



## The Performance of Cooperative Banking in India.

### KEYWORDS

co-operative banking , financial performance, Non- performing assets, borrowers, loan, state co- operative bank

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**ABSTRACT** Development through cooperation is a basic principle of corporation movement; it has contributed considerably in the development of Maharashtra specifically Western Maharashtra. With the help of cooperation society can change economic and social life. As the bargaining power is the soul of new economic policy, it has posed new challenges before the Indian common man .On the other hand role of government is constantly minimizing. The Indian Government are implementing policies in the favor of Multinational companies, capitalists and the rich. This leads to serious question weather Indian Consumer and producer will survive in the era of globalization?

The solution to this question is in the cooperation movement, as it has a bright history. The advent of the Special Economic Zones, Mall, Chain Marketing of multinational companies is creating new problems in India. However, Indian Cooperative sector has the potential of offering new remedies for these problems. However, the Indian cooperative sector is presently suffering from some problems. The Indian cooperative banking is one such sector. The performance of Indian cooperative banking sector on the basis of income, expenditure, NPA, borrowers etc has been focused.

The role of Cooperative movement is an important in Indian history. Development through cooperation is a basic principle of corporation movement; it has contributed considerably in the development of Maharashtra specifically Western Maharashtra. With the help of cooperation society can change economic and social life. As the bargaining power is the soul of new economic policy, it has posed new challenges before the Indian common man because is the soul of new economic policy .On the other hand role of government is constantly minimizing. The Indian Government is implementing policies in the favor of Multinational companies, capitalists and the rich. This leads to serious question weather Indian Consumer and producer will survive in the era of globalization?

The solution to this question is in the cooperation movement, as it has a bright history. The advent of the Special Economic Zones, Mall, Chain Marketing of multinational companies is creating new problems in India. However, Indian Cooperative sector has the potential of offering new remedies for these problems. However, the Indian cooperative sector is presently suffering from some problems. The Indian cooperative banking is one such sector . The performance of Indian cooperative banking sector on the basis of income, expenditure, NPA, borrowers etc has been focused.

Banking sector is an important component of an economy. Without sound and effective banking system in India it can have a healthy economy. Banking sector is a main source of mobilization of capital. Co-operative banking is an integral part of Indian banking system. Co-operative banks in India are more than 100 years old. These banks came into existence with enactment of the Agricultural Credit Co-operative Societies Act in 1904 A co-operative bank is a financial entity which belongs to its members, who are at the same time the owners and the customers of their bank. Co-operative banks are often created by persons belonging to the same local or professional community or sharing a common interest. The structure of commercial banking is of branch-banking type; while the co-operative banking structure is a three tier federal one.

1. A State Co-operative Bank works at the apex level (works at state level).

2. The Central Co-operative Bank works at the Intermediate Level.  
( District Co-operative Banks Ltd. works at district level)
3. Primary co-operative credit societies at base level (At village Level)

### 1. Growth of borrowers and Loan Amount of PCS:

Primary credit society is at the bottom of the three-tier structure of co-operative banks. The society normally contacts farmers. So, only a few people a particular area meet together inspired by sentiment of co-operation. We can get an idea of expansion of borrowers and loan amount during 1978-79 and 2009-10 with the help of average, coefficient of variations and percentage change of number of borrowers and loan amount as follows(T1):

**Table 1 :Growth of loans and borrows of primary Agriculture Co-operative Societies**

Year	No. of borrowers	Amount	Year	No. of borrowers	Amount
1978-79	19	1458	1994-95	17	8312
79-80	20	1629	95-96	24	10552
80-81	20	1769	96-97	39	11292
81-82	21	2134	97-98	41	12137
82-83	20	2439	98-99	44	12743
83-84	20	2632	99-2000	43	23662
84-85	19	2915	2000-01	47	25698
85-86	19	3111	2001-2	56	30770
86-87	18	3304	2002-3	64	33996
87-88	20	3688	2003-4	51	35119
88-89	21	4364	2004-5	45	39211
89-90	18	4513	2005-6	46	42920
90-91	17	4311	2006-7	48	49613
91-92	19	5575	2007-8	-	57643
92-93	24	6223	2008-9	-	58787
93-94	14	7158	2009-10	-	74935

( Number in million & Amount in Rs crore.)

### Sources-

1. The various issues of The Report On Trend And Progress Of Banking In India,
2. The various issues of The Report On Currency And Finance, Vol. II ,R.B.I.

Primary Agriculture Credit Society is an important source of credit to farmer. There were 19 million and 48 million borrowers in 1978-79 and 2006-07. The loan amount increased from Rs 1458 crore in 1978 to Rs. 74935 crore in 2009-10. The

number of borrowers increased from 19 million in 1978-79 to 48 million in 2006-07. The movements to upward direction were relatively more in loan amount in case of number of borrowers.

## 2. Financial Performance of State Co-operative Banks-

Year	Income			Expenditure					Profit	
	Interest	Other	Total	Interest	Provision & contingencies	Operating	wage bill	Total	Operating	Net
1996-97	2926.98	42.57	2968.98	2289.81	334.2	241.92	180.43	2865.93	437.25	103.05
1997-98	3534.3	111.46	3645.76	2804.48	657.94	307.68	210.12	3770.1	533.6	-124.34
1998-99	4031.94	162.34	4194.28	3424.19	558.25	319.43	237.63	4301.87	450.66	-107.59
1999-2000	4678.08	254.64	4932.28	3765.37	650.18	369.5	286.23	4785.05	797.85	147.67
2000-1	5194	195	5389	4121	690	373	280	5185	894	204
2001-2	5508	301	5809	4192	1024	416	304	5632	1201	-27
2002-3	5581	616	6197	4233	1003	491	311	5727	1473	470
2003-4	5314	732	6046	3998	1204	471	317	5673	1577	173
2004-5	2100	45	2145	1371	727	209	165	2308	564	-162.6
2005-6	2269	101	2369	1335	531	241	181	2107	793	262.1
2006-7	4974	269	5242	3708	502	757	398	4967	777	275
2007-8	1658	139	1824	1283	561	223	164	2067	318	-243
2008-9	2774	235	3009	1330	1390	240	194	2960	1439	49
2009-10	1737	275	2012	1303	450	287	233	2040	422	-27
Total	52280.30	3479.01	55783.30	39157.85	10282.57	4946.53	3461.41	54388.95	11677.36	992.29
Average	3734.31	248.50	3984.52	2796.99	734.47	353.32	247.24	3884.93	834.10	70.88
SD.	1478.85	199.92	1608.15	1254.81	306.20	147.71	70.45	1461.06	427.37	199.08
CV(%)	39.60	80.45	40.36	44.86	41.69	41.81	28.50	37.61	51.24	280.88
%change 1996-2010	-40.66	545.99	-32.23	-43.10	34.65	18.63	29.14	-28.82	-3.49	-126.20

The income and expenditure are main determinant of financial performance of bank. Income and nature of expenditure affects the profit. The financial performance of Co-operative Banks is a serious matter today

**Table 2: Financial Performance of State Co-operative Banks (Amount in Rs.crore)**

### Sources-

1. The various issues of The Report On Trend And Progress Of Banking In India,
2. The various issues of The Report On Currency And Finance, Vol. II, R.B.I

Interest is the main component of income of banks. The State Co-operative Banks were earning interest income of Rs.2926.98 crore in 1996-97. The interest income had been increasing till 2003-04 but after 2003-04 the interest income had declined. The interest income Rs. 1737 crore has shown 40 percent reduction compared to Rs. 3534.3 crore in 1997-98. The other income of State Co-operative Banks has increasing trend from 1996-97 and 2009-10. The total income of State Co-operative Banks has occurred large variations since coefficient of variations is 80.45 per cent during the period 1996-96 to 2009-10 of other income.

The interest, expenditure provisions and contingencies, operation expenses including wage bill are the major parts of expenditure of State Co-operative Banks. The interest, expenditure provisions and contingencies, operation expenses wage bill of the State Co-operative Banks were Rs.2289.91 cr;Rs.334.2 crore; Rs.241.2 crore; Rs.180.43 crore respectively in 1996-97. There was decreasing trend in interest expenditure during 1996-96 and 2009-10. The expenditure of provisions and contingencies had occurred 41.86 per cent variations during 1996-97 and 2009-10 and we can also see that the operating expenses have increasing trend. The size of wage expenditure had grown significantly during 1996-97 and 2009-10 but the variations in wage bill have shown 28 per cent which was less compare to variations in total expenditure. It can be seen from the table the amount of total expenditure was more to the income during 1996-97 and 2009-10.

Profit is an indicator of strange economic position of any economic activity. There was no consistency in earning profit of State Co-operative banks since the coefficient of variation was 280.88 percent which is highest compared to all coefficient of variations of expenditure variables. The net profit has occurred most of time negative; it has shown maximum level of Rs.275 crore in 2007-08. Inefficiency in earning profitability of State Co-operative Banks is matter of concern today.

## 3. Financial Performance of Urban Co-operative Banks

Year	Income			Expenditure					Profit	
	Interest	Other	Total	Interest	Provision & contingencies	operating	wage bill	Total	operating	Net
1999-2000	3957.81	270.45	4228.26	2794.76	348.93	774.47	449.82	3918.16	659.03	310.1
2000-1	4619.95	334.38	4954.33	3399	1600	865.5	498.22	5864.85	689.7	-910.52
2001-2	4449	620	5069	3404	1136	945	537	5485	720	-416
2002-3	4498	641	5139	3415	1317	1003	564	5735	721	-596
2003-4	3178	797	3975	2352	531	882	497	3765	741	210
2004-5	3675	507	4182	2581	371	979	557	3560	622	251
2005-6	3912	587	4499	2516	332	1137	634	3653	846	514
2006-7	4166	582	4748	2525	423	1358	650	3883	865	442
2007-8	5605	815	6420	3574	472	1465	773	5039	1381	909
2008-9	6803	911	7714	4444	719	1689	815	6133	1581	862
2009-10	7593	748	8341	5226	533	1960	1192	7156	1185	652
Total	52456.76	6812.83	59269.59	36230.76	7782.93	13057.97	7167.04	54192.01	10010.73	2227.58
Average	4768.80	619.35	5388.14	3293.71	707.54	1187.09	651.55	4926.55	910.07	202.51
SD	1359.90	197.46	1467.76	895.15	439.61	382.21	212.53	1234.05	323.83	596.95

Cv %	28.52	31.88	27.24	27.18	62.13	32.20	32.62	25.05	35.58	294.78
%change 1999-2010	91.85	176.58	97.27	86.99	52.75	153.08	164.99	82.64	79.81	110.25

Urban Co-operative Banks have important role in the banking sector since Urban Co-operative banking sector has played a crucial role in India. The number of urban co-operative banks has increasing trend. It is need to improve the services and profitability of Urban Co-operative banks for the development of Indian banking sector. we can observe the nature and trends of Urban Co-operative of income, expenditure and profit of concern banking sector.

**Table 3: Financial Performance of Urban Co-operative Banks (Amount in Rs.crore)**

**Sources-**

1. The various issues of The Report On Trend And Progress Of Banking In India,
2. The various issues of The Report On Currency And Finance, Vol. II ,R.B.I.

The interest and other than interest income of Urban Co-operative Banks were Rs.395781 cr;7593.cr; in 1999-2000 respectively. The income from interest has increased which is 91.84 per cent from 1999-2000 and 2009-10.The income from other than interest has grown from rs.270.45 cr. To Rs.748 cr. We should note that the increment in other than income is 176.57 per cent which is more than the increment in the total income. we can also observe that the share of interest income to the total income was above 58 per cent during 1999-2000 and 2009-10.

The interest expenditure provisions and contingencies ,wage bill were Rs.2794.76 crore; Rs.348.93 crore; Rs774.47 crore; Rs.449.182 crore; respectively in 1999-2000. The wage bill was increased successively from Rs.449.98c crore r in 1999-2000 Rs 1192 crore in 2009-10. The wage expenses have increased which is 742.28 per cent during the period 1999-2000 and 2009-10.The operating profit was as an average of Rs.910.1 crore per annum but unfortunately the net profit has reported negative in 2000-01,2001-02 and 2002-03.The co-efficient of variations in profit has observed 294.78 percent.

#### 4.Nonperforming Assets of Urban co-operative Banks

A debt obligation where the borrower has not paid any previously agreed upon interest and principal repayments to the designated lender for an extended period of time. The nonperforming asset is therefore not yielding any income to the lender in the form of principal and interest payments.

In 2001-02, the RBI had reported that a significant increase in gross NPAs of all UCBs in India had taken place largely due to very high NPAs of a few large UCBs situated in Gujarat .

**Table 4: Gross Non-Performing Assets of Urban Co-operative Banks(Amount in Rs.Crore)**

Year (as at end-March)	No. of Reporting PCBs	Gross NPAs (Rs. crore)	Gross NPA as a percentage of total Advances
1	2	3	4
1996	1,161	2,187.76	12.9

1997	1,318	2,839.00	13.2
1998	1,474	3,305.98	11.7
1999	1,748	3,534.60	12.2
2000	1,866	5,589	12.1
2001	1,748	9,245	16.1
2002	1,942	13,706	21.1
2003	1,941	12,509	19.9
2004	1,926	11,922	17.6
2005	1,872	15,486	23.2
2006	1,853	13,506	18.9
2007	1,813	14,541	18.3
2008	1,770	14,583	16.4
2009	1,768	12,862	13
2010	1,810	11,399	10.1
2011	1,800	11,529	8.5
Total	27810	158744.3	Geometric mean=14.77
Average	1738.125	9921.521	
SD	225.31988	4754.459	
CV %	6.25	6.25	
%change1999-10	55.03876	426.9774	

**Sources-**

- 1.The various issues of The Report On Trend And Progress Of Banking In India
2. The various issues of The Report On Currency And Finance, Vol. II ,R.B.I.

NPA is an important aspect of banking. The Gross NPA and its percentage to advances of 1161 Urban Co-operative Banks in 1996 were Rs.2187.76 crore and 12.9 per cent respectively. Gross NPA as percentage of total advances has increased during 1996 and 2008.We can also observe that the geometric mean of gross NPA as percentage of total advances has occurred 14.77.There was not significant reduction in NPAs of USBs. Therefore there is an urgent need for a significant reduction in NPAs because the Narasimham Committee-II also highlighted the need for 'zero' non-performing assets for all Indian banks with International presence. Therefore there is more scope to improve financial functioning and efficiency to Co-operative Banks in India.

#### 5.Problems of Indian Co-operative Banking

The Co-operative Banks are suffering from many problems which include the following some problem.

1. Low resource base.
  2. High dependence on refinancing agencies
  3. Lack of diversification.
  4. Huge accumulated loss.
  5. Remarkable existence of NPAs.
  6. Low recovery of loan.
  7. Dual control.
  8. Political interfere.
  9. Increasing trends of irregularity in financial ,managerial accountability.
- ( There is increasing trend of weak financial position District Co-operative banks in Maharashtra.)

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