PERFORMANCE EVALUATION OF CENTRAL COOPERATIVE BANKS: A COMPARATIVE STUDY OF PUNJAB AND HARYANA

Abstract

Co-operative credit structure is an important segment of the Indian Banking set up. At the advent of last century, these banks were established as a tool of state policy to provide adequate, timely and cheap credit to peasants, to save them from the clutches of money-lenders. These banks have played a crucial role in the Indian financial system. Agriculture being prime sector of Indian economy needs a very strong, efficient and effective institutional credit support even today. With their vast network, wider coverage and outreach extending to the remotest part of country cooperatives banks are and will be prime institutional agencies for agriculture and rural credit. Therefore it has been repeatedly stressed that vitality and viability of the co-operative institutions must be preserved to enable them to function efficiently. In this context present study is an attempt to evaluate the performance of DCCBs in Punjab and Haryana. The main aim of study was to examine the resource composition, loan portfolio, recovery position; NPAs, profitability and productivity of selected cooperative banks. The study covered the period of nine years i.e. 1999-2000 to 2007-2008 and secondary data was used. Profitability is an important indicator of performance in banking industry.
worldwide and there is a lot of variation in profitability of DCCBs. Therefore DCCBs were classified into three categories of high, average and low profitability. Six DCCBs had been selected from each State as sample size for this study. Of these six banks two DCCBs with high profitability, average profitability and low profitability category had been selected. Being a time series data, trend analysis and students’ t-test was mainly employed to analyze the data. The study brought out that sources of funds, their components and loans outstanding had registered a significant growth in all categories of DCCBs in Punjab and Haryana and both were better managed in Punjab. The study highlighted the fact that profitability of DCCBs was neither affected by the resource-mix nor by the composition of loan-mix. However, profitability had shown a direct relationship with recovery position of these banks. The proportion of recovery out of demand for loan was more encouraging in Punjab as compared to the fluctuating and instable trends in DCCBs in Haryana. Recovery position in traditional area, i.e., crop loan system was good in both the States but in new area (non-farm sector) banks should make more efforts to recover their dues. Profitability had shown negative trend in all the DCCBs in Punjab and Haryana while productivity improved significantly over the period of study. There was acute shortage of staff in most of DCCBs in both the states. Most of the branches, especially in Punjab, were managed single handedly. Multi-agency administrative control of DCCBs has been observed. Keeping in view the special nature of banking
business, developments in financial products and markets, changing economic environment and technology intrusion in banking industry, a separate Act called, “The Punjab Co-operative Credit Societies Act” may be enacted. A three-tier structure should be revamped. There should be only one State Co-operative Bank in each state, covering whole of the state with its branches. It will reduce the cost of funds transfer and cost of operations. It will also help to generate non-fund income.