Co-operative Banks have been playing a pivotal role in rural economy of India. With the new stress on rural development and rejuvenating rural economy, the importance of co-operative banks has further increased. This is all the more true in the case of a state like Himachal Pradesh, where more than 90 per cent population lives in the villages.

In the present chapters, chapter-wise summary, conclusions, problems, findings and suggestions have been discussed as given below:

CHAPTER - I : INTRODUCTION

Towards the end of the 19th century, the condition of the rural masses was quite deplorable. The countryside was surrounded by the problems of poverty, ignorance, ancestral debt and occasional outbreaks of natural calamities. To save the rural masses from the clutches of money lenders, Provincial Government enacted several measures of reliefs like, Deccan Agricultural Relief Act (1879), Land Improvement Loan Act (1883) and Agriculturists' Loan Act (1884). These measures did not prove much of a success due to stringent and cumbersome official procedures. Later on, after a series of measures the first co-operative societies act (1904) came into existence aiming at encouraging thrift habits among poor
peasants and artisans by setting up co-operative societies. The co-operative societies were classified as 'rural' and 'urban'. The former had unlimited liability, while the latter had both limited and unlimited liability. With the enactment of this act, many credit societies started coming up and by the end of 1910, there were 2000 such societies.

However, there was no provision for the establishment of non credit societies or Central Bank/Federation in the act of 1904 and the registration as well as cancellation of registration of the societies involved a lengthy procedure. In order to rectify these shortcomings a comprehensive co-operative societies act (1912) was passed which provided for the registration of all kinds of societies. A committee which was appointed under the Chairmanship of Maclagan in 1914 recommended the stoppage of further registration of societies and structural grouping of societies comprising individual members. It further recommended the establishment central banks at the district level and provincial banks and federation of societies as Apex Banks/Unions at the provincial level. As a result of these suggested measures, a three tier co-operative banking system emerged at the provincial level.

In the post-independence era, co-operatives have been assigned a notable role in bringing socio-economic changes through the process of democratic planning with accent on assisting the weaker sections of the society. In the year
There were 3.42 lakhs co-operative societies in India. Out of which 3.39 lakhs were Primary Co-operative Societies with 1465 lakhs membership and a working capital of Rs.475.50 lakhs. The Seventh Five Year Plan aims at developing the Primary Agriculture Credit Societies as multi-purpose viable units, promoting professional management and strengthening of effective training for improvement of operational efficiency.

At the time of formation of Himachal Pradesh, there was a big scarcity of the banking facilities. There were only three Central Co-operative Banks namely the Mandi Central Co-operative Bank (Operating in Mandi District and its surrounding Royal States), the Chamba Central Co-operative Bank (Operating in Chamba District and some other parts), the Mahasu Central Co-operative Bank (operating in the old Mahasu District) and one Stock Bank (the Bank of Sirmaur).

After high level discussions between the State Government and the Reserve Bank of India, in 1951, it was decided to have a unitary banking system in the State by establishing the State Co-operative Bank with its Head Office in Shimla and branches at different placed in the State.

In March, 1954 the already existing three Central Co-operative Banks and one Stock Bank were amalgamated and the Himachal Pradesh State Co-operative Bank was established which started its functioning in March 1954. The area of operation of the HPSCB covered the then Union Territory.
After re-organisation of the States, some areas of Punjab and Haryana were transferred to Himachal Pradesh in November, 1966. In these areas two Central Co-operative Banks viz. the Kangra Central Co-operative Bank (KCCB) and the Jogindra Central Co-operative Bank (JCCB) were functioning. These Banks were allowed to function as Central Co-operative Banks in their respective areas.

In Himachal Pradesh the Co-operative Credit is provided under three tier as well as two tier system. At the State level there is an Apex Bank known as the Himachal Pradesh State Co-operative Bank Ltd. (with its Head Office at Shimla). It functions in Bilaspur, Chamba, Kinnaur, Mandi, Shimla and Sirmaur District (6 Districts) of the State. At the district level there are two Central Co-operative Banks. The Kangra Central Co-operative Bank Ltd. (with its Head Office at Dharamshala) functioning in 5 Districts namely, Hamirpur, Kangra, Kullu, Lahaul and Spiti and Una Districts and the Jogindra Central Co-operative Bank Ltd. (with its Head Office at Nalagarh) operating in Solan District only. At the base level the primary Agricultural Credit Societies are serving the Agriculturists by providing them short-term and medium-term loans after obtaining loans from the co-operative banks mentioned above.

The above given discussions makes abundantly clear the crucial role of co-operative banks in the development of rural area of Himachal Pradesh. It gets further amplified if we
keep in mind that more than 90 per cent population live in the villages of the State. So it is all the more important to conduct a comprehensive study covering all aspects of the functioning of these banks, in order to improve their functioning. The need for the present study has been further made clear from the review of literature. The overall objective of the study is to evaluate the performance of the banks under study keeping in view their objectives. The scope of the present study has been limited to only three major co-operative banks, i.e. The H.P. State Co-operative Bank Ltd., The Kangra Central Co-operative Bank Ltd., and The Jogindra Central Co-operative Bank Ltd. functioning in all districts of Himachal Pradesh. Further, the study is based on mainly secondary data and covers a period of 13 years i.e. 1976 to 1988.

CHAPTER-II : PERFORMANCE APPRAISAL OF HIMACHAL PRADESH STATE CO-OPERATIVE BANK LTD.

The Himachal Pradesh State Co-operative Bank Ltd. is functioning as an Apex Bank in the State as well as a Central functioning agency in six districts viz. Bilaspur, Chamba, Kinnaur, Mandi, Shimla and Sirmaur.

The number of branches of the HPSCB was 33 in 1971 which increased to 63 in 1988. The district-wise break up shows 6 branches in Bilaspur, 10 branches in Chamba, 6 branches in Kinnaur, 13 branches in Mandi, 20 branches in Shimla and
8 branches in Sirmaur District at the end of June 1988. Thus about 31.7 per cent of the total branches are in Shimla District only. The total population covered by the bank in 1981 was 21,80,773 persons.

Board of Directors is the highest decision making body of the bank. During 1988 number of its Directors is 16. In terms of bye-laws of the Bank, three nominees of the State Government and the Registrar Co-operative Societies or his nominee together entitle the State Government for 4 votes in general house defeating the provision of bye-laws which restricts the voting right of a member to one vote irrespective of the number of shares held.

There are 8 Divisions in the Head Office of the bank namely, Establishment, statistical, planning, loans and advances, Development, Branch Control, Accounts and Banking and Legal Cell.

The membership of the Bank consists of the Government, Co-operative Societies and Individuals. The number of its members has increased from 1411 (1287 co-operative societies) in 1976 to 1567 (1451 co-operative societies) in 1988. The number of individual members of the bank has decreased from 123 in 1976 to 115 in 1988 because the bank has restricted the entrance of new individual members.

The paid up share capital of the bank has increased from Rs.28.99 lakhs (58 per cent of authorised capital) in
1976 to Rs. 156.87 lakhs (78.4 per cent of authorised capital) in 1988. The share capital of the bank cannot be considered adequate to command respect from the co-operators and general public. The capital base is also not sufficient enough to provide adequate borrowing power to the bank. The State Government has came to the aid of the bank by subscribing to its share capital but it is also not advisable to look to the State Government to make up for its deficiencies in raising funds. The State Government is holding a major portion of the banks share capital from the year 1978-79 onwards.

The total reserve funds of the bank increased from Rs. 55.33 lakhs in 1975-76 to Rs. 428.53 lakhs in 1987-88. The bank's agricultural credit stabilisation fund as on 30th June 1988 was Rs. 263.59 lakhs which may further be strengthened to enable it to extend facilities of conversion whenever needed. The State Government has also contributed to this fund by providing grants and subsidies.

The owned funds of the bank have increased from Rs. 84.30 lakhs in 1975-76 to Rs. 654.01 lakhs in 1987-88. The reason of increase in owned funds of the bank was the increase in the reserves of the bank which increased about 9 times during the period 1975-76 to 1987-88. The owned funds of the Bank increased by Rs. 569.01 lakhs during the period.

The growth of reserves of the bank is generally satisfactory. As the creation of reserve fund incurs no additional expenditure whereas, share capital carries with it
incentive of dividends. It is therefore advisable for the bank to strengthen its reserve funds as much as possible.

With aggregate deposits of Rs.6932.73 lakhs in the year 1988, the HPSCB can be said to be in a good financial position. The increase in deposits of 827.6 per cent during 1976 to 1988 is also an indicator of healthy growth.

The deposits from individuals constituted the major portion of aggregate deposits of the bank. These deposits ranged between 60 to 72 per cent of the aggregate deposits. This is contrary to the pattern of deposits of all the co-operative banks in India taken together, wherein the deposits of co-operative institutions are more than the deposits of the individuals.

Fixed deposits were more than saving bank deposits and current account deposits and ranged between 37 percent to 64 per cent of aggregate deposits of the bank during 1976 to 1988.

In the district-wise deposits maximum deposits were in district Shimla followed by Mandi, and Sirmaur till 1984, but thereafter, district Chamba improved its position to third place. Districts of Kinnaur and Bilaspur competed for the fifth and sixth positions.

The deposit position of the branches other than Shimla leaves scope for improvement in their performance. In the branch-wise deposits, highest deposits were in district Shimla.
followed by Sirmaur and Bilaspur and Mandi for some years. For the fifth and sixth position, district Chamba and Kinnaur have competed.

Population served per branch in the districts of Kinnaur, Shimla, Sirmaur and Chamba was less than the average population per branch of 52019 persons of the HPSCB (1981). The opening of branches had a positive effect on the growth of total deposits.

The HPSCB borrowings were Rs.1.71 lakhs in 1976 and Rs.536.00 lakhs in 1988. From the year 1982 onward National Co-operative Development Corporation has become the major source of borrowings of the bank (68.48 per cent in 1982 and 95.87 per cent of total borrowings in 1988).

The Bank could not utilise its full borrowings capacity which is 5 times of its owned funds. The borrowings of the Bank varied between 6.9 to 11.4 times of its owned funds leaving its reserve borrowing power unutilised.

Total working capital of the bank increased from Rs.863.82 lakhs in 1976 to Rs.8122.73 lakhs in 1987-88, thus recorded 9 fold increase. Deposits predominated the composition of the working capital and ranged between 80.02 to 89.00 per cent of the total working capital.

The percentage of cash reserves and liquid assets of the Bank varied between 40.41 per cent to 59.82 per cent of the total deposits of the Bank during the period (1976 to 1988).
The Bank has maintained its liquidity much above the required ratio of 34 per cent (6 per cent more than the statutory requirement of 28 per cent to cover the risk), thereby affecting its lending capacity and resulting in indirect losses. The Bank has made investments of an amount exceeding 50 per cent of its total investments in the Government Securities.

The outstanding loans of the HPSCB increased from Rs.482.17 lakhs in 1976 to Rs.4844.03 lakhs in 1988 whereas loans issued increased from Rs.801.15 lakhs in 1976 to Rs.12585.51 lakhs in 1987. These loans were advanced by the Bank to the co-operative Societies and Individuals for the short-term, medium-term and long-term.

The short term loans issued by the Bank were Rs.35.31 lakhs in 1976 which increased to Rs.119.85 lakhs in 1987. Out of these loans between 97 per cent to 100 per cent were the short-term loans for agricultural purposes.

The medium-term loans issued by the Bank increased from Rs.28.77 lakhs in 1976 to Rs.283.63 lakhs in 1987. Out of these loans between 57 to 92 per cent were medium-term agricultural loans. The Bank has not re-oriented its medium-term lending policy on the lines of the guidelines circulated by the Reserve Bank of India.

Cash credits of the Bank increased from Rs.720.29 lakhs in 1976 to Rs.5516.98 lakhs in 1987 thus recorded an increase of 7.65 times. These ranged between 44 per cent to 92 per cent of total loans and advances of the Bank.
The Bank has started advancing long-term loans from the year 1982 on the recommendations of the State Government and Reserve Bank of India. These loans were Rs. 513.30 lakhs in 1987. The Bank has also advanced loans to the Himachal Pradesh State Electricity Board, H.P. Civil Supplies Corpn. Nahan Foundary and HIMFED. The loans to these institutions were advanced because of lack of avenues for its resources.

The per branch loans of the Bank increased from Rs. 12.69 lakhs in 1976 to 78.89 lakhs in 1988 and the credit deposit ratio of the Bank ranged between 49.12 per cent to 69.87 per cent which was much below as compared to the credit deposit ratio of 106.49 in the year 1987 for all Apex Banks in India.

The Bank has made profits during the period 1976 to 1988 except for two years i.e. 1978 and 1979. In these two years the Bank suffered losses due to the non recovery of interest from the some societies and liquidation of some societies.

Total expenditure of the Bank increased from Rs. 93.06 lakhs in 1976 to 1015.22 lakhs in 1987. The major head of expenditure of the Bank was interest paid on its deposits and borrowings. The expenditure of the bank under this head remained above 70 per cent of total expenditure of the Bank.

The average expenditure per branch has increased from Rs. 2.44 lakhs per branch in 1976 to Rs. 16.11 lakhs in 1988. The expenditure of the Bank increased because of the increase in deposits, increase in the number of employees, increase
in the number of branches and increase in the rates of interest.

The total income of the Bank increased from Rs.96.79 lakhs in 1976 to Rs.1101.61 lakhs in 1988. The major source of income was the interest and discount received on loans and advances and its investments. The income from this head ranged between 94.84 to 98.39 per cent of the total income during 1976 to 1988.

The Bank has been serving as a viable unit since the year 1976 because its outstanding loans were more than the viability criterion.

The Debt-Equity Ratio of the Bank varied between 6.9:1 to 11.4:1 during 1976 to 1988. This ratio was below the borrowing limits of the Bank (i.e. 15:1). Hence the Bank needs improvement in its debt equity ratio.

The returns on capital employed and shareholders equity were positive except for two years (i.e. 1978 and 1979). The higher these ratios the more efficient is the institution in utilising its resources. These ratios have shown inconsistent growing trend. Best results were shown by the Bank in the year 1983.

The spread ratio of the bank varied between 0.022 to 0.041 whereas burden ratio varied between 0.022 to 0.028. The Bank needs improvement in its spread ratio and control over its burden ratio for the maximisation of profits.
From the point of view of cost of management in relation to total income and total expenditure the bank has been working on soundlines except for two years (i.e. 1978 and 1979). 'n' (variance factor) was positive throughout the period except for the above mentioned two years.

Break even point during the period under study is accounted for 62 per cent to 91 per cent of total output except for two years. The Bank has worked with meagre surplus in eleven years and high idle funds in the remaining two years (1978 and 1979).

CHAPTER-III : PERFORMANCE APPRAISAL OF THE KANGRA CENTRAL CO-OPERATIVE BANK LTD.

The Kangra Central Co-operative Bank Ltd. (KCCB) was registered on 13.3.1920 with Zamindara Central Co-operative Bank as its name. This bank is functioning as a Central Co-operative Bank in five districts of the State, namely, Hamirpur, Kangra, Kullu, Lahaul and Spiti and Una.

The number of its branches has increased from 23 in 1971 to 73 in 1988. The district-wise break up shows 13 branches in Hamirpur, 39 branches in Kangra, 7 branches in Kullu, 3 branches in Lahaul and Spiti and 11 branches in Una district in the year 1988. Thus about 54 per cent of the total branches are in Kangra district. In the year 1988 the Bank was serving 22.35 lakhs persons in its area of operation.
The Board of Directors is the Chief Executive Body of the Bank. The maximum number of directors in the Board can be 18. The Bye-laws of the Bank do not provide for specific representation for marketing societies, weavers and other industrial societies as well as weaker sections comprising small/marginal farmers and Scheduled Castes and Scheduled Tribes.

In terms of Bye-laws of the Bank, each of the three nominee of the State Government and Registrar, Co-operative Societies have a right to vote which goes against the provisions of the bye-laws, which restricts a member's right to one vote irrespective of the number of shares held by him.

The membership of the Bank consists of the Government, Co-operative Societies and Individuals. The number of its members has decreased from 1983 in 1976 to 1984 in 1988 because of liquidation of some co-operative societies in the Pong Dam area. The number of member co-operative societies has decreased from 1929 in 1976 to 1837 in 1988.

The paid up share capital of the bank increased from Rs.22.21 lakhs in 1975-76 to Rs.46.73 lakhs in 1988. The authorised capital of the Bank remained Rs.50.00 lakhs during the period. Co-operative Societies were the major contributor of the share capital of the bank and their participation was 64.21 per cent in 1976 and 63.28 per cent in 1988 of the total share capital. The capital base of the bank cannot be treated sufficient, keeping in view the number of societies it serves.
The total owned funds of the bank increased from Rs.51.14 lakhs in 1976 to 439.37 lakhs in 1988, recording an increase of 8.59 times. The owned funds of the Bank mainly grew due to the increase in reserve funds of the Bank. The reserve funds of the Bank increased about 13.56 times during 1976 to 1988.

The major constituent of the reserve funds of the Bank were its other reserves and funds which increased from Rs.16.97 lakhs in 1976 to Rs.168.70 lakhs in 1988, thus recorded an increase of 9.9 times.

The performance of the KCCB is satisfactory in mobilising deposits as these increased from Rs.1043.24 lakhs in 1976 to 6077.48 lakhs in 1988. The opening of branches has a positive effect on the deposits as deposits per branch increased from Rs.22.68 lakhs in 1976 to Rs.83.25 lakhs in 1988.

Individuals' deposits have predominated the deposits of the Bank. The composition of deposits shows that Fixed deposits were more than 54 per cent of total deposits throughout the period. This position cannot be termed favourable from the point of view of the bank unless it finds avenues for investment fetching higher rate of returns to compensate the increased cost of raising resources due to larger proportion of fixed deposits carrying higher rate of interest.

The average deposits per branch were higher in Kangra district in 1979 but thereafter first position is occupied by Una district followed by Hamirpur (since 1982), Kangra, Lahaul and Spiti and Kullu district.
In the district-wise deposits Kangra district tops the list followed by Una, Hamirpur, Kullu and Lahaul and Spiti. Population served per branch was highest in district Kullu, followed by Una, Kangra, Hamirpur and Lahaul and Spiti districts in the year 1988.

The borrowings of the KCCB were Rs.10.05 lakhs in 1976 which increased to Rs.178.89 lakhs in 1988. The main source of borrowings of the Bank was the government till the year 1983 but thereafter the Apex Bank has become the KCCB's major source of borrowings.

The KCCB could not utilise its borrowing powers to the full limit except for the year 1976. In that year bank's borrowings were more than borrowing limit of 15:1. The borrowing of the Bank varied between 10.7:1 to 20.6:1 in relation to its owned funds, thus leaving its reserve borrowing power unutilised.

The working capital of the bank increased from Rs.1188.46 lakhs in 1976 to Rs.7758.38 lakhs in 1988. The main factor responsible for the growth of the bank's working capital was the growth of its deposits which ranged between 78 per cent to 87 per cent of the total working capital of the bank.

The Bank maintained its liquidity much higher than the statutory requirement. Its cash reserves and liquid assets varied between 65.63 per cent to 100.46 per cent during the period under study. It means that the bank had played safe by
concentrating an investments only and was also not able to find avenues for advancing loans and advances.

The bank advanced short term, medium term and long term loans to the co-operative societies and individuals. The total loans of the bank were Rs.153.48 lakhs in 1976 which increased to Rs.3493.83 lakhs in 1988, thus recorded an increase of 22.76 times during the period. Short term loans of the Bank were the major portion of total loans of the bank which increased from Rs.136.58 lakhs in 1976 to Rs.3208.91 lakhs in 1988. Cash credits and overdraft were the major constituent of total short term loans. The Bank preferred cash credits and overdraft facilities because of the higher rate of interest on them.

The medium term loans of the bank increased from Rs.16.48 lakhs in 1976 to Rs.151.21 lakhs in 1988. Similarly, the long term loans of the bank increased from Rs.0.42 lakhs in 1976 to Rs.133.71 lakhs in 1988. These loans were provided by the Bank for the construction of godowns, which are essential for facilitating marketing activities of the co-operative societies.

The credit deposit ratio of the Bank ranged between 14.71 to 57.48 per cent which was much below the credit deposit ratio of all Central Co-operative Banks in India of 104.86 per cent. From this point of view the performance of the KCCB was quite poor.
The bank made profits through the period under study. Its profits were Rs.28.04 lakhs in 1976 which increased to Rs.185.92 lakhs in 1988. The expenditure of the Bank increased from Rs.94.98 lakhs in 1976 to Rs.1113.19 lakhs in 1988. Average expenditure per branch of the bank has also increased from Rs.2.07 lakhs in 1976 to Rs.15.25 lakhs per branch in 1988. The major source of expenditure of the bank was interest paid on deposits and borrowings. The expenditure under this head varied between 74 to 87 per cent of total expenditure.

The total income of the KCCB increased from Rs.123.03 lakhs in 1976 to Rs.1299.11 lakhs in 1988. The major source of income of the bank was the interest received on loans, advances and investments.

The Debt Equity Ratio of the bank ranged between 10.7:1 to 20.6:1 during the period. This ratio was near to the maximum debt equity ratio of 15:1 of the bank. It was more than the debt equity ratio of all Central Co-operative Banks in India which was 7.8:1 in 1987.

The return on capital employed varied between 0.57 to 4.04 during the period 1976 to 1988. The returns on shareholders equity were also positive during the same period. This indicates good profitability or financial position of the bank.

The profitability ratios of the Bank ranged between 0.005 to 0.037 during 1976 to 1988. These were positive due to the increase in spread ratios and control over the burden
ratios of the bank.

The break even point of the bank was accounted for between 34 to 70 per cent to the total output of the bank. This means that the KCCB was left with meagre surplus which indicates higher profitability. The cost of management of the Bank in relation to total income and expenditure also indicated good results. This means that the Bank is working on sound lines.

CHAPTER-IV : PERFORMANCE APPRAISAL OF THE JOGINDRA CENTRAL CO-OPERATIVE BANK LTD.

The Jogindra Central Co-operative Bank Ltd. came into existence on 20.8.1924. At present this bank is functioning in Solan District of Himachal Pradesh. The number of its branches was 13 in 1988 and it was serving a population of 357107 persons.

The Board of Directors of the Bank which is highest decision making authority of the Bank has 9 members on its Board. The Bye-laws of the Bank do not provide for the specific representation of marketing societies, weavers and other industrial societies as well as weaker sections, like small/marginal farmers and scheduled caste and scheduled tribes. The bye-laws of the bank also provides the State Government to nominate thr Directors to its Board of Directors. Thus the government nominated directors have 3 votes in the general house which defeats the provision of the bye-laws which restricts the voting power of a member to one vote.
The Bank has the government, co-operative societies and individuals' as its members. The total membership of the bank has increased from 144 in 1924 to 456 in 1988. Majority of the members of the bank are co-operative societies. These societies increased from 132 in 1924 to 292 in 1988.

The share capital of the bank increased from Rs.8.34 lakhs in 1976 to Rs.41.61 lakhs in 1988. The major participation in the share capital of the bank came from co-operative societies till 1978-79 but thereafter, the State Government is contributing major portion of the share capital. Government contribution has increased from Rs.2.04 lakhs in 1976 to Rs.22.04 lakhs in 1988. In the year 1988 the banks paid up capital was more than that of its authorised capital.

The growth of reserves of the bank was not satisfactory as these increased from Rs.6.03 lakhs in 1976 to Rs.32.75 lakhs in 1988. It happened because the bank was in losses in eight years out of a total of thirteen years under study.

The owned funds of the bank increased from Rs.14.37 lakhs in 1976 to Rs.74.36 lakhs in 1988. The growth of owned funds of the bank may be attributed to the growth of share capital as well reserves. The total owned funds of the bank increased by 5.17 times during the period.

Other funds and reserves were the major constituent of the owned funds of the Bank till 1985 but thereafter agricultural credit stabilisation fund has become its major
constituent. The increase in agricultural credit stabilisation fund was mainly because of the subsidy received from the government. The deposits of the bank increased from Rs.41.51 lakhs in 1976 to Rs.493.87 lakhs in 1988 thus recorded a significant increase of 11.9 times. The opening of new branches had a positive effect on the growth of deposits.

Fixed account deposits and saving bank account deposits are equally popular among the customers. Individuals' deposits predominated all types of deposits throughout the period i.e. 1976 to 1988.

The population served per branch by the bank has decreased from 33697 persons in 1981 to 27470 persons in 1988. The deposits per branch has increased from Rs.8.30 lakhs in 1976 to Rs.36.37 lakhs in 1988.

The Bank has borrowed funds mainly from the Reserve Bank of India/NABARD, Small Farmers Development Agency and the Apex Bank. The borrowings of the Bank increased from Rs.18.80 lakhs in 1976 to Rs,97.85 lakhs in 1988. The major source of borrowings of the bank was the Apex Bank. The borrowing of the bank from this source ranged between 55.88 to 95.86 per cent of the total borrowings.

The bank could not utilise its borrowing powers to the full capacity (12 times of owned funds). The total borrowings of the bank (Deposits and borrowings) were Rs.60.31 lakhs in 1976 and Rs. 591.72 lakhs in 1988. The reserve borrowing power of the bank was Rs.125.57 lakhs in 1976 and Rs.300.60 lakhs in 1988.
The total working capital of the bank increased from Rs.82.92 lakhs in 1976 to Rs.689.11 lakhs in 1988 thus recorded an increase of 8.31 times. The growth of deposits was mainly responsible for the growth of the total working capital. Deposits ranged between 50.06 to 83.45 per cent of the total working capital.

The liquidity maintained by the bank was more than the statutory requirement in most of the years under study. This excess liquidity means idle funds and loss to the institution. The bank requires control over its liquidity ratio.

The JCCB has advanced short term, medium term and long term loans to the co-operative societies and individuals. The total loans advanced by the bank were Rs.61.58 lakhs in 1976 which increased to Rs.450.34 lakhs in 1988. The bank advanced major portion of its loans in the form of short-term loans till 1983. Short-term loans of the bank increased from Rs.44.76 lakhs in 1976 to Rs.188.36 lakhs in 1988.

Medium term loans of the bank increased from Rs.3.96 lakhs in 1976 to Rs.237.07 lakhs in 1988. After the year 1983 medium term loans were the major constituents of total loans.

The Bank started advancing long term loans from the year 1983 on the recommendations of the State Government.

The loans per branch of the bank increased from Rs.12.32 lakhs in 1976 to Rs.37.52 lakhs in the year 1988. The credit deposit ratio of the bank varied between 71.27 to 148.35 per
cent during the same period. This ratio was quite good in some years but it was less than the All India's Co-operative Banks Credit Deposit Ratio of 104.86 per cent in the year 1987 (85.65 per cent for the JCCB).

The JCCB has been functioning as a viable unit from the year 1984 as its outstanding loans and advances were Rs.204.51 lakhs in 1984.

The Bank has made profits only in five years i.e. 1976, 1977, 1983, 1984 and 1986. In the remaining eight years it suffered losses. The total expenditure of the bank increased from Rs.6.33 lakhs in 1976 to Rs.58.80 lakhs in 1988. The major head of expenditure of the Bank was the interest paid on deposits and borrowings. It was Rs.3.69 lakhs in 1976 which increased to Rs.35.37 lakhs in 1988. Expenditure under this head varied between 54.74 to 66.00 per cent of the total expenditure. Per branch expenditure of the bank increased from Rs.1.26 lakhs in 1976 to Rs.4.52 lakhs in 1988.

The income of the bank increased from Rs.7.29 lakhs in 1976 to Rs.58.77 lakhs in 1988 thus recorded an increase of 8.06 times. The major source of income of the bank was interest and discount received on loans, advances and investment. The income from this head remained above 93 per cent of the total income for the bank. The income per branch increased from Rs.1.46 lakhs in 1976 to Rs.4.52 lakhs in 1988.
The Debt Equity Ratio of the Bank varied between 4.42:1 to 8.58:1 during the years 1976 to 1988. This ratio was much below the maximum debt equity ratio the JCCB can have i.e. 12:1.

As the bank suffered losses in eight years out of a total of 13 years under study. It can be termed as a bank having poor financial management, return of capital and return of shareholders equity).

The reason of losses to the bank was, that its spread ratios decreased whereas its burden ratios increased.

The cost of management of the Bank in relation to its total income and total expenditure showed 'n' factor negative which means the bank is not functioning on sound lines.

CHAPTER-V: CO-OPERATIVE BANKS IN HIMACHAL PRADESH - A COMPARATIVE STUDY

A comparative study of the three co-operative banks shows that they have performed well in some fields, while fared poor in some other fields. In the inter bank comparison the HPSCB has the strongest capital base, the strongest reserve funds (for the years 1975-76, 1985 to 1988) for four years, the strongest owned funds, maximum deposits after the year 1984-85 and highest per branch deposits after the year 1978-79 in comparison to the KCCB and JCCB.
In the fields of borrowings the HPSCB borrowed more funds from the year 1979 onwards and in the utilisation of borrowing power the bank ranked second in comparison to the other banks. The bank had the strongest working capital base after the year 1984-85. The bank maintained liquidity ratio much above the statutory ratio but this ratio was less than that of the KCCB. The HPSCB advanced more amount loans and advances as compared to the others two banks. Average loans per branch were also highest in the case of the HPSCB. The aggregate profits of the bank were less than the KCCB (except for two years when it suffered losses).

The HPSCB has also performed well in the fields of debt equity ratio, return of shareholders equity, return on capital employed and profitability ratios except for two years of losses. From the point of view of cost of management and Break Even Analysis the bank has been functioning on sound lines but remained behind the KCCB in all these fields.

The KCCB ranked second in the share capital. First in the reserve funds (from 1977 to 1984), second in the owned funds, first in total deposits (from 1976 to 1985) second in per branch deposits from 1980 to 1988(first from 1976 to 1979) in comparison to the other two banks.

In borrowings it ranked second from 1976 to 1978 but thereafter ranked third from 1979 to 1988. In the utilisation of borrowing power the bank showed good performance in comparison
to the HPSCB and the JCCB. The KCCB was having strongest working capital base from 1976 to 1985 in the comparison. The Bank maintained its liquidity ratio much above the statutory requirement and performed poor in this field as compared to the other two banks. In the loans and advances it ranked third. The credit deposit ratio of the bank was also less than the other two banks.

The bank showed the best Debt Equity Ratio, Return on capital employed, Return on shareholders Equity, Profitability Ratio and sound finance results in comparison to the other two banks. The JCCB showed the best performance in the district wise comparison of share capital, borrowings from 1976 to 1978, population covered per branch, maintenance of liquidity ratio and in the credit deposit ratio in comparison to the other two banks. In the loans and advances per branch it stood second.

In other fields like aggregate share capital, Reserves deposits, owned funds, deposits per branch, total loans and advances, debt equity ratio, return of capital employed, return on Shareholders equity, profitability ratio and in relation to Break Even Point the bank was ranked third in comparison to the HPSCB and the KCCB.

Hence, it can be concluded that the performance of the HPSCB and the KCCB was, by and large, satisfactory but the JCCB's performance cannot be termed satisfactory.
SUGGESTIONS:

Besides viability, the Banks under study should have efficiency in their operations. The Banks are expected to shoulder the responsibilities in lending adequate support in the fields of agriculture and horticulture. It is of utmost importance that the working of the co-operative banks is streamlined. If the banks are not strengthened organisationally, these may not be able to rise up to the future challenges.

We have offered the following suggestions to improve the working of the banks:

- In case of the KCCB and the JCCB each of the three nominees of the government has a right to vote which goes contrary to the provisions of their bye-laws which restricts a member's right to one vote irrespective of the number of snares held by him. These bye-laws may be amended to restrict the right of the State Government to one vote.

- With a view to provide representation for marketing societies, weavers and other industrial societies as well as weaker sections comprising small/marginal farmers and scheduled castes and scheduled tribes, on the Board of Directors (of the KCCB and the JCCB). The relevant bye-laws be amended and Boards membership be expanded.
The composition of deposits of all the three co-operative banks indicates maximum deposits in the fixed deposits. Higher percentage of fixed deposits is disadvantageous from the point of view of the banks unless these banks finds avenues for investments fetching higher returns to compensate the increased average cost of raising resources due to larger proportion of fixed deposits giving higher rate of interest. To overcome this problem the bank should find new avenues for investments. The bank will have to explore the areas for financing tea and apple crops and also build up infrastructure for marketing of these crops.

If the head office of the Jogindra Central Co-operative Bank is transferred to the district headquarter at Solan, then it can prove to the advantage of the bank. The shifting is necessary with a view to have closer liaison and co-ordination with the district authorities. In the absence of the coordination, the bank would always find it difficult to develop its business. The head office may not carry on direct banking business but restrict its activities to laying down policies and programmes, ensuring co-ordination of activities and exercising control over its branches. The bifurcation would enable the Nalagarh branch to function independently under the immediate supervision of the head office.
during transitory period and will prepare itself for the future.

- It can be said that the banks under study may fulfil their social and economic objectives through the rapid branch expansion programme. Moreover, area approach to open branches should be taken into consideration in order to facilitate the rural masses so that the social and economic transformation can be made through intensifying the co-operative spirit among the people. Consequently, keeping in view the topography of the state, there is need for more branches.

- The objective of deposits maximisation can be attained only through effective deposit mobilisation schemes. A bank can increase its deposits by rapid branch expansion programme, aggressive policy on the part of branch managers, motivating persons to save a part of their income, improving the quality and efficiency of services and by the introduction of new schemes. In fact there is a need for effective mobilisation of deposits particularly in the case of the JCCB.

- The objective of deposits mobilisation is to provide more resources to the co-operative societies. Further, the credit expansion will increase the profitability of the banks. The banks under study
should improve their credit expansion by increasing their credit deposit ratio, giving proper consideration to poor and backward areas of the state, financing the productive needs of the borrowers and by lending loans to individuals for service sector. Moreover, the banks should also provide loaning facility for the small scale industries which helps to create the employment opportunities in the state.

- The banks should have effective loans recovery system which further improves the financial position of the bank. The banks should improve their recovery position by strengthening the recovery staff and requesting the revenue authorities for help in this regard. The State Government should also issue necessary instructions to revenue officials in this regard.

- At the time of granting loans, the credit societies should carefully scrutinise the economic purposes of the loans and the repaying capacity of the borrowers. Recovery supervisors should note at inspections whether loanees have obtained disproportionately large loans and if so, the co-operative banks should take this into consideration at the time of granting new loans to the societies. The period of repayment should not exceed 3 years. Extensions for repayment should be granted only if the borrowers are in exceptionally difficult conditions.
and tenderness should be shown in dealing with defaulters.

- Member societies of the banks should be taught the necessity of getting ride of un-satisfactory or dishonest office members or committee members. The property statement of societies should be prepared with great care and should be kept up-to-date by recruiting qualified and trained regular secretaries.

- In order to improve operational efficiency of the banks, the stress should be laid on training needs of the personnel and staff. A person trained on specialised aspect of banking should be given an opportunity to make the use of knowledge and skill by posting him at an appropriate position. Training should be provided through training colleges and centres of co-operative banking and if the facilities are inadequate, then assistance be taken from universities or institutions specialised in banking management.

- A remedial step to improve credit deposit ratio, could be to impress upon branch managers that their performance will be assessed not merely on the growth of deposits but also on the progress of credit to weaker sections in all its aspects including recovery.
- The scale of finance should be on a district-wise/area wise basis and not uniform for the whole of the state. In this regard, adequate attention should be paid by the government to increase the operational efficiency of the banks.

- The creation of reserve funds incurs no additional expenditure whereas share capital carries with it the incentive of dividends. It is in the favour of the banks to have strengthen their reserve funds as much as possible by increasing their profits.

- Efforts should be made to provide more loans to viable primary credit societies. The financing of these societies would enable the co-operative banks to further increase their profits in addition to pumping greater credit in the agricultural sector. The PACs in turn should provide a greater proportion of agriculture credit to small and marginal farmers.

- To overcome the problems of losses in the case of the JCCB, the bank should increase its spread ratio and control the burden ratio. Increase in the magnitude of the spread ratio can be achieved by increasing interest earned ratio faster than the interest paid ratio. Lowering of burden ratio can be achieved by lowering manpower expenses ratio, other expenses ratio and increasing other income ratio. Lowering of manpower expenses ratio can be
achieved by increasing the volume of business per employee ratio faster than the pay out per employee ratio.

- The State Government should accord its recognition to the HPSCB to enable the local bodies and quasi government institutions to keep their deposits with the bank. It will increase the deposits of the bank and the depositor institutions will also get interest at a higher rate in comparison to the commercial banks. This step of the Government has shown good results in Haryana, Punjab, Uttar Pradesh and Meghalaya.

It is felt that if the various suggestions and implemented, functioning of all these three banks can be improved considerably. It becomes imperative not only from the angle of meeting competition from the various branches of commercial banks, but also in order to equip these co-operative banks to play their desired pivotal role in rejuvenating the rural economy of Himachal Pradesh. And Government of Himachal Pradesh has a crucial role to play in this endeavour by providing a dynamic leadership to these banks and full support to their activities.