based loans should be given to farmers keeping in view their credit worthiness. The lending agencies must keep a watch on the utilization pattern of the borrowers from the very beginning to ensure proper utilization of term credit. Efforts need to be made to avoid under and over financing to ensure proper utilization and smooth flow of credit.

**Arora and Khater (1994)** observed that Indian economy has witnessed an ideological revolution in the past few years. The banking industry, hitherto the pampered child of Government, bearing repercussions of scams and other anomalies cannot obviate the winds of change. Banking industry found itself on the crossroads. Though achievement in quantitative terms was phenomenal, yet there was an increasing strain on their profitability due to inefficient allocation. The banks found it difficult to recover the money due to increasing volume of NPAs. The article suggested various measures to reduce NPAs like comprehensive loan appraisal system, strengthening the post sanction follow up, monitoring of rehabilitated sick units, constitution of legal audit to check NPAs, introduction of profit planning instead of business planning, etc.

**Jugale, V.B. (1994)** carried out a study “Role of Cooperatives in Agricultural Finance.” He concluded that cooperatives have been playing vital role in agricultural finance. He pinpointed that the cooperative movement both in its ideology and theory attract academician as well as political leaders and social reforms for different reasons. It has been admitted on the contrary that the cooperation is the most effective means of transforming the rural-economic milieu. If it fails the rural hope will die.
Radhy (1994)³⁰ in his work “Cooperative Banks for Agriculture and Rural development” concluded that the progress and performance of cooperative rural banks was tremendous. These banks were rendering valuable services to their members as well as to general public by way of providing agricultural inputs, purchase and sale of agricultural produce, distribution of essential commodities and sale of consumer goods etc. These operations in their own way contributed to the agricultural and rural development of the area. They also ascertain the positive impact of certain important factors over deposits, advances and net profits of these banks with an object to identify the strong and weak factors of growth.

Rao, Krishna P. (1994)³¹ made an attempt to study the role of Cooperative Banks in financing agriculture credit. The study concluded that many factors such as poverty, illiteracy, consumption and ceremonial expenditures, and increase in cultivation expenses were responsible for large-scale borrowings by farmers. Prior to independence, farmers were not being able to obtain sufficient institutional credit. They were dependent on private agencies, which generally exploited them. Soon after independence, the Government of India realizing the need for institutionalizing rural credit structure relied heavily on cooperative, for a long time. The emergence of green revolution in India by late sixties has enormously increased the demand for agricultural credit. At this juncture, the endeavors of the credit cooperatives in meeting adequately the credit requirement of the cultivators paved the way of multi agency approach. However, even after the expansion of multi agency approach and in spite of several impediments there has been a steady progress in the performance of the cooperative banks in the field of rural credit, especially in financing agriculture.

Sood (1994)³² in her doctoral thesis attempted to sketch a picture of the performance of Regional Rural Banks in Punjab against the backdrop of Regional Rural Banks in India by evaluating the precise role played by these banks in Rural Credit Structure of Punjab, deposit mobilization, credit disbursement and recovery position. The main findings of the study were:

- The number of branches of Regional Rural Banks in Punjab increased almost seventeen times.
- There were no significant changes in composition of deposits and no distinctive change in the share of various loan categories in total advances.
The percentage of recovery ranged between 75%-85% in the Regional Rural Banks in the State.

There was decline in credit-deposit ratio.

The trends in income and expenditure of Regional Rural Banks in Punjab had not been conducive to any improvement in profits and profitability of banks.

Kaveri (1994) observed that in the wake of financial sector reforms, generation of profits have become the main concern of the banks. For this purpose each bank has to maintain low risk bearing advances. Hence the paramount task before banks is to bring down NPAs. While expatiating on the limited scope of special recovery branches the need for strengthening existing recovery machinery has been emphasized. Before a good loan slips into a bad debt, monitoring and follow up of borrowers become necessary. The article concluded that accountability should be introduced for management of lending.

Goyal, S.K. (1995) in his work has tried to study the growth in Cooperative Society in Haryana. The temporal changes and growth of various parameters of Primary Agricultural Credit Societies in Haryana, he concluded that there was significant upward movement in all the parameters except number of societies during the period under study. Unfortunately the highest compound growth rate was recorded for overdues. This reflects upon the poor recovery of loans, which is not a healthy sign for the viability of these societies. Strenuous efforts need to be taken to improve the recovery of loans.

Rao, Thirupati U. (1995) carried out a study on Financial Management of the DCCB of Srikakulam in Andhra Pradesh. He observed that the finance function of Central Cooperative Bank was highly regulated by the Reserve Bank of India and the Registrar. The borrowings, lendings and investments were regulated and subjected to rigorous discipline in respect of several other financial operations. But it found that operations were failed to observe the financial discipline. The bank had experienced a deficit in the maintenance of required cash reserves and liquid assets throughout the study and became responsible for down grading of the bank. The financial planning and control techniques of the bank were not adequate to regulate the financial activities.
Ravishankar, A. and Thimmaiah, A. (1995) in their research paper “Cooperatives and Liberalization: Challenge and Opportunities” pointed out that the process of liberalization and globalization provide tremendous opportunities to restructure the entire cooperative set up. They further believe that the cooperatives have the opportunity to realize their potential, if the Government has the foresight and courage to bring a set of reforms aimed at making this sector vibrant and productive. If this is done the authors hope that at the time of century celebrations one will have the totally contrasting scenario that is only handful of the cooperatives in the red and a majority of them in the pink financial health.

Gupta, Sushil Kumar (1996) in his doctoral thesis had done a critical study of the role of Land Development Banks in the agricultural development of U.P. with special reference to Etawah District. The study concluded that the marginal and small farmers were the main beneficiaries of the bank schemes and the bank was providing loans for abolition of rural poverty and unemployment through various programmes such as dairying, fisheries, cottage and small-scale industries etc. These programmes showed the multi-dimensional approach of the bank. The overall progress of the bank showed steady progress in the business of the bank. But the bank was facing many problems like inadequate funds, poor recovery of loans, etc.

Gupta, Virendra Kumar (1996) in his doctoral dissertation studied the problem of long term agricultural credit in the agricultural sector in an economically backward region like Baduan District. The study concluded that these banks did not follow any special lending policy specifically meant for economically backward region. During the pre-investing period, there was a likelihood of misutilisation of long-term credit and during the post-investment period, there was a strong possibility that a major part or whole of incremental income would be diverted for consumption purpose. He opines that there was need of integration of Co-operative Credit at village level and reorganization of Co-operative Credit System by abolition of the present multi-agency system and its replacement by a single and efficient co-operative credit system to serve the farming community.

Bhattacharjee (1998) observed that Primary Agricultural Cooperative Credit Societies (PACS) have not performed up to their expectations because of excessive Government intervention. The low viability of PACS was because of their being not truly multipurpose and efficient in undertaking loaning operations. The market in
which these cooperatives operate tends to be imperfect and oligopolistic, considering this a multi-variate model was developed to examine the relative influence of factors determining the profitability of PACS. The revenue for the PACS is generated from input sales, credit disbursement, consumer good distribution, produce marketing, industrial raw material distribution and deposit mobilization. Comparison of these output portfolios revealed that sale of consumer goods has the highest impact followed by loan disbursement and sale of inputs. Loan disbursement exhibited highest profitability elasticity followed by sale of consumer good and sale of inputs. This suggested that cooperatives have to concentrate on the credit portfolio among the various outputs. He concluded that the most important root for increasing the profitability of cooperatives was by improving the unit total gross margin. PACS have not exploited the potentials for expansion and viability fully due to centralized and bureaucratic decision making.

Gautam (1998)\textsuperscript{90} undertook a study of Co-operative Movement in Nepal (1953-1997). He observed that in the present stage of development of the co-operative movement in Nepal, the facilities and services that Government provided was proving to be insufficient. It is well recognized that in developing country like Nepal, unless the state and co-operative movement both go together with a common will and determination the movement will not attain the desired goals. These co-operatives involved 1.5 million members out of 20 million population of country and the deposit/saving mobilization has exceeded Rs. 320 million in Nepal. The growth in the number of co-operatives and the progress in the mobilization of savings have not always been accompanied by qualitative improvement. He identified many problems which co-operatives societies were facing like inadequate field advisory services, managerial incompetency, lack of business skills, low infrastructural base; low savings base and so on. The co-operatives located in rural and hilly regions were especially affected by these inadequacies.

McPherson, Ian (1998)\textsuperscript{91} made an attempt to apply values and principles to every day cooperative activities. The contemporary economic stress imposes major challenges upon the co-operatives in Asia Pacific Region as in other regions. The increasing competition from the private sector and the liberalization of Government economic policies affected the ways in which co-operatives carry out their business, as a result, the need for stronger, more effective management was abundantly clear.
He suggested value based management which will serve members and communities. He gave following principles-

- Move from the identity statement to practice.
- Recognize the inherent strength of principles.
- Importance of situational objective.
- Borrow what is useful.

He also suggested to maximize member association, clearly defining the community, taking state more seriously. Local structures had to change work across sectors by understanding the priorities of the state; insisting upon professional management and ensuring the direct internal management of co-operative as supportive of the activities in all other spheres.

Meena (1998)\(^2\) carried out a study to ascertain the impact of liberalization on cooperatives in Rajasthan. Cooperatives in Rajasthan were seriously concerned to meet the threat of liberalization and to create conducive environment for themselves to develop as viable and self reliant institutions. For this purpose strategic options were followed. Firstly, strengthening the cooperative credit, cooperative marketing and consumer sectors by revitalization of PACs, providing working capital and by providing expert guidance. Secondly, professionalisation of management has been vigorously undertaken in Rajasthan. Thirdly, formulation of Action Development Programme to ensure efficiency and profitability in cooperative enterprises. Fourthly, liquidation of non-viable societies and democratic functioning of federal organization through their constituent society and activation of members. Lastly, certain type of cooperative has been exempted from restrictive and rigid provisions of the present act which ensured the activation of members and autonomous character of cooperatives.

Sasi Kumar (1998)\(^3\) made an attempt to study cooperatives and decentralized peoples’ planning in Kerala. The Ninth Five Year Plan of Kerala was a program wherein the formulation and implementation of plan would be done with active involvement and cooperation of the people. The important feature of the proposals put forward by the people was that majority of ventures should be on the cooperative lines. This shown that there was a sight of perception on the part of the people that cooperative sector can play the role of a catalyst in the development of the rural area. Therefore cooperative sector played a crucial and indispensable role in the effective and successful implementations of the decentralized planning programs called people
planning. Through the decentralized planning it was easy to identify the developmental potentials in different regions that gave new avenues to the cooperatives to expand and diversify their activities. The management committees’ members who had knowledge of their area prepare a village level plan program. Those cooperative societies which had launched business development program, prepared benchmark survey of the village. He opined that the opening of new opportunities through the identifications of development potentials would enable the primary agriculture credit societies to utilize their resources in an effective manner.

Karmakar, Mani and Rao (1999) in their work entitled ‘Nurturing corporate-cooperative linkages in Indian agriculture’ has observed that rural banking was constrained by high transaction cost which was contributed by low business levels and dispersed clientele coupled with poor loan recoveries (about 50%). This eroded the banks capabilities to recycle loans and leave alone earning/profitability. Commercial banks were generally able to cross-subsidize such losses to an extent from their profitable operations (foreign exchanges, corporate finance, etc) but cooperatives banks continued to languish without such operations. About 40% of the 90753 primary and agriculture cooperative societies were non functional. In view of failure of primary agricultural credit society, there was urgency to encourage credit flow through production oriented cooperative societies with single products that will help individual farmers to focus on their productivity while the backward and forward linkages would be taken care of corporate responsibility that was corporate-cooperative linkage. From the Indian farmer’s point of view, contractual farms societies with cheaper credit available from cooperative banks would be an important innovation if they were not to be marginalized forever from the processed food sector. Multipurpose cooperative credit societies have been promoted since 1976 in order to provide forward and backward linkages beside credit as input, these cooperatives have done a commendable job in organizing farmers, providing and linkages but have registered little success in providing technology transfer and marketing linkages. The trend of integrating short term and long term credit as in Andhra Pradesh against the background of sub optional business levels in a large numbers of dormant production cooperatives was an indication of the two-tier integrated cooperative credit structure in the coming years.
Patil (1999)\textsuperscript{95} carried out a study to ascertain the management problems in cooperative enterprises. He observed that peculiar problem of cooperative management was the wide dispersal of authority and control in the organization. The real problem was the association between the board and the chief executive. The function of the board is to direct and the function of the chief executive is to act as per direction but the problem arises when the director starts acting and the actor starts directing. The directors in cooperatives have developed a strong tendency of playing the role of chief executive because most of the cooperative leaders model their role behavior pattern on the behavior of political leaders who as administrators behave like super executives. Therefore, it is common to see the chairman of cooperative society behaving like a Chief Executive. The cooperatives should be user managed enterprise but now their vested interest lies in working against genuine democracy. They admit those who do not need the services, they do not admit those who actually need service. This practice has made most of the cooperatives as pseudo cooperatives. He suggested professional management in cooperatives, which implies the separation of democratic control from the executive management.

Ramesh and Patil (1999)\textsuperscript{96} did a SWOT analysis of Goa Urban Cooperative bank Ltd. by taking into consideration liquidity, productivity and profitability. The study was based on secondary data for the period from 1985-86 to 1996-97, gathered from yearly annual reports of the banks. The ratio analysis analytical tool was employed to analyze the financial statements of the banks.

**STRENGTHS:**

Bank has successfully managed to maintain on an average 3 to 4\% of its deposits in the form of cash assets quenching the cash reserve requirement under Banking Regulation Act. Liquid assets were adequate enough to meet immediate liabilities of the bank. The proportion of owned fund in the total borrowed funds was regarded to be enough to preserve the confidence of the depositors. The bank showed its competency in raising its resources at a cheaper cost.

**WEAKNESSES:**

The profitability ratio of the bank depicted a very indigent performance due to gradual hike in burden ratio. The share of income other than interest income was very negligible in the total income of the bank.
The bank had an opportunity to invest its excess funds which was presently blocked in liquid assets in the securities so as to generate more income for the bank. Bank can widen their operation to merchant banking services and it can undertake foreign exchange activities.

THREATS:
The bank had the problem of rising trend of non interest expenses; interest earned was very unstable the bank had not made any efforts to improve its non interest income to supplement its income resources. The continued low return on the total assets, had thrown a light on the jam of an inefficient asset management.

Roy (2000)\textsuperscript{97} in his work has tried to study the genesis and moves, problems and prospects of Cooperative Movement. He observed that the growth of Cooperative Movement till independence though made some quantitative progress in terms of number of societies (71times), membership (57times) and working capital (230times) but qualitatively it suffered from several intrinsic and extrinsic factors viz. illiteracy among the masses, poor socio-economic conditions, irresponsible administration, inadequate infrastructure and improper environment for its even and healthy growth. The Cooperative Movement of independent India has emerged as a strong and vibrant economic force in bringing about a qualitative change in the upliftment of weaker sections of both urban and rural masses. The movement has now covered 100% of villages in India along with 65% of households. They have created niche for themselves in the fields of rural and urban banking, agriculture and agro-processing including sugar production, dairy products, marketing of agriculture commodities, distribution of consumer articles through rural retail outlets and so on and so forth. But the movement suffered from deficiencies like regional imbalances in growth, autocratic management rather than democratic, excessive dependence of credit cooperatives on the refinancing facilities of NABARD, mounting overdues. He suggested re-orientation of the structural functioning and management, to take up new projects like power, tourism, health and insurance, development of human resources, and computer aided data base.

Yadav, Rampal (2000)\textsuperscript{98} in his published Ph.D thesis entitled ‘A critical study of cooperative banks in the integrated rural development of Haryana’ has studied the role
played by the cooperatives banks in the integrated rural development by assessing the performance of three types of rural based institutions viz. Primary cooperative banks, Central cooperative banks and Lead bank, in mobilizing deposits and helping the rural poor for upliftment of their standard of living. He concluded that the cooperative banks did not finance the schemes of social development and these Cooperative banks are integral parts of lead banks.

Capoor (2001) as Chairman of Task force constituted by Central Government studied the functioning of rural cooperative credit institutions and to suggest a package of measures for their strengthening. Major recommendations of the committee were: need for strengthening the resource base of cooperative banks, need for reducing Government control over cooperatives, adoption of Model Cooperative Societies Act, diversification of business products, these banks to initiate necessary steps for ensuring viability, need for bringing transparency and disclosure norms in respect of cooperative banks and branch licensing of CCBs to be brought under the provisions of the Banking Regulations Act, 1949.

Hota and Sharma (2001) made an attempt to study financial reforms in relation to Rural Financial Institutions (RFI) especially with respect to cooperative credit system. He observed that the institutional credit delivery system in our country has witnessed transformation during the past eight/nine years with the implementation of financial sectors reforms. The cooperatives witnessed some changes in their functional areas on accounts of these reforms like, deregulation of interest rates, application of prudential norm, recapitalization and restructuring and human resource development. He concluded, like a river changes its course in the tune with the terrain, a successful financial institution, especially a cooperative financial institution, has to adapt itself to the changing needs in order to become sustainable.

Joshi (2001) made an appraisal of cooperatives banks in India. She observed that the cooperatives covered almost 75% of the entire countryside, but the membership is still 45% of the rural families. The cooperative structure had a membership of 1.3 crore, net owned funds of 3191 crores and loans and advances outstanding of Rs. 17261 crore respectively. Agricultural laborers and rural artisans constitute only 10% of the total membership. Cooperative banks had a tremendous network. Thus, they were best suited to ensure the flow of short term and long term agriculture credit. The weaker sections of the rural community were still not adequately represented in the
membership of cooperatives. Beside the significant regional disparities in credit availability, the cooperative banks have not been able to ensure increasing flow of production loans and investment credit in tribal, hilly and backward area. She concluded that the financial performance of the cooperative banks was not uniform in all states. In some states as AP, Maharashtra, Gujarat they were very strong while in UP and Bihar their condition was perilous. The overdues and NPAs have crippled financial solvency, cramped productivity and profitability of the cooperatives. The transaction cost of the cooperative banks were very high, there was lack of business diversification and professional management in cooperative banks.

Kamesam (2001) outlined the issue concerning the vulnerabilities that have weakened the corporative systems to achieve the twin objectives of effective credit delivery and financial sustainability. These include organizational and managerial, financial and operational issues. The high visibility of the State apparatus has distanced the people from their day to day management and contributed to lack of involvement and ownership in their functioning. He suggested doing away with the duality of control between the State Government and the Central Bank, induction of professional in the board, proper human resource development and integration of short term and long term structures. The cooperative banks have to be allowed greater freedom to deploy their funds purely on business consideration.

Patil, Balsaheb Vikhe (2001), as Chairman of Joint Committee of the Cooperative Ministers of 8 selected states, NABARD, RBI, GOI and Ministry of Agriculture and Cooperation and Ministry of Finance as the members set up by Government of India emphasized on revitalization support to cooperative credit structure relating to the issues which were not clear in Capoor Committee report. The Committee’s recommendations were: the package for revitalization of cooperative credit institutions shall consist of four dimensional programme encompassing the financial, operational, organizational and systematic aspects of functioning of these institutions; the revitalization should not be an across-the-border process and it should be confined to the potentially viable units only; revitalization assistance would be computed with reference to the financial position shown in the duly audited and published Balance sheet and Profit and Loss Accounts; the assistance will be provided in form of self-extinguishing bonds which will be issued by the GOI and the State Governments for their own share.
Prakash (2001)\textsuperscript{104} in his work entitled ‘Participation of women in decision making in agricultural cooperatives’ has attempted to study the participation of women in decision making in agricultural cooperatives. In countries like India, Nepal, Bangladesh, Sri Lanka and Pakistan, women comprise just 7.5% as compared with men (92.5%) of the total membership. In Malaysia, it was around 30.6%. In India, with a view to involve women in the process of decision making in local self-Government bodies including cooperatives, a 33% representation has been instituted, and in a number of states all board of directors have women serving on them. Various constraints were faced by rural farm women like; placement of restrictions laid by law, policies, cultures and traditions; lack of education, vindictive and cultural pressures; limited information and facilities on securing micro financing due to complicated procedures and lack of organizational structures; insensitivity of cooperatives to accept women as decision makers and leaders due to the psychological dominance of men and interest groups; cooperatives did not entertain women as borrowers due to legal or cultural restrictions. He suggested the need for suitable modification in cooperatives and other laws enabling women to become members of agricultural cooperatives and other cooperatives. There was also a need for creating greater awareness among women to realign and adjust cooperative policy including the bye-laws in favor of women through the process of education and extension.

Prasuna (2001)\textsuperscript{105} observed that cooperative banks, an offshoot of the cooperative movement have expanded by leaps and bound over the last decade. However, the regularity environment and other systematic controls were yet to be put in place thus leaving them as a vulnerable point in the financial system. They seem to be a dark spot that could be exploited with little difficulty. He identified some of the major problems with the cooperative banks first inadequate entry norms, absence of compliance to prudential norms of banking, lack of professional management, dual control, politicizing of the management, absence of proper supervision mechanisms. The recovery performance has come down to 81%, which could adversely impact the recycling of credit and financial health of the state cooperative banks. The regularity structure with regard to cooperative banks along with the supervision process was so lax that it conveyed the attitude of “No Man’s child”. While they have been encouraged to conduct banking operations, these banks were largely free from any
prudential regulations and constraints. Thus putting the hard earned money of the
depositors at a great risk. All the regulatory authorities concerned have overlooked the
inherent risk until it was very late as the Madhavapura Mercantile Bank episode
proved. In case of MMCB, it had issued pay order without having cash in its account.
According to him, there were no short cuts that could bring the lost credibility to the
cooperative banks. It could be done only by mending their ways by adhering to
prudential norms and setting themselves right.

Roy (2001) observed the problem associated with urban cooperative banks. They
were mostly engaged in retail banking and were not permitted to deal in foreign
exchange directly except for three cooperative banks viz. Saraswat Cooperative Bank
Ltd., The Bombay Mercantile Cooperative Bank Ltd. And The Maharashtra State
Cooperative Bank Ltd. Their business opportunities in the non-fund business like
issuance of bank guarantees and letter of credit were also limited. He observed that
most of the directors did not have any banking expertise. The problem associated with
reforming cooperative bank was more political than regulatory. He suggested that RBI
and the Government should speed up the process of professionalism of the board by
inducing nominees from RBI and introduce good corporate governance. The next
step would be to introduce professional business practices by having systems
introduced for strategic planning, human resource management, adequate risk
management system and introduction of proper and updated technology.

Shah (2001) made an attempt to study the performance of Kolhapur District
Central Cooperative Bank (KDCCB) during pre and post-economic reform periods.
He observed remarkable progress in terms of all the parameters i.e. membership,
share capital, deposit, investment, working capital and loan advancement. In the phase
of faster rate of increase in loan advancement, the increase in recovery of loans was
very slow in the post economic reform period over that of pre economic reform
period. He observed sign of better Portfolio management in the KDCCB. The
financial viability had improved considerably during the post economic reform period
over that of pre economic reform period. The liquidity ratio and the asset test ratio had
declined during the period and also there was very high dependency of KDCCB on
debt. The return on owner’s equity had improved significantly which could also mean
an improvement in the efficiency of KDCCB in respect of managing its assets and
liabilities, and also income and expenditure. The most serious drawback in the
functioning of this institution was in terms of its policy of loan advancement in favor
of cooperative sugar factories, possibly at the expense of loans for agricultural
purpose.

Singh, Vazir (2001)\textsuperscript{108} made an attempt to study the role of NABARD in agriculture
and rural development in India. He observed that NABARD has acted as an apex
refinance institution as well as development institution in the field of agriculture and
rural development in true sense in the country. NABARD has taken number of
initiatives to improve the financial strength of cooperative banks. NABARD focuses
attention in improving in rural credit delivery system. The Kisan Credit Card schemes
and self-help groups (SHGs) were started forcefully. The overall performance of
NABARD so far can be said as modest. He suggested that more resources should be
made available at the disposal of NABARD and the active cooperation of various
state Governments and agencies disbursing credit directly.

Hajra (2002)\textsuperscript{109} in his paper argued that cooperative banks face higher risk of failure
than commercial banks, due to softer regulatory and supervisory arrangements, highly
impaired capital and asset structure, inadequate corporate governance and lack of
professionalism. These two sets of banks have clubbed together in the same rights and
capacity under a unified deposit insurance scheme. The Deposit Insurance and Credit
Guarantee Corporation made huge payment on account of failure of cooperative
banks and this was threatening the viability of the Deposit Insurance system and
thereby financial stability of the country. Though there were numerous problems in
extending deposit insurance cover to cooperative banks even under a separate scheme,
still there may be compulsions to do so. He opined that, for the viability and
effectiveness of the deposit insurance system for cooperative banks, it was essential
that they should be brought under effective prudential regulation and supervision. He
concluded that without norms and practices relating to transparency and
accountability, introduction of deposit insurance system may in fact enhance rather
than reduce systematic instability of the underlying banking system.

Kamesam (2002)\textsuperscript{110} made an attempt to study the good governance in the cooperative
banks. Corporate governance especially in the cooperative sector has come in the
sharp focus because more and more cooperative banks in India, both in urban and
rural areas, have experienced grave problems in recent times, which has in a way
threatened the profile and identity of the entire cooperative system. This governance
is needed to achieve a balance between the essential powers of the board of directors and their proper accountability. He suggested that cooperative banks should work like professional organizations on sound managerial system in tune with the needs of the time taking care of future projections of requirements to retain and improve their market share and identity in the long run. He concluded that the disclosure and transparencies being the key pillars of corporate governance were important area which required focus attention in the balance sheet of these banks.

Kuldeep (2003)\textsuperscript{11} in his work has tried to study the role of co-operatives in the development of Hill and Tribal areas of J&K State. He observed since most of the villages were very small, viability of primary co-operatives became a problem. On the other hand, enlarged area of operation hindered the growth of primary societies because it became difficult for the people to travel a long way in the hilly tracks to avail credit and services. Opening of separate societies for separate activities like credit, marketing, and consumer, dairy became more problematic. In view of the small volume of business, multi-purpose societies were organized to provide diversified types of services to minimize the problems of management. He recognized important factor responsible for the slow growth of co-operatives in the hilly areas has been the uniform application of patterns and the procedure applied in the plains e.g. crop loan system as adopted in hills. The system had not proved effective. Organization of service societies with unwieldy area of operation in hilly areas has resulted in concentration of credit in one or a few villages while others have been left out. In view of this he recognized need for a structure that may not be susceptible to difficulties and should be capable to provide sufficient credit and services commensurate with the requirements of members.

Vyas (2003)\textsuperscript{12} as head of Expert Committee reviewed the emerging scenario in rural credit and preparation of workable comprehensive plan of action for a more effective rural credit by an expert body. The Committee’s recommendations were: the changes in rural economy may necessitate involvement of new financial agencies or grouping such as Self Help Groups, Non Banking Financial Corporation, etc; progressive integration of financial markets and autonomy to institutions and accountability necessary; selective delayering of short term cooperative credit structure; integration of long term and short term structures, and to begin with strengthening of long term structures; credit for short term and long term for both agriculture and non farm
activities be progressively under Kisan Credit Card Scheme; improve facilities provided to employees in rural branches.

Ayenew Belay, K.S. Suhag and Arun Kumar (2004) made an attempt to study the performance of Primary Agricultural Cooperative Credit Societies in Haryana by analyzing the trend and growth in the size of operation and the pace of deposit mobilization and loan disbursement over the years (1988-89 to 1997-98). They observed that all the villages are covered by these societies. The membership, paid up share capital, owned funds, deposits, borrowings, working capital, loans advanced and cost of management registered the annual compound growth rates of about 5%, 14%, 16%, 27%, 16%, 16%, 23% and 19% respectively. The analysis of the composition of working capital infers that the societies were highly dependent upon the external financial sources mainly borrowings. The magnitude of deposit mobilized per society had increased more than four times over the study period. The absolute amount of loans advanced increased considerably over time. They concluded that though, there existed more than 4-fold increase in the amount of deposits, yet the amount of deposits mobilized by PACSs as compared to loans advanced was found unsatisfactory during the period under study.

Rao (2004) undertook his doctoral dissertation ‘Working of the Andhra Pradesh State Co-operative Bank (APCOB) – An Evaluation’ with the objective of identifying and analyzing the trends, progress and problems of APCOB. The study revealed that paid up share capital of APCOB has increased for more than five times; owned funds has increased for more than five times; deposits has increased for more than five times and loans and advances has increased for more than five times. These indicated that the bank has been progressing from year to year and contributing for the development of agriculture in the state. The region-wise advances of APCOB revealed that the Andhra region has attracted more amount of advances followed by Telangana and Rayalaseems regions. The diversified loans and advances have shown a constantly increasing tendency. The study further revealed that the average recovery rate of APCOB in respect of short-term loans is 75%, which is less than national average. He suggested that the bank should build up sizeable owned funds by earning more profits or by increasing the share capital of District Central Cooperative Banks and State Government. APCOB should initiate certain steps like monitoring the spending pattern of loans etc. to solve the problems of NPAs. The study further suggested that
APCOB should be given complete freedom to deploy its funds so as to maximize its loans and the political interference on loaning operations of APCOB should be eliminated.

1.12. **CONCLUDING REMARKS ABOUT REVIEW OF LITERATURE**

Empirical studies relating to Cooperative Banking System reveal that, ever since India’s first cooperatives were organised in the early twentieth century, cooperation has often been a story of immense possibilities but missed opportunities. Over the years, cooperative banks have remained the prime institutional agencies with their vast network, wide coverage and outreach extending to remotest parts of the country. But, the overall picture of the cooperative sector is none-too-healthy. Its continued fragility does not augur well for the flow of credit to the rural sector. Studies point out certain inherent weaknesses prevalent and accumulated in the system over the years such as inadequate entry norms, regional imbalances, absence of compliance to prudential norms of banking, high transaction costs, overdues and NPAs, poor resource base, lack of business diversification, dual control, excessive dependence of credit cooperatives on the refinancing facilities of NABARD, lack of involvement of women in decisions making, softer regulatory and supervisory arrangements, highly impaired capital and asset structure, inadequate corporate governance and lack of professionalism. These weaknesses of the co-operatives have crippled their financial solvency, economic viability, productivity and profitability.

The institutional credit delivery system in our country has witnessed transformation during the past thirteen years with the implementation of financial sectors reforms. The increasing competition from the private sector and the liberalization of Government economic policies affected the ways in which co-operatives carry out their business, as a result, the need for stronger, more effective management is abundantly clear. The cooperatives witnessed some changes in their functional areas on accounts of these reforms like deregulation of interest rates, application of prudential norm, recapitalization, and restructuring and human resource development. Cooperative financial institutions have to adapt themselves to the changing needs in order to become sustainable. Many studies suggested doing away with the duality of control between the State Government and the Central Bank, induction of professional
in the board, proper human resource development and integration of short term and long term structures. The cooperative banks have to be allowed greater freedom to deploy their funds on purely business consideration, computer aided data base. It is, therefore, necessary to assess the financial and other operational inputs required to restore the momentum of their growth on sound lines.

1.13. NEED OF THE STUDY

Cooperative banks were the first institutions that were set up with a view to providing credit to agriculturists at low rates of interest to free them from the clutches of the money lenders and to ensure that “credit” reaches the farmers to enable them to meet their production needs so as to increase production and productivity in rural areas. These objectives of policies are still unchanged. Cooperative banks have played an important role in the development of rural credit. Cooperative banks exist in each state of the country. Their geographical spread covers over 74% of the rural sector. The indispensability and inevitability of the rural co-operative credit system have been well recognized by almost all the expert committees on rural credit right from Sir Nicholson’s Report (1895) to Expert Committee on Rural Credit (2000). The co-operative credit movement has completed a century of its operational existence in 2004 A.D. This is indeed a sufficiently long period for a rural credit co-operative to emerge as a progressive, vibrant, viable and self-reliant entity although the co-operative credit institutions have made significant strides in the field of rural credit delivery surpassing the other institutional credit agencies in the disbursement of production and development credit and servicing of rural clients and members. There are certain grey areas of their operations like, regional imbalances, high transaction costs, overdues and NPAs, poor resource base, lack of business diversification, lack of professional management, dual control etc. which have become a matter of serious concern not only for the co-operative planners alone but also for the co-operative organizations themselves. This is a picture for India as a whole and this same pattern is applicable in Haryana region also.

Haryana is a land of laborious farmers. Agriculture is the main occupation of the people of this state. More than 75% people of Haryana earn livelihood from agriculture, which is the pivot of the state. Although the state has made rapid progress
in industrialization during the last 39 years even than agriculture is backbone of Haryana economy. The short term and medium term financial requirements are met through loans from moneylenders, cooperative credit societies, regional rural banks and Government. For long term requirement the farmers depend upon money lenders, Land Development Banks and the Government. Cooperative Banking in Haryana came into existence on the creation of Haryana State as a result of bifurcation of assets and liabilities of the erstwhile Punjab State Cooperative Bank on November 18, 1966. The short term cooperative credit structure consists of three tier viz. Haryana State Cooperative Apex Bank Ltd. at state level having 13 branches and two Extension counters at Chandigarh and Panchkula, 19 Central Cooperative Banks at district head quarters with their 348 branches working in the length and breadth of the State and 2423 Primary Credit Societies at Patwar Circle catering to the financial needs of 26.20 lacs members who are residing mostly in rural areas of Haryana. Cooperative Banking occupies a vital position in the economy of Haryana State and has been financing farmers, rural artisans, agricultural laborers, entrepreneurs, etc. in the State and serving its depositors for the last 39 years. Almost four decade has passed since the emergence of cooperative banks in Haryana. No comprehensive study has been conducted to determine the extent to which Central Cooperative Banks have been able to meet the objectives for which they were set up. Consequently, present study makes an attempt to bridge this gap by evaluating the performance and profitability trends of Central Cooperative Banks in Haryana.

1.14. **SCOPE OF THE STUDY**

The present study attempts to evaluate the performance Central Cooperative Banks (CCBs) in Haryana. The study attempts to intensively examine and compare various aspects of performance of Central Cooperative Banks in the state. The study covers all the 19 Central Cooperative Banks operating in Haryana. These CCBs are:

1) Ambala Central Cooperative Bank
2) Bhiwani Central Cooperative Bank
3) Faridabad Central Cooperative Bank
4) Fatehabad Central Cooperative Bank
5) Gurgaon Central Cooperative Bank
6) Hisar Central Cooperative Bank
7) Jhajjar Central Cooperative Bank
8) Jind Central Cooperative Bank
9) Karnal Central Cooperative Bank
10) Kaithal Central Cooperative Bank
11) Kurukshetra Central Cooperative Bank
12) Mahendergarh Central Cooperative Bank
13) Panipat Central Cooperative Bank
14) Panchkula Central Cooperative Bank
15) Rewari Central Cooperative Bank
16) Rohtak Central Cooperative Bank
17) Sirsa Central Cooperative Bank
18) Sonepat Central Cooperative Bank
19) Yamunanagar Central Cooperative Bank

It may be mentioned here that Fatehabad Central Cooperative Bank and Jhajjar Central Cooperative Bank started their operations during 2001-02 only. Therefore, for the purpose of better analysis in the present study, data relating to Fatehabad Central Cooperative Bank and Jhajjar Central Cooperative Bank is clubbed with their parent banks i.e. Hisar Central Cooperative Bank and Rohtak Central Cooperative Bank respectively.

The research is proposed to be carried out by studying the working results of these Central Cooperative Banks (CCBs) over a period of 10 years viz. 1994-95 to 2003-2004. A time frame of 10 years is considered to be adequate to throw light on the performance of Central Cooperative Banks.

1.15. **OBJECTIVES OF THE STUDY**

As stated in the need of the study, the objective of the present study is to evaluate the performance and profitability trends of Central Cooperative Banks in Haryana. These broad objectives have been delineated into further following sub-points:
1) To analyze the evolution and growth of Cooperative Banks in India.
2) To evaluate operational and functional performance of Central Cooperative Banks in Haryana.
3) To evaluate the profitability of Central Cooperative Banks in Haryana.
4) To evaluate the quality of services of Central Cooperative Banks provided to the beneficiaries.
5) To evaluate the motivation and satisfaction level of the bank officers providing these services.
6) To identify the problems affecting the functional and operational performance of Central Cooperative Banks in Haryana and to make suggestions for improving their performance.

1.16. RESEARCH METHODOLOGY

To fulfill the objectives of the present study, following research methodology has been used:

1.16.1. COLLECTION OF DATA

The study is based on primary and secondary data. The primary data has been collected through questionnaires filled by the beneficiaries and employees of Central Cooperative Banks. The main sources of secondary data were published annual reports, manuals, pamphlets and other printed literature of State Cooperative Bank and Central Cooperative Banks.

1.16.2. SELECTION OF SAMPLES

(a) Beneficiaries: For the purpose of collection of information from the beneficiaries, a sample survey was conducted. A stratified sample was selected so as to cover the beneficiaries of all districts in which Central Cooperative Banks are having their operations. A total of 570 beneficiaries were selected for the purpose of data, that is, 30 from each district of Haryana. While
selecting the sample, it was kept in mind that beneficiaries from all trades, occupations, age-groups, income level and educational level were included. Out of the sample selected, 49 beneficiaries did not respond and finally, the information received from 521 respondents was used for the purpose of analysis.

(b) Central Cooperative Banks’ employees: The total sample size was 95 employees selecting 5 employees from each bank and its branches. The results of the study are based on the information supplied by the 95 employees. Employees included branch managers, managers, officers and clerks.

1.16.3. ANALYSIS OF DATA

The collected data have been processed and analyzed in tune with the research plan. The processing of collected data included its editing, coding, classification and tabulation. The study involved both a TEMPORAL, as well as, CROSS SECTIONAL ANALYSIS. For this purpose, both financial, and statistical tools will be used. Following analysis were carried out:

(a) Trend analysis  
(b) Structural change analysis

(a) TREND ANALYSIS

A trend analysis becomes imperative as it clearly indicates the magnitude and direction of operations over time. It helps to identify banks in respect to their level of efficiency in operations. With the help of the trend analysis, we can determine whether we are progressing in the right direction or not. This helps in taking remedial measures, to bring the operations on the required path in case there are any deviations.

For analyzing the trend, growth rates viz. compound annual growth rates and exponential growth rates have been calculated.
(i) **COMPOUND GROWTH RATE**

For making calculations with regard to annual compound growth in deposits, credit, branches etc., the following equations have been used:

\[
    r = (\frac{A_n}{A_0})^{1/n} - 1
\]

where:

- \(A_n\) = Amount/ Number at the end of ‘\(n\)’ years.
- \(A_0\) = Amount/ Number in the base year,
- \(r\) = Rate of growth
- \(n\) = time period in years.

(ii) **EXPONENTIAL RATE OF GROWTH**

While calculating compound annual growth rate, only the figures of current year and base year are taken into consideration. Whereas, the exponential growth rate take the figures of entire period covered by the study. Exponential growth rate reflects the strength of movement of any variable over the entire period covered by the study. The exponential function fits in as follows:

\[
    Y = ab^x
\]

This function when translated into logarithmic form, gives a log-linearity function.

\[
    \log Y = \log a + x \log b
\]

To obtain the value of constants ‘a’, ‘b’ the two normal equations to be solved are:

\[
    \sum \log Y = N \log a + \log b \sum x
\]

\[
    \sum (x \log Y) = \log a \sum x + \log b \sum x^2
\]

Where:

- \(a\) = y-intercept
- \(b\) = slope of the curve

When deviation are taken from the middle year that is

\[
    \sum x = 0
\]

The above equation takes the following form:

\[
    \sum \log Y = N \log a \text{ and } \sum (x \log Y) = \log b \sum x^2
\]

therefore, \(\log a = \sum \log Y/N\) and \(\log b = \sum (x \log Y) / \sum x^2\)

Antilog of \(\log b\) gives the value of \(b\). Growth rates are derived from this equation using the following association.

\[
    b = 1 + r
\]

Where \(r\) is the exponential growth rate.
If we multiply ‘r’ value by 100, it will give the growth rate in percentage form, that is,

\[ \text{Exponential growth rate} = \text{Antilog of log } b \times 100 - 100 \]

(b) **STRUCTURAL CHANGE ANALYSIS:**

For conducting the structural change analysis, the following tools have been used:
1. Coefficient of concentration
2. Ratio analysis
3. Decomposition analysis

(1) **CO-EFFICIENT OF CONCENTRATION:**

In order to assess the concentration of any variable in a few channels, the coefficient of concentration has been used:

\[ X = \frac{1}{2} \sum \left| P_i - P \right| \]

Where:
- \( x \) = coefficient of concentration which varies from ‘0’ to ‘100’.
- \( P = \frac{100}{\text{Number of channels in which a variable can be put}} \)
- \( P_i \) = The percentage share of ith channel in the total value of the variable.

If the coefficient of concentration is 100, it implies 100 percent concentration of the variable in one channel only. On the contrary, if its value is ‘o’ it means there is no concentration.

(2) **RATIO ANALYSIS:**

For analyzing the structural changes, a number of ratios have been used. These ratios pertain to productivity, functional progress and profitability of Central Cooperative Banks.
(a) **PRODUCTIVITY RATIOS**

For analyzing productivity, the following ratios have been used:

(i) Interest Earned Ratio = \[ \frac{\text{Total Interest Earned}}{\text{Volume of Business}} \]

(ii) Other Income Ratio = \[ \frac{\text{Non-interest Income}}{\text{Volume of business}} \]

(iii) Total Income Ratio = \[ \frac{\text{Total Income}}{\text{Volume of Business}} \]

(iv) Interest Paid Ratio = \[ \frac{\text{Total Interest Paid}}{\text{Volume of Business}} \]

(v) Manpower Expenses Ratio = \[ \frac{\text{Total Manpower Expenses}}{\text{Volume of Business}} \]

(vi) Manpower Expenses Productivity Ratio = \[ \frac{\text{Net Profit}}{\text{Manpower Expenses}} \]

(vii) Other Expenses Ratio = \[ \frac{\text{Other Expenses}}{\text{Volume of Business}} \]

(viii) Total Expenditure ratio = \[ \frac{\text{Total Expenses}}{\text{Volume of Business}} \]

(ix) Spread to Volume of Business = \[ \frac{\text{Spread}}{\text{Volume of Business}} \]

(x) Incremental Advances to Manpower Expenses = \[ \frac{\Delta \text{Advances}}{\text{Manpower Expenses}} \]
(xi) Incremental Deposits to Manpower Expenses
\[ \frac{\Delta \text{Deposits}}{\text{Manpower Expenses}} \]

(xii) Volume of Business per Employee Ratio
\[ \frac{\text{Volume of Business}}{\text{Total Number of Employees}} \]

(b) **PROFITABILITY RATIOS**

The following ratio highlights the net effect of the operations of Regional Rural Banks:

\[ \frac{\text{Net Profit}}{\text{Volume of Business}} \times 100 \]

(c) **FUNCTIONAL PROGRESS RATIOS**

Branch expansion, deposit mobilization and credit deployment are the three main functions of a banking institution. The following ratios have been used to highlight the functional progress made by the Central Cooperative Banks in Haryana over the period under study:

(i) Credit Deposit Ratio (C/D)
\[ \frac{\text{Outstanding Advances}}{\text{Deposits}} \times 100 \]

(ii) Incremental Credit Deposit Ratio (ICDR)
\[ \frac{\text{Changes in advances over a period of time}}{\text{Change in Deposits over that period}} \]

(iii) Deposits per Branch (D/B)
\[ \frac{\text{Total deposits}}{\text{No. of Branches}} \]

(iv) Credit per Branch (C/B)
\[ \frac{\text{Total Advances}}{\text{No. of Branches}} \]
(3) **DECOMPOSITION ANALYSIS**

In decomposition analysis, the different portfolios are regarded as given and changes over time in the shares of this to various portfolios are studied to detect the factors/ reasons for the changes. Decomposition measures- \((D_m)\) have been used in the study to pinpoint factors responsible for the changes in:

- Deposits
- Advances

A summary of the procedure to find out the structural change measures (decomposition measures) is given in the table 2.1

**DECOMPOSITION MEASURES**

\[ D_m \frac{1990}{1991} = D_m \frac{(t-1)}{t} \]

\[ = \sum p_i \times \log \left( \frac{p_i}{p_{(t-1)}} \right) \]

Like wise decomposition measure of \(i_{th}\) type of advance for any year 't' based on 't-1' year will be \(D_m \frac{(t-1)}{t}\)

\[ D_m \frac{(t-1)}{t} = \sum p_{(t)} \times \log \left( \frac{p_{(t)}}{p_{(t-1)}} \right) \]

A summary is given below:

Let \(x_{i1}, x_{i2}, \ldots, x_{it}\) be absolute values of \(i^{th}\) type of advances given by a Central Cooperative Bank (\(i = 1, 2, 3, \ldots\)) in the years 1, 2, 3, ..., \(t\) respectively.

\[ \sum x_{i1}, \sum x_{i2}, \ldots, \sum x_{it} \] be the total of all advances for the year 1, 2, \ldots, \(t\). From the individual absolute values of advances and their total value for each year, we can compute relative values as give in the table and denoted by \(p_{i1}, p_{i2}, \ldots, p_{it}\) for the year 1,2,......\(t\), the decomposition measure for any year 't' based on previous year will be

\[ D_{m(t-1/t)} = p_{i(t)} \times \log \left( \frac{p_{i(t)}}{p_{i(t-1)}} \right) \]
Thus, decomposition analysis involves the following 6 steps
(1) Take 2 years.
(2) Write absolute values relating to variables & total it.
(3) Find out variable’s relative share by dividing its absolute value
by total value.
(4) Divide current year variable’s relative value by the previous
years relative value.
(5) Take log of above division results of each variable.
(6) Multiply the log value by current year’s relative shares of the
variables and total it to obtain decomposition measure (Dm)

Decomposition measure can be used to detect the occurrence of structural
changes. Decomposition measures (Dm) generally vary from ‘0’ to ‘1’. If Dm for a
particular period is ‘0’ it means that there has been no structural change in assets
composition in that period. Again, higher the Dm greater is the structural change.

(4) OTHER TOOLS USED:

The following statistical and analytical tools have been used in the study
for knowing the perception of beneficiaries and employees of Central Cooperative
Banks:

a) CHI-SQUARE TEST 120

Chi-Square test, a non-parametric test, helps in finding the association
between two or more attributes. It is defined as:

\[ \chi^2 = \frac{(O - E)^2}{E} \]

Where, O = observed frequencies
E = Expected frequencies

The calculated value of \( \chi^2 \) is compared with the table values of \( \chi^2 \) for given
degree of freedom at specified level of significance (5 % in this case). If the
calculated value of \( \chi^2 \) is more than the table value of \( \chi^2 \), the attributes are associated,
i.e. significant association between attributes. If \( \chi^2 \) is less than the corresponding table
values, the attributes are not associated, i.e. insignificant association between
attributes.
b) **ANALYSIS OF VARIANCE (ANOVA)**

Analysis of variance tests for the significance of the difference among sample means. This is done via the mechanism of F-test for testing the significance of the differences between two variables, but the test is so designed that the variables being compared are different only if the means under consideration are not homogeneous.

When two different factors might have an effect on the response variable of interest it is possible to design the test so that an analysis of variance can be used to test for the effects of the two factors simultaneously. This is done with the help of a two factor analysis of variance, with which we can test two sets of hypothesis with the same data at the same time. In a two way classification the data are classified according to the differences in the criteria of factors. The analysis of variance table takes the following form:

<table>
<thead>
<tr>
<th>Source of variation</th>
<th>Sum of square</th>
<th>Degree of freedom</th>
<th>Mean sum of square</th>
<th>F-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between columns</td>
<td>SSC</td>
<td>(c - 1)</td>
<td>MSC = SSC/(c - 1)</td>
<td>MSC/MSE</td>
</tr>
<tr>
<td>Between rows</td>
<td>SSR</td>
<td>(r - 1)</td>
<td>MSR = SSR/(r - 1)</td>
<td>MSR/MSE</td>
</tr>
<tr>
<td>Residual or error</td>
<td>SSE</td>
<td>(c - 1) (r - 1)</td>
<td>MSE=SSE/(c - 1) (r - 1)</td>
<td></td>
</tr>
<tr>
<td>Total sum of square</td>
<td>SST</td>
<td>n-1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Where,

\[ SSC = \text{Sum of squares between columns} \]
\[ SSR = \text{Sum of squares between rows} \]
\[ SSE = \text{Sum of squares due to errors} \]
\[ SST = \text{Total sum of squares} \]

The sum of squares for the ‘Residual’ is obtained by subtracting from the total sum of squares the sum of squares between columns and rows.

\[ \text{i.e. } SSE = SST - ( SSC + SSR ) \]

Total number of degrees of freedom = n-1 or cr-1

Where, c refers to columns and r to number of rows.

No. of degrees of freedom for error = ( c-1 ) x ( r-1 )

Table 1.5
ANALYSIS OF VARIANCE

<table>
<thead>
<tr>
<th>Source of variation</th>
<th>Sum of square</th>
<th>Degree of freedom</th>
<th>Mean sum of square</th>
<th>F-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between columns</td>
<td>SSC</td>
<td>(c - 1)</td>
<td>MSC = SSC/(c - 1)</td>
<td>MSC/MSE</td>
</tr>
<tr>
<td>Between rows</td>
<td>SSR</td>
<td>(r - 1)</td>
<td>MSR = SSR/(r - 1)</td>
<td>MSR/MSE</td>
</tr>
<tr>
<td>Residual or error</td>
<td>SSE</td>
<td>(c - 1) (r - 1)</td>
<td>MSE=SSE/(c - 1) (r - 1)</td>
<td></td>
</tr>
<tr>
<td>Total sum of square</td>
<td>SST</td>
<td>n-1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The total sum of squares for ‘between column’ and sum of squares for ‘between rows’ are obtained in the same way.

The F values are calculated as follows:

\[
F(V_1, V_2) = \frac{MSE}{MSE}
\]

Where, \( V_1 = r-1 \) and \( V_2 = (r-1)(c-1) \)

\[
F(V_1, V_2) = \frac{MSR}{MSE}
\]

Where, \( V_1 = r-1 \) and \( V_2 = (r-1)(c-1) \)

The calculated values of F are compared with table values. If calculated values of F is greater than the table values at pre-assigned level of significance (5% in this case), the null hypothesis is rejected, otherwise accepted.

c) LIKERT SCALE

In the present study, likert scale has been used to highlight the beneficiaries opinion about working of Central Cooperative Banks in Haryana. The values assigned in the calculation of likert scale are as follows:

<table>
<thead>
<tr>
<th>Response</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>2</td>
</tr>
<tr>
<td>Agree</td>
<td>1</td>
</tr>
<tr>
<td>Can’t say</td>
<td>0</td>
</tr>
<tr>
<td>Disagree</td>
<td>-1</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>-2</td>
</tr>
</tbody>
</table>

The overall response is calculated by multiplying the number of respondents in each category with the above values. And the values obtained with the above process are added to arrive at a summarized value of likert scale.

The range of scores and the corresponding conclusions in case of 521 respondents as mentioned below:
<table>
<thead>
<tr>
<th>Range of Score</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>-521 to -1042</td>
<td>Strongly Agree</td>
</tr>
<tr>
<td>0 to -521</td>
<td>Agree</td>
</tr>
<tr>
<td>0</td>
<td>Can't say</td>
</tr>
<tr>
<td>0 to 521</td>
<td>Disagree</td>
</tr>
<tr>
<td>521 to 1042</td>
<td>Strongly Disagree</td>
</tr>
</tbody>
</table>

**d) STANDARD DEVIATION**

Standard deviation is the square root of the mean of the squared deviations from arithmetic mean. It is an absolute measure of studying dispersion.

Standard deviation \( \sigma = \sqrt{\frac{\sum x^2}{N}} \)

where, \( x = (X - \bar{X}) \)

\( N = \) number of observation

\( \bar{X} = \) actual mean

\( X = \) observation

**e) COEFFICIENT OF VARIATION**

The standard deviation discussed above is an absolute measure of dispersion. The corresponding relative measure is known as coefficient of variation. It is used to compare the variability of two or more series.

That series for which the coefficient of variation is greater is said to be more variable or conversely less consistent or less uniform. On the other hand, the series for which the coefficient of variation is less is said to be less variable or more consistent.

Coefficient of variation is obtained as follows:

\[ \text{Coefficient of variation or C.V.} = \left( \frac{\sigma}{\bar{X}} \right) \times 100 \]

1.17. LIMITATIONS OF THE STUDY

Due to the nature of the subject, objectives of the study, scope of the study in terms of time span, number of criterion applied and variable examined, the study is prone to certain limitations. These are:
1. Study is based on financial data reported by various banks. The limitations of financial accounting are likely to influence the results. Comparison of figures of years, for instance, 1994 and 2004, are likely to be misleading unless figures are adjusted for changes in price levels. If the various financial indicators of performance such as, deposits, profits etc. are deflated to the base year the conclusions are likely to change to a great extent.

2. The window dressing of annual financial statements, indulged in by banks to show the achievement of targeted levels of performance in terms of deposits and credit etc, at the time of closing of accounts, distorts the actual pictures. The study suffers from the common limitation of most of the studies relating to profitability and performance of the banks, due to unreliability of profit.

3. The results of this study are applicable to Central Cooperative Banks of just one state, that is, Haryana. There are wide variations in the socio-economic profile of the different states and, thus, it is impossible to comment on the performance of the CCBs in the other States or the country as a whole, on the basis of this study.

4. In some cases detailed operational data from individual banks was not available. Though every effort was made to obtain detailed information, this was ruled out by the lack of, or, incomplete response of some bank employees/beneficiaries.

1.18. FORMAT OF REPORTING

The study has been divided into six chapters, Chapter I includes Introduction, Review of Literature, Objectives and Research Methodology of the study. Chapter II presents the evolution and growth of Cooperative Banking in India. Chapter III examines the operational and functional performance of Central Cooperative Banks in Haryana. Chapter 4 studies the trends in profitability of Central Cooperative Banks in Haryana. Chapter 5 presents perception of beneficiaries and bank employees with regard to working of Central Cooperative Banks in Haryana. Chapter 6 summarizes the findings and conclusions of the present research and attempts to give suggestions to bring an improvement in performance of Central Cooperative Banks.
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