

Growth and Performance of All India Level State Cooperative Banks : An Analysis

Rupali* and Jasmindeep Kaur**

** Department of Commerce, Punjabi University, Patiala*

*** Department of Commerce, Punjabi University, Patiala*

Abstract

Cooperatives structures feed and nourish the agriculture sector in India. It helps the poor and needy persons of rural sector who have minimal access to the resources and make them self-employed. Cooperative movement in India started in 1904 with the enactment of Cooperative Credit Societies Act and presently, flourishes in various sectors. Credit cooperatives provide financial support to the small farmers and artisans and also inculcate the banking habits among them. Cooperative banks are the lifeline of the rural and agricultural sector, therefore, to know about the performance of these banks becomes important. In this paper, an attempt has been made to analyze the growth and performance of all India State Cooperative Banks during the period of 2002-03 to 2013-14 as these banks hold an significant place in providing the short-term rural credit to rural people. From the findings of the study, it can be inferred that performance and growth of the State Cooperative Banks is reasonable and satisfactory but there is a sharp reduction in number of employees which is needed to be taken care of and improvement is essential for further development and prosperity of the cooperatives.

Key Words

State Cooperative Banks, Operational Performance, Exponential Growth Rate

INTRODUCTION

India continues to be the agriculture-based country as its majority of the population and land is engaged in agriculture. Agriculture sector has different demands and requirements in comparison to other sectors and its growth depends

upon the investment. Indian cooperative banks are playing well in mitigating the credit requirements of this sector since 1904.

The cooperative banks are governed under the Banking Regulation Act, 1949 and Banking Laws (Cooperative Societies) Act, 1965. Cooperative bank is a self-help economic enterprise which plays a crucial role in uplifting the economic and social life of their members and their local communities. The main objective of these organizations was to inculcate the habit of thrift and saving among the low-income group of people in rural area to get them away from the clutches of the greedy moneylenders.

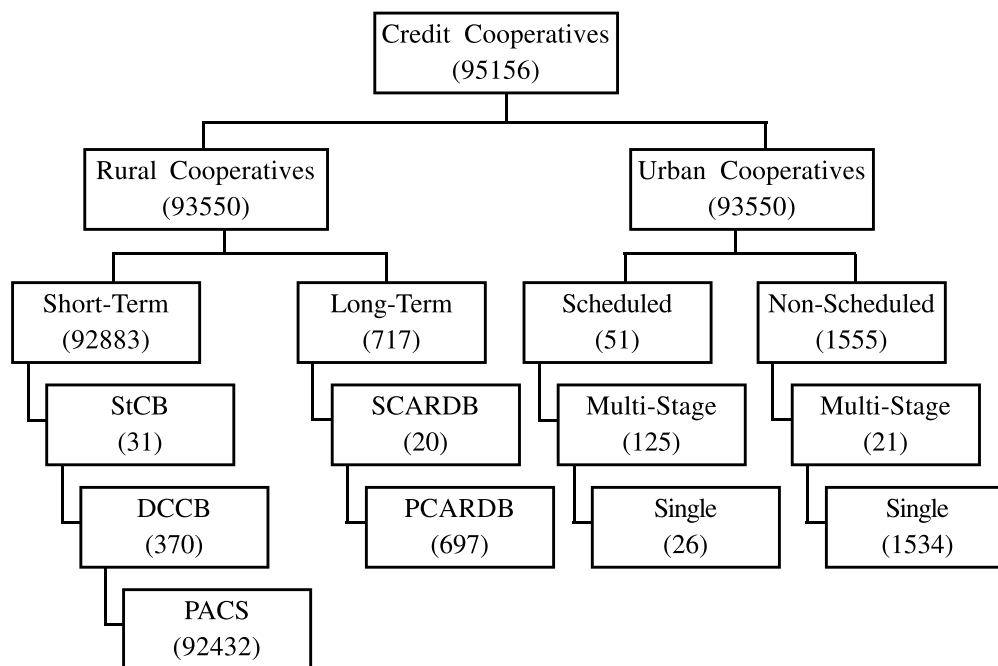
The International Cooperative Alliance (ICA) defines a Cooperative as :

An autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations, through a jointly owned and democratically controlled enterprise.

These cooperative banks with their wide network, succeeded in providing financial services to the low and middle-income groups in rural as well as in urban areas and it helps in financial inclusion. Although, cooperative hold a small share in comparison to other commercial banks in total credit delivery but still enjoy a significant position in credit system especially in rural areas.

STRUCTURE OF CREDIT COOPERATIVES IN INDIA

Figure 1

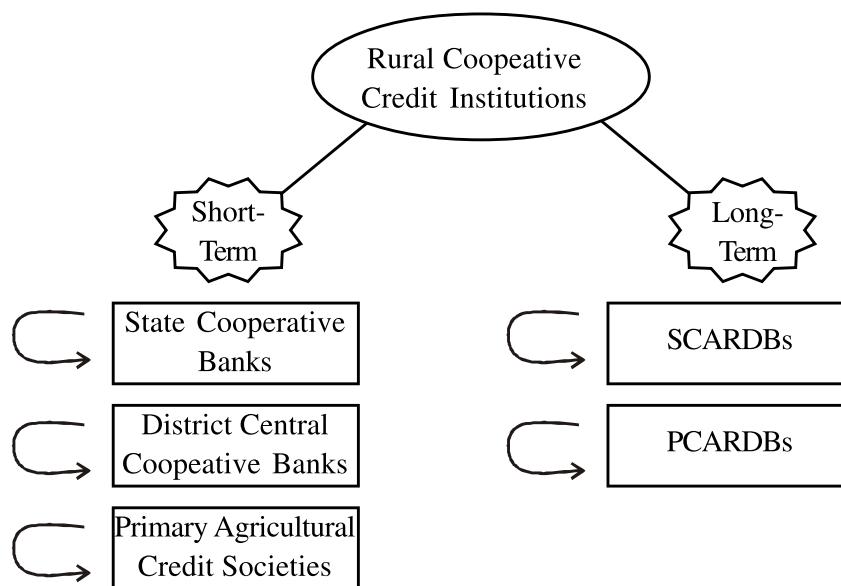


Source : RBI's Trends and Progress Report of India, 2013

The above figure presents the cooperative credit structure operated in India. It has been divided in two parts, urban with its multi and single stage structure and other as rural cooperatives with its three-tier federal structure as under :

- State Cooperatives Banks at apex level
- District Central Cooperative Bank at district level
- Primary Rural Credit Societies at local village level

Figure 2

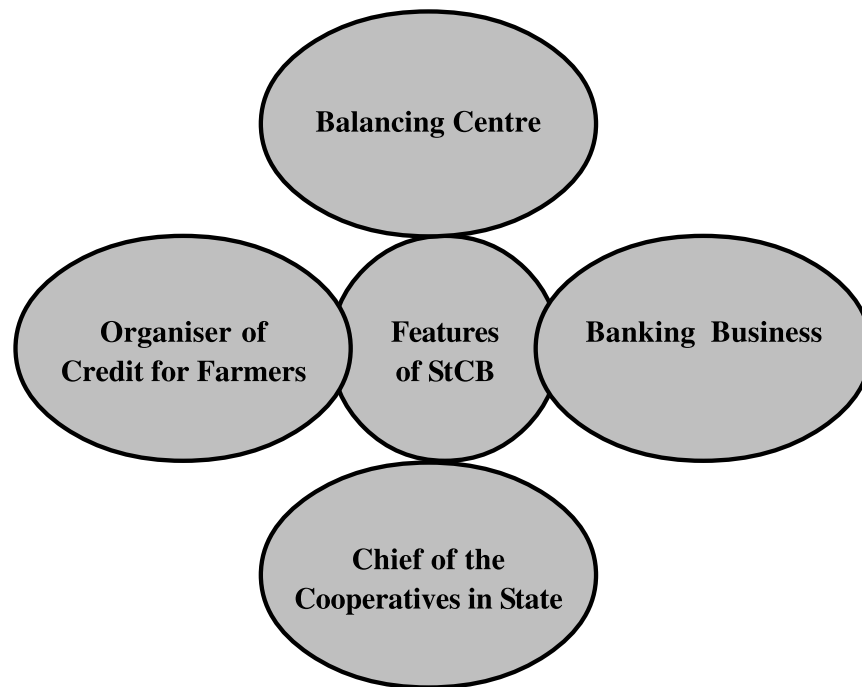


Within rural co-operatives, at the end-March 2012 the share of short-term credit co-operatives, comprising State Co-operative Banks (StCBs), District Central Co-operative Banks (DCCBs) and Primary Agricultural Credit Societies (PACS) in total assets accounted for 90.00 per cent and remaining 10.00 per cent with long-term cooperatives. This information represents that the short-term credit co-operatives hold a significant place in rural financing and State Co-operative Banks also the part of the main contributories.

State Cooperative Bank

The State Co-operative Bank is a federation of Central Co-operative Bank and acts as a watch-dog of the co-operative banking structure in the state. It obtains its funds from share capital, deposits, loans and overdrafts from the Reserve Bank of India. The state cooperative banks lend money to central co-operative banks and primary societies and not directly to the farmers.

Figure 3



The State Cooperative Bank holds the highest place among the three-tier cooperative credit structure in a state. State Cooperatives Bank provides a linkage between Reserve Bank of India (RBI) and the Central Cooperative Bank (CCB) and Primary Agriculture Credit Societies (PACS). Through the State Cooperative Bank, RBI provides credit to lower level cooperatives. The SCB also do the balancing function as it provides the surplus funds of CCBs to the other needy CCBs. State Cooperative Banks are mentioned in the Second Schedule of the RBI Act and so, it has the status of a Scheduled Bank. Presently, State Cooperative Banks are working in 31 states of India as on. However, in certain states two-tier structure of Rural Credit Cooperatives is operational that is without District Central Cooperative Bank. The SCBs give direct financial assistance to the Primary Credit Societies. In the other states, combination of a two-tier and three-tier structure is operational. The main function of StCBs is to finance, supervise and control the Central Cooperative Bank and the Primary Credit Societies. The DCCBs and PACS provide banking services to individuals and entities primarily in the rural and semi-urban areas. StCBs plays a pivotal role in rural growth and development. It provides them the freedom of finance and helped them in becoming self-employed at minimum cost. So, it is important to analyze the growth and performance of these banks as they are an important part of the financial system.

OBJECTIVES OF THE STUDY

- To study the growth of State Cooperative Banks in India.
- To evaluate the operational performance of all India State Cooperative Bank

RESEARCH METHODOLOGY

The present study examines the growth and performance of all India StCBs over a period of 2002-03 to 2013-14. For the study, data has been taken mainly from the secondary sources. From the National Federation of State Cooperative Banks Ltd. (NAFSCOB) reports, RBI, and NABARD's websites, various research papers, books and journals relating to co-operative banking sector. For analyzing the data, main statistical tools (Mean, Exponential Growth Rate) has been used. The indicators used for the evaluation of the performance of the StCBs are : Number of Offices, Membership, Owned Funds, Volume of Business, Growth of NPAs, Recovery Performance, Deposits etc.

LIMITATIONS OF THE STUDY

- The study is limited to the State Cooperative Banks only.
- The study only analyses the performance of the State Cooperative Banks. On an average basis, the results may differ in case of individual study of State Cooperative Banks
- This study covered the period particularly from 2002-03 to 2013-2014.
- The study based only on secondary data of State Cooperative Banks.

RESULTS AND DISCUSSIONS

Number of Offices, Members and Employees

It can be observed from Table 1 that there has been a significant growth in the number of offices and membership of State Cooperative Banks at all India level, but there is a sharp decline in the number of employees. The number of offices has increased from 931 in 2002-03 to 1096 in 2013-14 with the growth rate of 1.50 per cent and the membership has shown an increase from 133688 in 2002-03 to 338455 in 2013-14 with growth rate of 9.47 per cent. The number of employees was 15793 in 2002-03 which remained only 13233 in 2013-14 with negative growth rate of 2.05 per cent. It is an issue of concern and needs to be taken care of with

serious efforts. The number of members per office shows an increase from 144 members per office in 2002-03 to 308 members per office in 2013-14. The number of employees per office declined from 17 in 2002-03 to 12 in 2013-14. The average number of offices is 999 and members are 216141 and employees are 14286 respectively over the period of the study.

Table 1

Years	No. of Offices	Total Membership	Total Employees	Member per office	Employees per office
2002-03	931	133688	15793	143.59	16.96
2003-04	929	150975	15554	162.51	16.74
2004-05	953	156623	15288	164.34	16.04
2005-06	962	153697	14772	159.76	15.35
2006-07	979	148771	14748	151.96	15.06
2007-08	986	150917	14857	153.05	15.07
2008-09	992	200772	14635	202.39	14.75
2009-10	1015	330808	13781	325.91	13.57
2010-11	1028	234827	13461	228.43	13.09
2011-12	1047	254358	13288	242.93	12.69
2012-13	1081	339896	12027	314.42	11.12
2013-14	1096	338455	13233	308.80	12.07
Average	999.91	216148.91	14286.41		
EGR	1.50	9.40	-2.05		

Source : NAFSCOB

Owned-Funds of the Bank

Owned-funds of a bank indicate the financial soundness of the bank. Owned-funds consists of the Share Capital and Reserve Funds. Both the funds are necessary as they provide a protective shield to the bank from the unexpected losses and it helps in maintaining the trust among the depositors. It helps in establishing the strong financial structure and maintaining the profitability of the bank. Table 2 shows increase in amount of Share Capital from Rs. 8.97 billion in 2002-03 to Rs. 36.29 billion in 2013-14 with the growth rate of 13.43 per cent and

amount of reserves Rs. 50.02 billion in 2002-03 to Rs.108.49 billion in 2013-14 with the growth rate of 6.83 per cent. Thus, total owned-funds increases from Rs.58.99 billion in 2002-03 to Rs. 144.78 billion in 2013-14 with the growth rate of 7.99 per cent. The average amount of share capital is Rs.17.40 billion, amounts of reserve Rs. 83.39 billion and total owned-funds are Rs. 100.80 billion Rs. respectively over the period of study.

Table 2

(Rs. in billions)

Years	Share Capital	Reserves	Owned-Funds (Share Capital + Reserves)
2002-03	8.97	50.02	58.99
2003-04	9.25	55.72	64.97
2004-05	9.92	65.90	75.82
2005-06	10.94	73.43	84.37
2006-07	14.37	81.45	95.82
2007-08	13.16	86.32	99.48
2008-09	13.90	87.64	101.54
2009-10	16.30	87.63	103.93
2010-11	20.67	95.59	116.26
2011-12	26.17	105.58	131.75
2012-13	28.94	102.97	131.91
2013-14	36.29	108.49	144.78
Average	17.40	83.39	100.80
EGR	13.43	6.83	7.99

Source : NAFSCOB

Volume of Business

The main operation and business of all the banks is mobilizing deposits accepted and issuing loans from it. The growth and expansion of the bank depends upon the total quantum of business done it does.

$$\text{Volume of Business} = \text{Deposits} + \text{Advances.}$$

It can be observed from the Table 3 that volume of the business rose up from 783.15 billion Rs in 2002-03 to Rs. 2121.77 billion with the growth rate of 9.74

per cent. The total amount of the deposits accepted by the bank increased from 391.12 billion Rs in 2002-03 to 1019.70 billion Rs in 2013-14 with the growth rate of 9.73 per cent and total amount issued as loan increased from Rs. 392.03 billion in 2002-03 to Rs. 1102.07 billion in 2013-14 with the growth rate of 9.72 per cent. The average amount of deposits accepted is Rs. 662.83 billion out of which average amount of money issued as loan is Rs 607.83 billion and total average business of the bank stood at Rs. 1270.18 billion respectively over the period of study.

Table 3**(Rs. in billions)**

Years	Total Deposits	Loan Issues	Volume Business
2002-03	391.12	392.03	783.15
2003-04	428.63	348.64	777.27
2004-05	440.68	443.25	883.93
2005-06	476.72	488.03	964.75
2006-07	484.70	470.69	955.39
2007-08	562.87	533.14	1096.01
2008-09	713.15	518.66	1231.81
2009-10	848.38	597.84	1446.22
2010-11	816.64	684.81	1501.45
2011-12	866.53	815.23	1681.76
2012-13	899.05	899.61	1798.66
2013-14	1019.70	1102.07	2121.77
Total	7948.17	7294	15242.17
Average	662.34	607.83	1270.18
EGR	9.73	9.72	9.74

Source : NAFSCOB

Recovery Performance Of the Bank

The efficiency in business operations of a bank can be judged by looking at its recovery rate of loans issued by the bank. Recovery of a loan amount is necessary for the success of the bank as it ensures the well-timed recycling of the funds for the development and credit creation .Moreover a good recovery rate helps in reducing the bad debts.

It can be observed from the Table 4 that the total amount of loan demanded has increased from Rs.224.13 in 2002-03 to Rs.738.27 in 2013-14. Out of which total amount of loan collected has increased from Rs.184.37 in 2002-03 to Rs.706.18 in 2013-14 with the noticeable growth in favorable recovery rate from 82.26 per cent in 2002-03 to 95.65 per cent in 2013-14. The average amount of loan demanded is Rs.316.50 billion and loan amount collected is Rs. 332.08 over the study period.

Table 4

(Rs. in billions)

Years	Loan demanded by the Bank	Loan Collected by the Bank	Recovery Performance Rate (%)
2002-03	224.13	184.37	82.26
2003-04	220.38	183.31	83.17
2004-05	232.94	197.36	84.72
2005-06	243.90	210.33	86.23
2006-07	277.07	240.31	86.73
2007-08	317.95	263.35	82.82
2008-09	396.07	361.71	91.32
2009-10	345.50	317.17	91.80
2010-11	322.73	297.92	92.31
2011-12	479.12	460.61	96.13
2012-13	593.09	562.39	94.82
2013-14	738.27	706.18	95.65
Average	316.50	332.08	
EGR	10.808	12.49	

Source : NAFSCOB

Net Performing Assets of the Bank

NPAs are those assets which are no longer in earning capacity. Non-Performing Assets represent the assets quality of the banks, more NPAs means less asset quality, less NPAs means more quality asset. Every bank tries to reduce and control the NPAs because if the growth in NPAs are not managed then it will lead to ruining the bank. Table 5 represents the status of NPAs in which we can see that there is a reduction in NPAs in absolute figures from Rs. 62.94 billion

in 2002-03 to Rs. 57.00 billion in 2013-14. Non Performing Assets to Loan Ratio also decreases from 18.10 per cent in 2002-03 to 5.50 per cent in 2013-14. It indicates that there is improvement in reducing and controlling the NPAs by State Cooperatives Banks.

Table 5

Years	Total NPAs (Rs. in billions)	NPA to Loan Ratio
2002-03	62.94	18.10
2003-04	65.48	18.70
2004-05	60.73	16.30
2005-06	63.60	16.00
2006-07	67.04	14.20
2007-08	61.69	12.40
2008-09	57.25	11.80
2009-10	43.53	8.80
2010-11	57.7	8.60
2011-12	53.8	7.00
2012-13	56.3	6.10
2013-14	57.0	5.50
Average	58.92	
EGR	-1.78	

Source : NABARD

FINDINGS OF THE STUDY

Cooperatives are the system through which banking services have made their existence in rural areas. State Cooperative Bank is the principal organization among the state's other rural cooperatives and acts as a balancing machine of credit-demand and supply. Being an important organization in short-term rural credit sector, our study focused on the analysis of their operational performance. From the analysis of the data representing the all India State Cooperatives Banks observed that these State Cooperatives Banks are playing a pivotal role in the development and growth of rural and small scale artisans of rural areas. From the findings, it can be concluded that cooperatives are performing satisfactorily as

- Coverage area of cooperative banks has also expanded in concern

with number of offices and membership over the period of 2002-03 to 2013-14.

- Total amount of deposits and loan issued shows positive growth but need to attract more deposits and issue loans.
- Amount of owned-funds also increased over the period due to increase in membership
- NPAs of the cooperative banks are also declining which placed them in good position
- Recovery performance depicts the efficiency of the cooperative banks in recovering loans with 95.65%
- Workforce is the foundation of an efficient and well-performing organization, in cooperative banks there is a sharp reduction in the number of employees which is need to be taken care of.

Overall, the growth of State Cooperative Banks is reasonable and satisfactory but challenges of changing globalized world demands more creative and innovative banking products and services. Moreover, these banks required more professional management, less unnecessary interference of the ruling government and freedom from outdated cooperative laws if these banks want to play an active role in the process of financial inclusion as well as to exist in this new globalized world.

References

- Singh, F.; and Singh, B. (2006), "Funds Management in the Central Cooperatives Banks of Punjab - An Analysis of Financial Margin", *The ICFAI Journal of Management*, Vol. 5, 7480.
- Bhaskaran, R.; and Praful, Josh P. (2000), "Non-Performing Assets in Cooperative Rural Financial System : A Major Challenge to Rural Development", *Bird's Eye View*, Dec., 2000.
- Urs, Niranjan Raj, B.; and Chitamaran K. (2000), "Measuring the Performance of District Cooperative Banks", *NAFSCOB Bulletin*, October-December, 2000.
- Sankar, S. S.; and Reddy, Ramchandran B. (2014), "Cooperative Movement and Progress of Cooperative Banks in India", *Indian Journal of Applied Research*, Vol. 4, Issue 11, Nov. 2014.
- Soni, K. A.; and Saluja, H. P. (2012), "Role of Cooperatives Banks in Agricultural Credit : A Study Based on Chattisgarh", *Abhinav National Journal of Research in Commerce and Management*, Vol.1, Issue 10.

Agrawal Sachin R.; and Solanke S. S. (2012), "Problems Faced by Cooperative Banks and Perspectives in the Indian Economy", *International Journal of Commerce, Business and Management*, Vol.1, No.2, October 2012.

(2012), "A Study on Cooperative Banks in India with Special Reference to Lending Practices", *International Journal of Science and Research*, Publications, Vol. 2, Issue 10, October 2012.

RBI Report of Trends and Progress of Banking in India of Various Years.

Statistical Tables relating to Banking in India.

www.coop.cg.gov.in

NAFSCOB Reports on StCB of India of various years.

Annexures 1

List of All State Cooperative Banks of India

1.	Andaman and Nikobar State Cooperative Bank	17.	Maharashtra State Cooperative Bank
2.	Andhra Pradesh State Cooperative Bank	18.	Manipur State Cooperative Bank
3.	Arunachal Pradesh State Cooperative Bank	19.	Mizoram State Cooperative Bank
4.	Assam State Cooperative Bank	20.	Meghalaya State Cooperative Bank
5.	Bihar State Cooperative Bank	21.	Nagaland State Cooperative Bank
6.	Chandigarh State Cooperative Bank	22.	Orissa State Cooperative Bank
7.	Chhattisgarh State Cooperative Bank	23.	Pondicherry State Cooperative Bank
8.	Delhi State Cooperative Bank	24.	Punjab State Cooperative Bank
9.	Goa State Cooperative Bank	25.	Rajasthan State Cooperative Bank
10.	Gujarat State Cooperative Bank	26.	Sikkim State Cooperative Bank
11.	Haryana State Cooperative Bank	27.	Tamilnadu State Cooperative Bank
12.	Himachal Pradesh State Cooperative Bank	28.	Tripura State Cooperative Bank
13.	Jammu and Kashmir State Cooperative Bank	29.	Uttar Pradesh State Cooperative Bank
14.	Karnataka State Cooperative Bank	30.	Uttarakhand State Cooperative Bank
15.	Kerala State Cooperative Bank	31.	West Bengal State Cooperative Bank
16.	Madhya Pradesh State Cooperative Bank		