CHAPTER-II

REVIEW OF LITERATURE

In the present chapter, the earlier empirical works conducted in India are reviewed, so as to find the gap in the earlier research works. Important findings of some of the studies carried out in the past, having a bearing on the performance and role of the cooperative banking are reported below:

Patel (1970) made an attempt to analyse the financial contribution made by Reserve Bank of India (RBI) to Gujarat credit cooperatives. It was observed that because of concessional finance made available by RBI to cooperative banks, the dependence of these banks on RBI’s finance is increasing day by day. But in Gujarat, it was found that the share of RBI finance to cooperatives was decreasing because the share of their own resources is increasing. In Gujarat cooperatives, the amount of overdues was so small that these cooperatives can fully utilize their credit limits. It was also seen that cooperatives in Gujarat are becoming self-reliant even with their expanding business volume.

Aggarwal et al. (1972) made an attempt to examine the working of Meerut Cooperative Bank for a period of 10 years (1960-61 to 1969-70) in Uttar Pradesh and for this various performance indicators, i.e., membership, share capital, working capital, deposits, advances, borrowings, repayments, overdues and profits were taken into consideration. Linear trend equations are used for the analysis. It was observed that all the trend coefficients except profits are positive. The recovery position of the bank was satisfactory but the profits of the bank were low. It was suggested that the bank should coordinate its activities with nationalized banks with regard to financing agriculture and the bank should provide loans in kind.

Aggarwal (1976) in his doctoral thesis titled “Land Mortgage Banking in Haryana” discussed the progress of land mortgage banking in Haryana. It was observed that Reserve & Surplus showed an
increasing trend. There was an increase in the amount of overdues; operational costs were increasing with the increase in the business of land mortgage banking; and the profits of the banks were also increasing. It was further observed that there was lack coordination between the agencies involved in agricultural reconstruction.

Jangid (1976) in his doctoral thesis titled “Cooperative Banking in Punjab” attempted to assess the progress of cooperative banking in Punjab and evaluated its position and performance. The study showed that cooperative banks were playing a vital role as an instrument of development. There was a considerable progress in the resources of cooperative banks. The operational efficiency of these banks showed signs of improvement and the operational efficiency in Punjab was better. It was suggested that with wide resources mobilization, rational allocation, and better supervision, cooperative banking can be geared to socio economic betterment of Punjab.

Sathe (1979) analysed the role of cooperative banks in transforming rural Maharashtra. It was found that cooperative banks in the state of Maharashtra account for a lion’s share of the total business of cooperative banks in the country. It was found that cooperative banks in Maharashtra have accepted the policy of concessional finance to different types of societies and the cooperative have accepted the responsibility of financing production as well as consumption needs of the tribal population and the sugar cooperatives facilitate for the transformation of the entire life in the rural area. Thus the cooperative banks have played a major role in all round development of rural Maharashtra.

Chamola and Hasija (1980) made an attempt to analyse the progress of Primary Agricultultural Credit Societies (PACS) in India after the Third Five Year Plan and to appraise the progress of short and medium term cooperative credit and establish the relationship between short term and medium term loans and between membership with share capital, advances and deposits. It was observed that there
is equal growth rate of deposits, loans and share capital. But at the same time, overdues are increasing which shows poor recovery rate due to ineffective supervision and unsound lending policies. It was found that increase in membership results in 65 per cent increase in advances and 59 per cent in deposits. The remaining change in deposits and advances was due to other variables.

Kanagasabai (1984) made an attempt to study the determinants of profitability and for this State Cooperative Bank (SCB) facing declining profitability was selected. For this the parameters, viz. short-term loans to total loans, time deposits to total deposits, borrowing to owned funds were taken for a time period of 1970-71 to 1979-80. It was analysed whether agriculture advances, proportion of time deposits to total deposits and level of borrowings affect the profitability of the bank or not. It was found that these factors affect positively the profits of the bank. So, it was suggested that the bank should design suitable strategies to improve these ratios in order to increase the profitability.

Narayanasamy and Ramachandran (1987) analysed the profitability performance of South Arcot District Central Cooperative Bank (DCCB). Various ratios were used to measure the profitability performance. It was found that profitability of the bank has decreased due to higher decline in spread ratio than the burden ratio. Decline in burden ratio shows the efficiency of the business. The spread ratio declined as a result of fall in interest earned ratio and rise in interest paid ratio. It was suggested that the profits and profitability can be increased if proper attention is paid on areas like recovery, deposit mobilization, branch expansion, reduction in expenses and building of more owned funds and scientific management of the funds.

Asaithambi (1988) made an attempt to assess the performance of Andaman & Nicobar State Cooperative Bank on different parameters, i.e., deposits, advances and overdues. It was found that the bank has been maintaining high degree of efficiency in every
aspect and the success of the bank is due to farsightedness of the management and dedicated services of its employees.

Khanna and Singh (1988) analysed the strategy of cooperative development under the Seventh Five Year Plan (1985-90) and they found that the short term and medium term loans of the banks are far less than the targets and the amount of overdue of loans is increasing. There are regional disparities in the development of cooperatives. It was suggested that attention should be given towards the reason of overdues and for their improvement. It was suggested that there is need of rehabilitation and revitalization of cooperative credit institutions.

Vaikunthe (1988) made an attempt to study the utilization of credit for productive or unproductive purposes. It was observed that there was a gap between loan applied and loan sanctioned and there was misutilisation of credit in non-irrigated areas, and by the small and medium farmers. It was suggested that adequate loans should be sanctioned and loans should be properly supervised to ensure the optimum utilization of credit.

Aggarwal (1989) analyzed the role of Bhagirath Gramin Bank in rural development of Sitapur District of U.P. He studied the performance from different angles, i.e., development impact, benefits to the weaker sections, deposit mobilization, recoveries and utilization and efficiency aspect. It was found that although the bank succeeded in making a good beginning in promoting rural development with social justice, yet there was an urgent need for reorganizing and improving its working in several ways. He suggested for improvement and it requires that action should be taken by the external agencies, i.e., Central Government, State Government and the bank itself.

Singh (1990) made an attempt to examine how the cooperatives in India can be made viable. It was found that the viability of various cooperatives in various sectors is far from satisfactory. Most of the cooperative societies are non-viable, their capital has been
substantially eroded and they are sick or potentially sick. It was suggested that causes responsible for failure of earning profit and incurring losses should be identified and profit erosion audit on yearly basis should be adopted, till cooperatives become viable.

Ram (1992) made an endeavour to assess the contribution of Agricultural Refinance Development Corporation (ARDC) in the agricultural development of India with special reference to the state of Haryana. Government of India on July 12, 1982 merged the ARDC in NABARD and since then all the functions of ARDC are being performed by NABARD. Up to 30 June, 1982 the state of Haryana got 8.33% share of the total finance disbursed by ARDC but on 31 March, 1991 it decreased to 5.3%. He suggested that Haryana’s share should be raised up to the old ratio because Haryana is one of the leading agricultural states in India.

Verma (1992) analysed the effectiveness of agricultural credit by cooperative credit institutions in Nagari block of Chittoor district in Andhra Pradesh. It was found that there is large amount of overdues of loans and the major defaulters are medium level farmers. Lack of proper supervision of end use of loans, inadequate amount of credit sanctioned and the natural calamities like drought are some of the reason of overdues. It was suggested that small and marginal farmers should be involved; the procedure of sanctioning loans should be simplified; and proper supervision on the end use of credit should be made.

Dayanandan and Sasi Kumar (1993) made an attempt to evaluate the performance of Central Cooperative Banks (CCBs) in Kerala on the basis of their progress in membership, share capital, deposits, reserve funds, loans overdue and net profit earned. To analyse the growth rate, trend values were calculated on the basis of three year moving averages. It was found that the CCBs have achieved better performance in share capital, membership, deposits and reserve fund but there is no achievement in net profit because of steady
increase in overdues. It was suggested that in order to have better performance in future management of these banks should take suitable measures to control their overdues.

Dutta, A.K. (1994) in his research work tried to ascertain the present position of PACS and to analyse the maladies and their solutions. He found that during the period of study the number of members were increasing, quantum of credit was increasing but there were constraints in functioning of PACS i.e. poverty, illiteracy, lack of funds, over dues and excessive control. He suggested that there should be professionalisation of management and there should be single PACS for every gram panchayat and an independent election commission should conduct elections.

Sood Archana (1994) in her doctoral thesis aimed at evaluating the performance of Regional Rural Banks (RRBs) in the state of Punjab by evaluating the role played by RRBs in Rural credit structure of Punjab in deposit mobilization, credit deployment, branch expansion and recovery position. The main findings of the study were that there was significant growth in branch expansion, deposit mobilization and credit deployment. The profitability and productivity position of RRBs has been far from satisfactory. It was suggested that proper planning should be made to overcome declining profitability and measures should be taken to ensure repayment of loan.

Gupta, Sushil Kumar (1996) evaluated the working of the banks in providing credit facilities to the small and weaker section of cultivators and for this farmers were classified as general category, small farmers and marginal farmers. It was found that small and marginal farmers are the main beneficiaries of the schemes of the bank and the percentage of recovery from small and marginal farmers is more than the big farmers. Banks has introduced several schemes for small and marginal farmers i.e. free boring loaning scheme, dairy scheme, fisheries schemes, schemes for godown and construction of rural houses.
Bhattacharjee (1998) observed that Primary Agricultural Cooperative Societies (PACSs) have failed to perform up to the expectations due to interference of the government in recovery of dues and other financial matters. The low viability of PACS is not due to their multipurpose operations but due to the imperfect and oligopolistic markets in which they operate. The revenue of PACS is generated through (i) input sales, (ii) credit disbursed, (iii) consumer goods distribution, (iv) produce marketing, (v) deposit mobilization, and (vi) industrial raw material distribution. A comparison of these portfolios provides that sale of consumer goods has the greatest highest impact followed by loan disbursement. Sale of inputs and share of loans have the highest profitability elasticity followed by sale of consumer goods and sale of inputs. It was suggested that cooperatives should concentrate on the credit portfolio among various outputs. It was also found that PACS have not exploited the potential for expansion and viability fully because of centralized and bureaucratic decision-making.

Choudhary (1998) analyzed the viability of PACS (in India) operations before and after economic liberalization, which took place in 1991. Data for five years was studied and it was studied on eight parameters, i.e., membership, paid-up capital, reserves, deposits, borrowings, working capital, advances and overdues to demand. It was felt that there has been reasonable growth since 1991-92. On the basis of key indicators of performance, PACS in states have been classified into high, medium and low. On this basis, PACS in Kerala emerged on the top while PACS in Chandigarh remained at the bottom. The cooperative credit sector is underdeveloped in eastern and north-eastern states of the country. The results were surprising as the developed states like Gujarat and Maharashtra showed very poor development in the PACS structure. The analysis revealed that economic development and cooperative development of a state need not go hand in hand. It was suggested that self-reliance and the growth in resources is very important for profitability of PACS.
Mehta (1998) discussed that despite the growth of cooperatives in country, there are certain deficiencies like excessive regulation and control by the government, lack of professionalism, low application of IT, unsatisfactory customer service, lack of transparency, politicization, high establishment cost and lack of economic viability. He stressed upon change in attitude, debureaucratisation, distancing of the government and professionalism in management. Further there is need to make cooperative societies manage their own affairs, hold their elections, get the audit done, establish member liability and take all management decisions without any interference or direction from the registrar. Cooperatives are facing growing competition in the market and there is need to develop professionalism at all levels.

Prabhu (1998) made an attempt to highlight the problem of Agricultural Rural Development Banks (ARDBs) which is one of the major institutional agencies for term lending in agriculture, and suggested measures for strengthening the structure at the grassroot level. There is need for increasing the business coverage, expanding business lines, expanding the banks network and expanding the business of Land Development Banks (LDBs). It was further suggested that elections should be held in a democratic way. Membership education programmes should be conducted by the cooperative movement itself and local leadership should be developed. The major problems of Land Development Banks (LDBs) are low business potential, low margins on business, lack of profitable business and low interest rates. For effective management, the directors on the board have to be trained. The conscious efforts made to improve the condition can help to make the grassroot level units strong.

Rao (1998) examined the challenges and opportunities thrown due to the introduction of financial sector reforms in cooperative banks. It was analysed that this change can create turbulence in the short run, but the opportunity will provide real diversification of business. It was suggested that certain reforms in internal framework
(i.e. improving operational efficiencies, cost effectiveness, etc.) and external framework (functional autonomy, professionalism) are required to meet the challenges and opportunities put forward by financial sector reforms.

Wadhwa (1998) believed that reforms did not pose threats to cooperatives but provided opportunities. It was found that as Commercial banks and Regional Rural Banks (RRBs) are not keen to finance the agriculture sector, thus, the cooperatives have ample opportunities to expand their rural business. With the other banks turning away from the rural area, rural savings can be tapped by the cooperatives. With mobilization of rural savings there would be no need for cooperatives to depend on outside financial support in the long run. It was suggested that there is need to create awareness among the officials of the cooperative banks by providing training and adequate support facilities.

Ramesh and Patil (2000) attempted to analyse the variables influencing the profitability of Urban Cooperative Banks (UCBs) in the state of Goa. For analyzing profitability various variables were used which include: interest rate spread, manpower expenses, other expenses, non interest income and overdue interest, and doubtful debt provision. It was found that interest rate spread and non interest variables have positive influence on the profitability and elements like manpower expenses, other expenses and overdue interest and doubtful debt provision reduces the profits. It was suggested that banks should exercise a careful watch over the various elements of expenses so that declining trends in the profits of the banks can be improved.

Hota and Sharma (2001) studied the financial sector reforms in relation to rural financial institutions especially with cooperative banks. They observed that during the past 8-9 years with the implementation of financial sector reforms, the institutional credit delivery system in the country witnessed a change. In cooperatives
there are various changes due to financial sector reforms, i.e., interest rates deregulations, prudential norms, restructuring and recapitalisation and human resource development. It was suggested that like a river changes its course in 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 the performance of cooperative banks. It was found that the cooperative banks were not able to generate funds because of poor resource base, high transaction costs (i.e. management expenses, staff cost, administration cost), lack of professional management and business diversification. It was suggested that dual control on cooperative banks should be abolished and primary agricultural credit societies (PACS) should be reorganized and there should be professionalism in management of cooperative banks.

Kamesam (2001) observed that there are number of issues concerning the vulnerabilities that have weakened the cooperative credit system and there is need of reforms to achieve the twin objective of credit delivery and financial sustainability. Efforts should be made for empowering cooperative banks turning into member driven enterprise because high visibility of State has distanced the people from their day-to-day management and contributed to lack of involvement and ownership in their functioning. There is need of removing the overlapping of control between the State Government and Central bank. There is need to have strong resource base, professionalisation of management, integration of short and long term structure, proper human resource development and given the freedom to deploy their funds purely on business consideration.

Prasuna (2001) examined that cooperative banks expanded by leaps and bounds over the last decade. However, the regulating environment and other systematic controls are yet to be put in place.
The regulating structure of cooperative banks and the supervision process is so lax that it conveys the attitude of no man’s child. Major problems with the cooperative banks are inadequate entry norms, absence of compliance to prudential norms of banking, politicizing the management, absence of proper supervision mechanisms and the biggest one is the duality of control. It was found that there is no short cut that could bring the lost credibility back to cooperative banks. It is only by mending their ways, adhering to prudential norms and setting themselves right then only cooperatives can improve their performance.

Balishter and Singh (2001) made an attempt to examine the performance of cooperatives in rural development and the performance was examined through contribution of cooperatives in the development of rural infrastructure facilities, supply of credit and organizing the marketing and processing activities. But it was found that the performance was not up to the mark due to several weaknesses, i.e., resource constraint, large overdues and defective management. It was found that the rural economy is the weaker section of the national economy and this weakness is responsible for backwardness of the economy and cooperatives seem to be the only hope to accelerate the growth of rural economy so cooperatives should be strengthened through effective monitoring system, strong resource base, effective management, and trained and professional staff.

Viswanath (2001) attempted to analyse the qualitative performance of agricultural credit cooperatives and their problem of overdues in India. He highlighted the main factors causing overdues. It was analysed that out of 16 states only performance of 5 states is above the national average. The agricultural advanced states, i.e., Punjab and Haryana have the performance below the national average. It was found that overdues, membership, working capital and amount of loans advanced move in the same direction. It was also found that the main factors causing overdues are misutilisation of
loans, natural calamities, willful default by farmers, unqualified staff, inefficient management and cooperatives are dominated by economically powerful and socially dominated groups. It was suggested that cooperatives should diversify their transactions; there should be no political interference in recovery of loans and there should be professional management.

Shah (2001-02) attempted to analyse the performance of Kolhapur District Central Cooperative Bank (KDCCB) during the pre- and post-reform period. It was found that the financial health of KDCCB has improved in loan advances, deposits, membership and return on owner's equity in the post-economy reform period. But the share of net worth in its total liability, liquidity ratio is declining in the post-reform period. As the return on owner's equity has increased significantly during the post-reform period, it could be interpreted that financial health and economic viability of KDCCB has improved considerably in recent times.

Kamesam (2002) attempted to study Corporate Governance in the cooperative sector. The concept of Corporate Governance came into sharp focus because more and more cooperative banks in India both in rural and urban areas, have experienced grave problems in recent time that have threatened the profile and identity of the entire cooperative system. It is necessary that cooperative banks should work like professional organization on sound managerial system with the needs of the time to retain and improve their market share and identity in the long run. There is need of greater transparency in the balance sheet of cooperative banks and also proper internal control to reach higher standards. There is greater need of clarity in defining the roles of various control institutions, i.e., State Government, RBI and NABARD so as to remove overlapping of control over cooperative banks.
Sangmi (2002) made an attempt to identify the factors responsible for superior performance as well as poor performance of the commercial banks. It was found that the banks maintaining higher difference, i.e., spread (difference between interest earned and interest paid) have higher profitability. The second factor affecting the profitability positively is diversified banking activities, i.e., earning more from the non-fund activities; and the third factor is low operating costs which contribute to high profitability and productivity. It was suggested that to earn high profits the banks should concentrate not only on mobilization of deposits but also invest them in channels which will generate more income. It was further suggested that banks should diversify their activities to control the operating costs.

Chalam and Prasad (2003) made an attempt to analyse the role of Primary Agricultural Cooperative Societies (PACS) in West Godavari district of Andhra Pradesh in providing services and members perception about the working of PACS. It was analysed that landless labourers are more than half in the total membership and they become members not on their own initiatives but are motivated by the candidates contesting elections. Majority of the members, i.e., 80% availed short-term credit, and small and marginal farmers were the maximum beneficiaries of credit services of PACS. It was also found that the loans provided by the banks do not fulfil all the requirements of the farmers and they have to depend upon other sources also. The findings of the study further providethat the small and marginal farmers repay the loan in time but big farmers generally delay the payments. It was suggested that membership fees should be increased to discourage the contestants to the post of president and directors from joining their friends as member of PACS just before elections and the PACS in addition to providing credit and non-credit services should also arrange other services, i.e., farm guidance and education training to the members.
Kumar (2004) attempted to evaluate the profitability and productivity of Public Sector Banks (PSBs) in the post-liberalisation period. The results show that liberalisation measures introduced by the Indian government have altered the banking sector and profitability of PSB has declined to a large extent. The results show that net profit in absolute terms has increased in majority of the PSBs but profitability witnessed a decline. The banks will have to pay greater attention to strategic management, strategic planning and technical aspects of lending and credit evaluation to improve their performance.

Tripathy (2004) brought out that with globalisation and financial sector reforms, the cooperatives have come under severe pressure from other competitive financial institutions. It was found that cooperative credit institutions are facing many problems i.e. poor recovery performance, lack of professionalism, low level of diversification in business operations, mounting overdues, NPA and low capital base. It was suggested that to achieve the targeted objective of cooperative credit institutions there is need of appropriate credit planning and loan appraisal system, professionalisation in cooperatives, diversification of loans, modernization of their operational procedures and ensuring better managerial skill with efficient risk management, transparency and high recovery ratio so as to facilitate their development as self reliant and economically viable rural financial organization. It was also suggested that the cooperative sector should diversify itself in different export promotion activities.

Raikar (2005) attempted to evaluate the impact of reforms on the growth, functioning and performance of Urban Cooperative Banks (UCBs) in India. The performance of UCBs was compared with other cooperative and commercial banks and it was found that performance of UCBs is better as compared to other banks. But due to application of prudential norms, their performance deteriorated since 2001-02. But now the performance is improving and it was found that the
imposition of norms by Reserve Bank of India (RBI) has improved the confidence among people.

Sisodiya and Tandulwadikar (2005) found the cooperative system in the midst of several problems like rising Non-Performing Assets (NPAs), lack of corporate governance and increased competition. They brought out that lack of proper regulation of the functioning of cooperative banks was one of the major reasons for the scams that have blotted the image of these banks and led to their downfall. It was found that the dual control by the State Government and by Reserve Bank of India (RBI) is a major hurdle. It was suggested that cooperative banks should be regulated by RBI or a new agency should be set up to look after functioning of these banks. The banks need to take steps in the right direction, i.e., increased transparency, better corporate governance and higher degree of professionalism in the day-to-day functions.

Teli (2005) attempted to evaluate the performance of Urban Cooperative Banks (UCBs) in Kolhapur district of Maharashtra state for a time period of 1991-2004. The performance was evaluated from different angles and it was found that UCBs in Kohlapur district showed a considerable growth in deposits, loans and net profits. But the amount of overdue is also increasing. It was suggested that banks should diversify their loan portfolio and should increase their income from other sources. For the growth and survival of the banks, Non-Performing Assets (NPAs) of the banks should be decreased. It was also suggested that the banks have to ensure greater transparency in their overall working to rebuild the confidence of their business by avoiding political interference.

Ganesan (2005-06) made an attempt to study the relative performance of State Cooperative Banks (SCBs) in India for the years 2002-03 and 2003-04. For analysing the performance of the banks, different input parameters (i.e. membership, labour, borrowed funds and number of branches) and output parameters (i.e. advances and
investments) were used. In relative efficiency it was found that 5 SCBs, i.e., Gujarat, Himachal Pradesh, Maharashtra, Tamil Nadu and West Bengal were found to be efficient in 2002-03 and 6 SCBs, i.e., Andhra Pradesh, Delhi, Gujarat, Himachal Pradesh, Maharashtra and West Bengal were found to be efficient in 2003-04. The average efficiency for the SCBs in India was 0.46 in 2002-03 and 0.47 in 2003-04. In traditional self-efficiency approach, it was found that SCBs of Andhra Pradesh, Gujarat, Maharashtra and West Bengal have high self-efficiency and in cross efficiency approach, it was found that SCBs of Andhra Pradesh, Assam, Tripura, Nagaland and Mizoram are the worst performers.

Das et al. (2006) analysed the problems and prospects of cooperative sector under the process of globalisation. It was recognized that the cooperative sector has the capacity and potential to neutralize the adverse effects emerging from globalisation. The failure of public sector and private sector to make an impact in the rural area has provided opportunity to cooperative sector to reorient their functions according to the demand of the market and overcome the various shortcomings, i.e., poor infrastructure, lack of quality management, over dependence on government, dormant membership, non-conduct of elections, lack of strong HRD and absence of professionalism. They suggested involving strong communication and public relations strategies which can promote the concept of cooperative among the masses.

Ghosh (2006) attempted to have a comparative study of Non-Performing Assets (NPAs) management of Mugberia Central Cooperative Bank Ltd. (MCCBL) and Tamluk- Ghatal Central Cooperative Bank Ltd. (TGCCBL) for the period 1997-98 to 2001-02. It was found that during the period of study the quantum of doubtful assets of both the banks were increasing but overall performance regarding NPAs management of MCCBL was better as compared to TGCCBL. It was suggested that banks should strengthen their credit
appraisal and supervision, mechanism, and should have an effective monitoring system over the use of funds. It was also suggested that banks may file civil suit against the defaulting borrowers.

Govindarajan and Singh (2006) attempted to evaluate the extent of success or failure of Tamil Nadu State Cooperative Bank Ltd. in its efforts of mobilizing resources and diverting them to cooperative banks at regional level. An attempt was also made to study the profitability and the factors affecting the profitability of the bank. It was found that the profitability of the bank is slowly declining year after year. Though cooperative banks meant for service motive, the banks must also earn some profits for their existence. It was suggested that the bank should have control over the non interest expenditure and earn more non interest income due to diversification of its activities and proper steps should be taken to improve the profitability of the bank.

Goyal et al. (2006) made an attempt to study the changes and regional variations in growth of Primary Agricultural Cooperative Societies (PACS) in Haryana. It was analysed that there is significant growth in share capital, owned funds, working capital and loan advance and membership. But the growth rate of overdues is very high. There are large scale variations in membership per society and loan advanced per society, proportion of profit making societies was more in the western region than the eastern region. The variables with regard to membership, overdues are increasing but with regard to loan advanced these are reducing. It was suggested that the societies should streamline the recovery drive to improve the viability of societies.

Hooda and Turan (2006) attempted to examine the determinants of profitability in Central Cooperative Banks (CCBs) in Haryana. It was analysed that business per employee and Non Performing Assets (NPAs) have emerged as dominant determinant of net profits. It was found that business per employee and spread
(difference between interest earned and interest paid) have shown positive effect on profits and increasing size of NPAs have negative effect on the profits. It was found that operating expenses and net profits are positively related.

Singh (2006) evaluated the productivity and fund management of District Central Cooperative Banks (DCCBs) in Punjab. He investigated how far cooperative banks are able to carry out the social role assigned to them. The main findings of the study are that total deposits of cooperative banks grew significantly and loans increased at a significant pace. The Central Cooperative Banks (CCBs) show a positive growth in net profit. The cooperative banks have strengthened their financial margin and profits. The recovery performance of cooperative banks in Punjab is better than India level. On the whole, the performance of CCBs in Punjab has been better than all India average. But the CCBs in Punjab are yet to achieve the purpose of their establishment, i.e., relieving the farmers fully from the clutches of money lenders.

Singh and Singh (2006) analysed the profitability of Central Cooperative Banks (CCBs) in Punjab. For this, 6 CCBs were selected for two different years, i.e., 1991-92 when the reforms were just initiated and 2002-03 when the results of these reforms could be observed. It was found that Return on Equity (ROE), and Return on Asset (ROA) have increased satisfactorily. The reforms have helped the CCBs in Punjab to reduce their percentage of overdues to total loans. The assets utilization ratio has increased which depicts a more profitable use of assets. It was found that the share of miscellaneous income in total income is low which shows that these banks are still attached to conventional banking business. It was suggested that the banks should trade on miscellaneous services generating non-fund income for them.

Thorat (2006) observed that in 2004-05 the share of cooperatives in credit disbursement decreased and the share of
commercial banks increased. It was found that this is due to the poor financial health of cooperatives. The duality of control, unprofessional methods of operations including poorhouse keeping, weak internal control and poor quality of audit resulted in low performance of cooperatives. It was suggested that financial assistance should be given to cooperatives and cooperatives need to introspect, to find ways and means on how to retain their market share and how to increase it overtime. Cooperatives must innovate in terms of products and processes and embrace information technology to yield good results.

Yadav and Tabassum (2006) made an attempt to study the average growth in deposits and discussed whether the deposits are increasing proportionately to the owned funds and total assets or not for a time period of 5 years, i.e., 1998-99 to 2002-03. It was found that total deposits mobilization in all the Central Cooperative Banks were not much satisfactory due to the reason that deposits registered a less increasing trend in comparison to owned funds and total assets.

Chalam and Prasad (2007) attempted to analyse the financial performance of PACS working in West Godavari District of Andhra Pradesh. For evaluating the performance, the ratios like liquidity, operational, productivity and profitability were used. It was found that cash to deposit and credit to deposit ratio were very high. It was also found that establishment expenditure of the PACS was very high. It was suggested that the management should check the expenditure to ensure profitability, and societies should take necessary steps to enhance their income from non-credit activities. The societies should also take steps to maintain consistent and higher level of profitability.

Lakshmanan and Dharmendran (2007) made an attempt to study the performance of all the District Central Cooperative Banks in Tamil Nadu taking into account some financial indicators. It was found that deposits and loans of the bank have positive growth rate but the overdues of the banks are increasing. It may be due to poor recovery rate. It was suggested that the banks should try to mobilize
more deposits from the untapped sources and should try to extend loans to uncovered sectors. The banks should take proper recovery proceedings and level of Non-Performing Assets should be brought down to maintain liquidity and profitability.

Koli and Landage (2007) made an attempt to analyse the financial performance of Ratnagiri DCCB. It was observed that increase in fixed deposits is more than saving and current deposits. It was also found that the working capital funds showed a decreasing trend which means that the bank is heavily dependent on the borrowings which is not good for the performance of the bank. The trend in loan recovery shows that the bank was trying its best to increase the recovery rate and the recovery efforts were positively increasing with the increase in loan transactions. With the improvement in recovery performance, i.e., reduction in Non-Performing Assets (NPAs), the bank was raising its level of profits.

Singh et al. (2007) attempted to analyse the economic performance of District Central Cooperative Bank (DCCB), Raipur and its Mandir Hasaud Branch in Chattisgarh state for the time period 1991-92 to 1998-99. The various parameters selected for analyzing the performance were number of borrowers, amount advanced, recovery and overdues. During the period of study, the number of borrowers and the number of advances had increased but at the same time rate of overdues had also increased. It was suggested that the overdues should be checked by improving the recovery performance of the bank. It was also suggested that there should be provision to convert the kind loan in cash if the farmers are reluctant to kind portion of loan, this will increase the level of recovery.

Sujatha (2007) attempted to analyse the financial performance of Krishna Cooperative Central Bank Ltd. for a period of 11 years from 1995 to 2005. To analyse performance various liquidity, productivity and profitability ratios were used. It was found that the strength of the bank is: higher level of owned funds, reasonable cost of deposits &
borrowings, low expense ratio, favourable burden ratio but the bank has the weakness of high level of liquid & cash assets, low credit to deposit ratio and low yield on advances. It was suggested that the bank should launch deposit mobilization campaign and there is need to diversify the loan portfolio. Also the bank should enforce the provisions to recover loans in order to reduce its NPAs.

Ramu (2008) made an attempt to analyse the performance of Urban Cooperative Banks in Tamil Nadu for a period of 6 years from 1999-2000 to 2004-05. An attempt was made to find out the break even level of business mix and examine the productivity of sample banks. It was found that loans and deposits are single largest portfolio of banks and the sample banks are earning profit since their inception. It was found that the sample banks were able to mobilize high amount of deposits, achieving more business than the break even level of business and maintain the level of productivity, so they are able to survive in the globalised economy. It was suggested that to reduce the level of break even point, the banks should increase their interest income and non-interest income and reduce their interest and non-interest expenditure. There is also a need to train the executives of Urban Cooperative Banks.

Samantaray (2008) made an attempt to study the growth of performance indicators of Cuttak Credit Cooperative Ltd. for the period 1998-99 to 2005-06; and the performance indicators selected for the study include membership, working capital, investment, loans & advances and net profit. It was found that growth of performance indicators is found to be improving as compared to the previous years. It was suggested that efforts should be made to maintain stability in the growth to remain in the competitive market with increasing rate of productivity.

Hooda and Chahal (2010) made an attempt to study the growth of PACS in India for a period of ten years, i.e., 1998-99 to 2007-08. For the purpose of the study, several indicators, i.e., number of
societies, membership, borrowers, employees, owned funds, deposits, advances, borrowings, working capital and recovery performance were analysed. It was found that there was not significant growth in terms of expansion of societies but number of members and borrowers showed an increasing trend. It was also found that owned funds, deposits, loans and working capital showed an increasing trend but at the same time overdues were also increasing. It was suggested that there is need of proper infrastructural facilities, close inspection and regular audit and loan policies should be framed according to the requirements of beneficiaries and steps should be taken to increase deposits from members.

Raikar (2011) made an attempt to study the performance of District Central Cooperative Banks (DCCBs) in India for the period 2002-03 to 2007-08. For analyzing the performance, ratio analysis and Data Envelopment Analysis (DEA) were used. It was found that number of CCBs on efficient frontier and above efficiency score showed a fluctuating but declining trend, this indicates declining efficiency of CCBs over the study period. It was also found that there is significant growth of CCBs in terms of financial parameters, i.e., reserves, deposits, investments, loans & advances, income etc. But the performance was deteriorating due to weak capital base and huge NPAs. It was suggested that to improve the performance of CCBs, there was need to improve their recovery performance.

CONCLUSION

Studies relating to cooperative banking system reveal that over the years, cooperative banks have remained the prime institutional agencies with their vast network, wide coverage and outreach to the remotest parts of the country. But, the overall picture of the cooperative sector is not too healthy. Studies pointed out that there are certain weaknesses which accumulated in the cooperative system over the years such as regional imbalance, high transaction cost, poor resource base, huge Non Performing Assets, duality of control, poor
resources, lack of business diversification, lack of professionalisation, softer regulations, dependence on other agencies for refinancing facilities and high overdues. These weaknesses affected the profitability, productivity and economic viability of the cooperative banks. With the opening of the economy, liberalization of the Government policies, increasing competition from the private sector affected the cooperatives in the way they carry out their business. So, there is need of stronger and effective management in the cooperative banks. With the introduction of reforms like deregulation of interest rates and application of prudential norms, cooperatives witnessed changes in their functional areas. Studies suggested that there is need of professionalisation in management of cooperative banks, removal of duality of control between the state Government and Reserve Bank of India over the functioning of cooperative banks, need of human resource development and introduction of new techniques in the cooperative banks. There is also need to give full freedom to the cooperative banks to deploy their funds.
REFERENCES


