Chapter No. III

Review of Literature
## CHAPTER III
### REVIEW OF LITERATURE

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CHAPTER III  
REVIEW OF LITERATURE

3.1) Introduction:
This chapter deals with the review of earlier studies relating to co-operative banks in India, mostly the scholars have studied financial performance of these banks and the problems faced by them. Some scholars have studied the performance of a single District Central cooperative Bank as a case study. The main finding of these studied are summarized below.


Have reviews the banking in India since early days to the present era. The first chapter deals with the concept of banking, its origin and development in various countries. The second chapter includes statistical data of nationalized banks, old and new private sector banks and regional banks in India, relating to deposits advances, advances to priority sector- economically weaker sections of the society. WTO and Indian banking system has been discussed in the third chapter. The fourth chapter deals with detailed information relating to e-commerce and banking. The fifth chapter discusses in details electronic banking including computer connectivity, tele banking Internet banking, e-negotiation, finalization, monitoring and termination of sales or service/ collaboration contracts and e-payment system. In the final chapter the future trend of development in banking in India has been discussed in detail. Twentieth century has been characterized by outstanding innovations in IT, communication, computer, telecommunication and electronics and in various fields of Science technology and research, which has revolutionized modern life. Now computers are extensively used in providing entertainment, airline and railway reservation etc, hence banking service is no exception to modern banking system which is highly financed through extensive use of e-technology.¹


Has concluded that the Indian financial sector has been undergoing significant transformation as a result of the reform process especially after 1991-92. As a result of the reforms significant changes have taken place especially in banking industry
which is quite successful. The financial sector reforms have transformed Indian Banking System qualitatively. The main thrust of reforms was to strengthen banking system to make them global in character. So Indian Banking System was rapidly oriented to be in tune with international norms and practices.

The book contains papers relating to dynamic changes taking place in banking industry, which are empowering Indian Banking Sector to be ready to compete in the global market.  


has conducted research on “New Concepts in Banking” and concluded that in the area of banking, on account of liberalization several changes in financial sector especially in Indian banking sector, several sweeping changes have taken place. Consequently there has been a radical shift in the market power from banks to their customers.

Technology is facilitating the creation of new approaches to banking and financial services. The new financial products and services are going to be more customers friendly and easy to operate. The state of era of technology has changed the nature and system of banking operations. The electronic age has brought about several changes in the banking sector. Increase in delivery channels has led to lowering the cost and providing wider variety of services. These channels are ATM, Internet Banking and High Level Automation.  


has demonstrated that Indian banking industry has undergone rapid changes and has promoted fundamental development especially advancement in use of Information Technology and the Communication System. In highly industrialized countries access to financial entities is on an online basis. Increasing competition among a broad range of domestic and foreign institutions in product marketing area has become common practice. In line with the increase in overall economic activities financial institutions also have modified themselves accordingly in all the areas including customer services. As a result the institutional and systematic structure of the financial sector in general and banking sector in particular has undergone significant changes. Now we observe many changes in the area of administration of banking and services provided to the customers in Indian cities, facilities like 24 hours
ATM counters, quick cheque clearing system, fund transfer etc facilities have been made available for the convenience of the account holders.  

**R. Thirunarayanan (1996)** carried out research with an object “to make a detailed and critical study of South Ascot Central co-operative Bank in Tamilnadu and Kanpur Central co-operative Bank in Uttar Pradesh from the points of resource mobilization, diversified lending operations, Organizational structure, service to clientele major policies and procedures obtained and to suggest measures to make these banks more effective in their service to the people and their role in the economic development of the concerned region.

**His main findings are summarized below.**

i. Organizational structure of both the banks is normal but it needs improvement.

ii. Regarding loan operations, short term agricultural loans is provided to substantial extent and shows an increasing trend in both central co-operative banks.

iii. Although these banks provide deposit and other services still these banks are not discounting bills of Exchange while commercial banks in these areas are doing this. Thus the central co-operative banks are is a disadvantageous position.

iv. As far as training and motivation are concerned the Kanpur Central Co-operative Bank has been lagging behind.

v. On the basic of various ratios, the functional efficiency of both the banks is normal but needs improvement.

Finally author has given various suggestions regarding structure, resources, deposits loans, modernization and customer service, coordination and supervision, personnel & other suggestions.

**Madan G. R. (1994)** has examined the whole structure of co-operative movement in India. There has been wider expansion and diversification of co-operatives, especially after independence, with active support from the government. However the true spirit of co-operative is yet to be created among the educated Indians who generally exploit the situation to their own advantage, ignoring the claims of weaker sections the
Report of the committee on Organization of co-operatives for Rural Poor (1991) is a testimony to this fact. We need to develop good co-operators and social workers who help in the proper running of co-operative institutions. This can be possible by giving them due public recognition and emphasis on moral education in religious institutions.\textsuperscript{6}

\textbf{M. Kutumba Rao} (1985) examined the performance and management of selected central co-operative Banks in Andhra Pradesh in relation to the objectives and tasks set for them. He also analyzed the organizational structure, bank’s capital structure, lending policies procedures, personnel practices etc. He concluded that, bureaucratic leadership was no substitute for ineffective elected leadership. The leadership has to play a positive role in accordance with the local needs of agriculture, branch expansion, deposit mobilization and recovery of loans. The role of the RBI is guiding and controlling central co-operative banks made a healthy effect on their operational efficiency.\textsuperscript{7}

\textbf{Sahoo S. K. and Sahoo S. C. (1991)} studied Management of co-operative banks in India. The study included scrutinizing the working of the central co-operative bank in the state of Orissa. The study appraised the growth and development of the banks and their performance in the field of deposit mobilization lending to both agricultural and non agricultural sectors and their recovery performance. The study concluded that the growth in the deposit mobilization was not consistent. Affiliated societies contributed more and satisfactory deposits than individuals. The profitability during the study was observed to be very low. Hence it was suggested that, It profitability of the Bank should be increased by improving the efficiency of working and also of management which would lead to better utilization of the working capital resources.\textsuperscript{8}

\textbf{Reddy S. and Reddi R. C. (1994)} attempted to study performance Appraisal of selected District central co-operative Bank in Andhra Pradesh. The study concluded that the external borrowings increased considerably due to the poor deposit mobilization. During many years the target fixed for the deposit mobilization had not been achieved. The lending performance also was not satisfactory. Even the growth rate of over dues was much higher than the loan outstanding.\textsuperscript{9}
(B) Articles

**Saheena P. (1990)** studied on ‘Reserve Management and profitability of co-operative Banks with special reference to Trichur District Central Co-operative Bank Ltd. The main object of the study was to know about the impact of surplus reserve maintained in the bank by way of CRR, and SRR overland above the statutory obligation on its profitability. In order to calculate total cost of maintenance of surplus over and above the statutory limit, the author has used opportunity cost approach and thus the cost was computed on the basis of differential interest. It increased the spread ratio and inclusion of opportunity cost decreased the average profitability of the bank. Hence it was recommended that all the banks should avoid maintenance of excess reserves.  

**Ganeshwar Rao (1992)** conducted a study on work Technology of co-operatives in Tamil Nadu. After detailed study of prevailing work technology he concluded that the work technology needed to be enhanced in co-operative Banks as a measure of efficiency of operations, economy in expenditure and improvement in customer service.  

**Reddy B.R. and Laxminarayana (1996)** conducted study on over dues in co-operatives” in Andhra Pradesh. The study concluded that Viability and self reliance could be brought to co-operative by adopting a more professional approach in the sanction and recovery of various loans. They also insisted that, co-operatives need to function as efficient business units, motivated by a sense of social purpose based on the fundamental principles of co-operation.  

**Puyalvanan (1997)** has analyzed the over dues recovery performance and erosion of funds of central co-operative Banks. He has stated that lending is a fine art which requires sharp commercial acumen and efficient and effective recovery of advances is, perhaps, a still finer art, requiring a high degree of specialization. He concluded that, in some of the CC Bs, the percentage of erosion of owned funds was high due to over dues. Too much of Government’s interference in the working of the co-operatives was the other cause of heavy over dues.
Venugopal Y. (2001) has studied Funds Management in Co-operative Banks. He argued that, in the context of open economy, application of prudent norms and regulation of interest rates, a new orientation of achieving higher productivity and profitability is required for the management of funds in co-operative Banks. The new approach should be increasing the spread of interest which requires reduction in interest cast and increase in interest income in order to withstand, the competition from other players. Hence the function of allocation of funds in a profitable manner needs to be focused on by the banks. The mobilization of resources (including owned funds deposits from public members, loans from RBI, refinance from NABARD etc.) at the low cost and deployment of funds ensuring higher yield (which also depends in good recovery performance of advances and reduction of NPAs to the level of less than 10% of gross advances) are the important factors that ensure the profitability. The funds management should also concentrate on the reduction of emerging risks in bank business and also on maintaining desired levels of matching maturities of assets and liabilities, cost reduction in mobilizing resources and increase in yield from funds deployment are required to be ensured to register profits.  

Joshi D.P. (2001) made an appraisal of co-operative banks in India. According to her, co-operative sector covered about 75% of the entire country but the membership was 45% of rural families. Agricultural laborers and rural artisans account for only 10% of the total number of members. As the co-operative banks have a wider network, they are best suited for ensuring the flow of short term and long term agriculture credit. She concluded that the financial performance of the co-operative banks was not uniform in all states, as Andhra Pradesh, Maharashtra and Gujarat were very strong while Uttar Pradesh and Bihar were perilous. Translation costs of the co-operative banks were very high and the overdue and NPA have crippled the financial solvency and profitability of co-operative Banks. 

Rengaswami V. and Ramanath R.L. (2002) made a study of Madurai District Central Co-operative (MDCC) Bank and Agricultural sector Financing. The district credit plan prepared by the lead bank was an important phase of the service area approach. This plan aimed at regulating the flow of priority sector credit in each district according to the plan priorities. The analysis revealed that the performance of MDCC bank was well like other financial agencies of agricultural lending sector on
Madurai District. They concluded that the MDCC bank showed greater interest in leading the agricultural sector in the district.\textsuperscript{16}

Amardeep Walia (2003) conducted a study on funds management in central co-operative Banks- a case study of the Jalandhar Central Co-operative Bank Ltd. He included that the Central Co-operative Banks were under pressure to judiciously manage their funds, due to stiff competition in the market. The main source of funds of the bank was deposits which contributed 91\% of the total funds. The loan portfolio of the bank was found in poor condition as only 34\% of the total funds were deployed for the purpose of loans and advances, while a major position of the order of 60\% was deployed in investments. C D ratio was maintained below 39\%. It was also found that that solvency position and recovery position of the bank were sound with CAR at 12\% and recovery at 97\% level. However the bank suffered from liquidity risk.\textsuperscript{17}

Dash N. K. (2004) has reviewed the co-operative sector in Orissa, and concluded that the human factor is key element in determining of the performance of any organization where co-operatives are no exception. He concluded that, human resource development, staff morale and motivation have remained mostly neglected areas in the co-operative sector. It the co-operatives in the State are to be successful, it is most important that key should invigorate the latent powers of the vast number of employees through the development of new type of work culture and value added professionalism.\textsuperscript{18}

Fulbag Singh and Balwinder Singh (2006) studied Funds Management in Central Co-operative Banks of Punjab with an objective of estimating the impact of variables that were identified for the purpose of the study, such as the Ratio of Own Funds to working Funds, the Ratio of low cost Deposits to Total Deposits the Ratio of Over dues to total Loans, the Ratio of Recovery to Demand, the Ratio of Agriculture Loan to total loan and credit to Deposit Ratio on Financial margin of the central co-operative Banks in Punjab. The study identified the positive impact of own funds to working Funds and the Ratio of Recovery to Demand on the financial margin. While the Ratio of Recovery to Demand had negatively influenced the financial margin. The study concluded that the financial margin could be improved through timely recovery of previous loans and high use of funds.\textsuperscript{19}
Mayilsamy and Revathi Bala (2009) had undertaken study on trend and progress of District Central Co-operative Banks in India. The study revealed that the general growth in the performance of DCC Bs owing to the new measures and policy initiatives introduced by the respective State Government and by NABARD. The policies and measures include the substantial State Partnership in the share capital of DCC Bs linking borrowing with share capital, measures for the mobilization of adequate deposits, linking of deposits with borrowing, preferential lending to weaker sections etc. 20

Sakthivel and T. Aranganathan (2009) had undertaken a study on ‘service Marketing in co-operative Banks Need for Global Competitiveness’ They stated that the co-operative banks like other financial service organizations are facing an unprecedented set of challenges like development of new technologies, changing market conditions economic uncertainties, fierce competition and more demanding customers, under competitive environment, customer service in addition to intangible assets are the important factors for the success of service oriented industry. Hence co-operative Banks need to focus on relationship marketing for their success. 21

Ravichandhran k. etal. (2010) made a study on the “Influence of Service Quality on Customer Satisfaction Application of SERVQUAL MODAL ” The objective of the research was to examine the existing service quality level with regard to dimension of tangibles, reliability, responsiveness, assurance and empathy. For the purpose of study, the two top private banks were selected from Tiruchirappalli district and the sample size of 300 respondents was used. In this study SERVQUAL scale was applied to gain an insight into consumers’ perceived service quality. The study concluded that the respondents were satisfied with the service quality of the bank in varying degrees. 22

Rajiv Kumar and kaur Jasmindeep (2010) made and attempt to appraise the performance of Haryana State Co-operative Apex Bank for the period 2002-03 to 2006-07. The various parameters taken for appraisal of banks were number of offices, membership paid up capital, reserve and other funds, deposit mobilization, deposit type wise demand, collection, loans issued, loans outstanding cost of management, profit and loss and number of branches in profit and loss.

The results of the study indicated that, in the membership of the bank, major share was of co-operatives, and individuals and government had less percentage
share. In paid up share capital, the maximum share was in the hands of co-operative and Government share was minimum in it. The bank had adequate reserves and funds like statutory, reserve fund, agriculture stabilization fund, but on 2005-06 the share of other reserve had increased as compared to statutory reserve fund and agriculture stabilization fund. Maximum deposits were contributed by the co-operatives in the bank and individual share was minimum in it. Bank deposits were mainly as fixed deposit in the initial year, but in 2005-06 shares of current deposits in the total deposits of the bank increased. In demand, the maximum share was of short term agriculture bank had invested mainly in government securities and investment in debenture of Land Development Bank other investment was minor. Maximum loans were issued as a short term loan like short term agriculture loan short term non agriculture loan.

Majority of outstanding loans belonged to short term agriculture loan, but its share in total loans had shown a declining trend during the study period. The study indicates that cost of management of the bank had shown rising trend. Profits of the bank had increased over the study period and even the bank branches were also in profits.  

Raul R.K. Biswas N and Srivastava. (2011) have reviewed the changed operating environment and its impact on Indian Banking system. The changing environment particularly that of competition, customer expectations and emerging technology have influenced worldwide. Thus the key business objectives of a bank are to manage increasing competition by improving their product and services, improving efficiency and productivity by restructuring their systems and work procedures and improving employees’ productivity, ensuring compliance with the regulatory requirements and safeguarding assets. All these issues can be addressed by implementation of the right type of technology for the right purpose. The banks have undergone changes as far as the implementation of IT is concerned. They moved from manual processing to on-line systems to staving for real time systems. They have moved from centralized computing to decentralize computing in which each business unit can take case of its computing requirement. Thus computerization has refocused the predominance of its applications from business orientation to customer orientation. The spread of kiosks has facilitated the accessibility of computers and Internet to common people. Invention of smart card technology has come out with many uses in banking and
payment systems. Plastic cards with microchip can store the details of transactions and balance amount to serve as an electronic purse. The synergy between computer and communication technology has changed the banking scenario. It has facilitated the banks to reach to the customers without their physical presence. The technologies available for LAN, WAN, Internet and Groupware have improved efficiency of the banks. Banks are able to provide better and innovative services to customers using these technologies.  

Rajiv Kumar and Balbir Kumar (2011) has carried out financial appraisal of Patiala Central Co-operative Bank Ltd and concluded that the Bank has achieved considerable success in the context of deposit mobilization, the paid up share capital of bank had also increased. The reserve and other funds have revealed a rising trend various types of advances also increased, loan issued and loan outstanding of the bank reflected an increasing trend. The volume of business has increased. Even deposits and credits per branch have increased. The cost of management per employee had also increased. Thus it can be concluded that the working of the bank and its business was good.  

Sharma R.K. and Bansal M.R. (2011) have reviewed the banking systems in India and China, as they are on revival and the efforts are made to improve the relationship between banks and customer satisfaction and loyalty. Authors conducted a comparative study of service quality assessment in India and China especially in the context of the analyzing the relationship between different components of service quality and its impact on customer satisfaction and loyalty. The study found that although the banking systems in both the countries continue to grow but customer response to the service quality attributes are different in both countries. In case of Chinese sample, empathy was the most important predictor of both satisfaction and loyalty, followed by reliability. In the Indian sample, reliability and responsiveness were the most important predictors of both satisfaction and loyalty.  

Karatepe, Yavas and Babakus (2005) attempted to measure service quality of Banks from the point of view of scale development and validation. The authors have proposed a scale of four dimensions for measuring bank service quality in Northern Cyprus that were empathy, service environment (tangibles, reliability and interaction quality a combination of the assurance and responsiveness dimensions of SERVQUAL).  

C) Ph.D Thesis

Rampal Yadav, (2000) in his doctoral thesis had studied the role played by the co-operative bank in the primary Agricultural credit Societies, District Central Co-operative Banks and Apex Bank in mobilizing deposits and helping the rural poor people for upliftment of their standard of living. He concluded that the co-operative banks did not finance the schemes of social development.28

R. D. Darekar, (2012) in his doctoral thesis had studied development of organization and management of Nashik District Central Cooperative Bank. He emphasized organizational set up of DCC Banks as well as recruitment and selection policies of DCC Banks. He concluded that democratic management and bureaucratic management have no proper coordination in DCC Banks.29

3.3 Conclusion:

Most of the researchers have studied management of co-operative banks, overdue in co-operative, Agricultural financing, service marketing in co-operative banks and financial appraisal of co-operative banks yet. The present study had been carried out to find out the gaps in previous research about the District Central Co-operative Banks.
Reference:

A) Books


B) Articles


C) Ph.D Thesis
