



A working performance of (SCARDB) state co-operative agriculture & rural development banks in India

Mahesh V, Kumaresan K

Research Scholar, Department of Commerce, Annamalai University, Annamalai Nagar, Tamil Nadu, India

Abstract

The present study shows that working performance of cooperative banking in respect of agricultural credit and rural development. The present study makes an attempt to analyze the growth of these banks in India. The study revealed that the increase in the level of agricultural loans granted by the cooperative banks positively influence the development of agriculture in India. To grant loans to SCARDBs for the purposes approved by NABARD and Registrar of Co-operative Societies.

Keywords: performance of SCARDBs, grant loans, rural development

Introduction

India is agricultural based country and its 70% population stay in the rural area. The cooperatives which are the life blood of the Indian economy and the mechanism for any developmental programs. Especially in an agriculture-dominated the rural sector, cooperative banks play a pivotal role in bolstering the common individual and financing his business and personal needs. There are different biological indicators that can be used to determine the ecological status of a water body (Tamizhazhagan and Pugazhendy, 2016) [6]. The cooperative credit structure is serving the Indian society since 1904 and since then it has seen several ups and downs. (Anil Kumar Soni 2012),

Despite declining share of agriculture in the nation's Gross Domestic Product (GDP), the agricultural sector has been playing an important role in Indian economy. Interestingly, the number of people engaged in agriculture has not come down drastically. Majority of the population still depend on agriculture for their livelihood. Hence, the rapid growth of the agricultural sector has become necessary to achieve faster and inclusive growth. There are a number of reasons as to why the agriculture sector has not been growing at a faster rate. One of the problems faced by the agricultural sector has been lack of availability of timely credit. There are a number of institutions which are providing credit to country agriculture such as commercial banks, Regional Rural Banks and a host of cooperative institutions. The cooperative institutions provide short-term as well as long-term loans for various purposes. (Shiva kumara 2016) [5].

Need for the Study

The cooperative edifice stands on a strong economic foundation and a sound social base. The economic logic behind the formation of a cooperative and the spread of cooperative movement lies in the existence of glaring inequalities in the distribution of wealth, income and the need of moderating them through the principles of cooperation. The necessity of liberating people from the tyranny of exploitative practices is the social justification for cooperatives. The

researcher has reviewed mainly secondary data from various magazines, newspapers, books, published research reports of research organizations and especially national and international journals.

Statement of the Problems

The problems and constraints faced by the cooperative sector are: poor recovery of loans due to persuasive policy, differential rates of interest when compared to commercial and private banks and also customer friendly technological solutions provided by nationalized and private banks, restricted area of operation of the PACCS, high transaction costs as well as the traditional policy of undiversified lending. On the management side, there is a need for rationalization of staff and introduction of modern management techniques. To address the above issues, the borrowers have to be sensitized in such a way that loans given by cooperatives have to be repaid on time and necessary infrastructure including consumer/farmer-friendly technologies in cooperative institutions have to be adopted. In agriculture, more importance has to be given to the emerging agricultural extension and diversification activity such as horticultural development and god own construction. Lending has to be extended to horticultural, herbal crops, wasteland development programmes and micro-irrigation schemes. Diversified lending for profitable avenues has to be encouraged. Common Service Centers (CSCs), Agri-clinics and Agro Service Centers are also being established in PACCS to diversify their activities. Objectives of the present study. To study the working performance of cooperative banking in respect of agricultural credit and rural development. To grant loans to SCARDBs for the purposes approved by NABARD and Registrar of Co-operatives Societies.

Performance of Indian State Cooperative

The efficiency of the branches of SCARDBs in the long-term cooperative credit structure, a 10 point action programme for rehabilitation of weak branches of SCARDBs was introduced

by National Bank in January 1986. The rehabilitation measures included among others, the merger of non-viable units with strong units, investigation of over-dues, strengthening of resources etc. The continuous deterioration in the financial health of these institutions has been due to a variety of causative factors, mainly the poor resource-base, high transaction costs coupled with low margins, mounting over-dues, lack of professional management, faulty accounting procedure resulting in imbalances among the various tiers of the cooperatives in the loan amounts outstanding the excessive state controls with a high degree of bureaucratization.

The committee (1990) suggested that to enable the bank to be self-supporting in respect of its advances for agriculture and allied activities; the gross margin should be adequate to cover the transaction cost and the risk cost and leaves some surplus. The transaction cost is about 4 percent and the risk cost is about 1 percent. About 0.5 percent may be required for generating an adequate surplus to enable the bank to make the agricultural credit profitable. Thus the gross margin required is about 5.5 percent.

The committee (1985) has said that "The impact on the profitability of banks and other financial institutions of interest policy, based on widespread use of concessional interest rates, needs to be recognized. In the interest of promoting effective use of credit on the one hand, as also operational efficiency of lending agencies on the other, it would appear that in the present structure of interest rates, there is considerable scope for eliminating concessional interest rates or reducing the extent of concessionality, apart from reducing the number of categories for which different concessional rates are specified.

Agricultural Credit

The Agricultural Credit Policy essentially lays emphasis on augmenting credit flow at the ground level through credit planning, adoption of region-specific strategies, rationalization

of lending policies and procedures and bringing down the cost of borrowing. Bank credit is available to the farmers in the form of short-term credit for financing crop production programs and in the form of medium-term/long-term credit for financing capital investment in agriculture and allied activities like land development including purchase of land, minor irrigation, farm mechanization, dairy development, poultry, animal husbandry, fisheries, plantation, and horticulture. Loans are also available for storage, processing, and marketing of agricultural produce.

National Bank for Agriculture and Rural Development (NABARD)

The NABARD provides refinance to the Apex Bank and CARD Bank. NABARD is an apex institution accredited with all matters concerning policy, planning, and operations in the field of credit for agriculture and other economic activities in rural areas. It is an apex refinancing agency for the institutions providing investment and production credit for promoting the various developmental activities in rural areas. It co-ordinates the rural financing activities of all the institutions engaged in developmental work at the field level and maintains liaison with Government of India, State Governments, Reserve Bank of India and other national level institutions concerned with policy formulation.

Primary Agricultural Cooperative Societies (PACS)

PACS are playing a crucial role in improving the economic and social conditions of the common masses of Chhattisgarh. They provide short-term and medium-term loan to the members/farmers at reasonable interest rates to meet their various needs. They are providing credit to the farmer for agriculture purposes at cheap and easy terms. PACS is the foundation of the Cooperative Credit System on which the super structure of the short-term cooperative credit system is built. The tables below explain the Performance of SCARDB in India.

Table 1: Performance of SCARDB in India (Amount in Million)

| Sl. No | Particulars | 2012-2013 | 2013-2014 | 2014-2015 |
|--------|--|------------|------------|------------|
| 1 | Number of SCARDBS | 19 | 19 | 19 |
| | (a) Branches of SCARDBs | 761 | 754 | 760 |
| 2 | Membership | | | |
| | (a) total | 12145309 | 1279427 | 12389868 |
| | (b) borrowing members | 6805130 | 6902166 | 6635673 |
| | (c) non-borrowing members | 5340179 | 5892761 | 5754195 |
| 3 | Paid up Share Capital | | | |
| | (a) Total | 83113.85 | 87852.41 | 90323.29 |
| | (b) of which contributed by govt | 9531.01 | 10768.27 | 16570.02 |
| 4 | Free Reserves & Others | | | |
| | (i) SCARDB level | 285850.37 | 396357.99 | 373537.06 |
| 5 | Deposit Outstanding | 95460.22 | 13191.85 | 162127.55 |
| 6 | Borrowing Outstanding | 1491030.26 | 1439168.10 | 1525158.99 |
| 7 | Loan Advanced(SCARDB level) | | | |
| | (a) Total amount (long term) | 365345.32 | 451635.17 | 508995.99 |
| | (b) Loans adv. for the farm sector | 136669.9 | 160104.21 | 193492.02 |
| | (c) Loans adv. For Non-farm sector | 30125.44 | 41841.26 | 50133.73 |
| | (d) Loans adv. for Rural housing | 95266.4 | 122065.99 | 128480.82 |
| | (e) Loans adv. For other Non- argil purposes | 103283.58 | 127623.71 | 136889.03 |
| | DCB(SCARDB level) | | | |

| | | | | |
|----|---------------------------|------------|-----------|-----------|
| | (a) Demand | 911186.39 | 873322.76 | 881891.99 |
| | (b) Collection | 498443.38 | 526968.22 | 496936.41 |
| | (c) Over dues | 412711.69 | 346331.14 | 384955.58 |
| | (d) Recovery (%) | 54.7 | 60.34 | 56.35 |
| 8 | Loans Out standings | | | |
| | (i) SCARDB level | 1868616.54 | 1821685.5 | 1940192.1 |
| 9 | Profitability | | | |
| | (a) No. of bank in profit | 10 | 8 | 9 |
| | (b) No of bank in loss | 9 | 11 | 8 |
| 10 | Cost of Management | 28985.85 | 32539.39 | 43726.74 |
| 11 | Staff Position | 6172 | 5765 | 5499 |
| 12 | No. of Trained Personnel | 763 | 774 | 267 |

Source: Indian Co-Operative Movement a Statistical Profile, National Co-Operation Union of India.

Table no.1 shows that the overall performance of state co-operative agriculture & rural development banks in India starting from the year 2012-13 to 2014-15. In the study period, the number of SCARDBs were not increased as well as decreased, at the same time the number of branches of SCARDBs was changed slightly. The membership of SCARDBs was changing every year; in the year 2012-13 it was 12145309, in the year 2013-14 12794927, and in the year 2014-15 12389868 respectively. The borrowing members of SCARDBs were also unstable and also observed that It was decreased from 68085130 to 6635673. The government contribution of paid-up share capital of SCARDBs was

Rs.9531.01million in 2012-13 and it was increased from Rs.9531.01million to Rs. 16570.02 million. The maximum recovery rate of SCARDBs was 60.34 per cent only. The profitability position of SCARDBs was adverse. There are 9 (47.36 percent) SCARDBs were functioning profitability in 2014-15. Remaining 8 (42.10 percent) SCARDBs were functioning unfavorably. Others were running, without profit as well as loss. The management cost of SCARDBs was every year if was increased from Rs.28985.85 million to 43726.74 million. It was clearly indicated the inefficient in the management process of SCARDBs.

Table 2: SCARDBs Loans Disbursed & Loan Outstanding- State Wise (In lakh)

| SL. NO | Name of SCARDB | Loan Disbursed During 2015-16 | | | Loan outstanding during 2015-16 | | |
|--------|------------------|-------------------------------|-----------|-----------|---------------------------------|-----------|------------|
| 1 | Gujarat | 13901.92 | 1493.34 | 15395.35 | 53911.59 | 3476.4 | 57285.6 |
| 2 | Haryana | 11997.24 | 5103.65 | 17100.89 | 137082.48 | 70459.9 | 207542.38 |
| 3 | Himachal Pradesh | 5959.14 | 3554.69 | 9513.83 | 22514.8 | 13096.26 | 35611.06 |
| 4 | Jammu & Kashmir | 710.28 | 600.87 | 1311.15 | 3552.30 | 1270.26 | 4822.56 |
| 5 | Karnataka | 27499.94 | 996.87 | 28430.64 | 151745.98 | 2189.89 | 153935.87 |
| 6 | Kerala | 57031.57 | 148107.56 | 205139.13 | 105098.61 | 435947.13 | 541045.74 |
| 7 | Pondicherry | 0 | 1949.40 | 1949.4 | 10.09 | 2130.02 | 2140.11 |
| 8 | Punjab | 43035.47 | 13144.47 | 56179.94 | 158756.59 | 97338.86 | 256095.45 |
| 9 | Rajasthan | 17749.94 | 6619.39 | 24369.3 | 112196.28 | 38294.8 | 150491.08 |
| 10 | Tamilnadu | 0 | 81298.49 | 81298.49 | 15.09 | 73482.05 | 73497.14 |
| 11 | Tripura | 126.34 | 173.45 | 299.79 | 529.56 | 1716.38 | 2245.94 |
| 12 | Uttar Pradesh | 49780.02 | 15790.86 | 65570.88 | 294759.27 | 57749.65 | 352508.90 |
| 13 | West Bengal | 15722.3 | 3808.35 | 19530.65 | 74873.89 | 31834.36 | 106708.25 |
| | Total | 243514.16 | 282641.45 | 526089.44 | 1115046.51 | 828985.96 | 1943930.08 |

Source: Indian Co-Operative Movement a Statistical Profile, National Co-Operation Union of India.

Table no.2 reveals that the SCARDBs Loans Disbursed & Loan Outstanding in India. During 2015-16, the total loans disbursed of the SCARDBs were Rs.526089.49 in lakh, of which Rs.243514.16 lakh came under farm sector. In this year the total loans outstanding of the SCARDBs were Rs.1943930.08 in lakh, of which Rs.1115046.51 lakh came under farm sector.

Results and Discussion

Borrowings of the SCARDBs

The SCARDBs borrow from NABARD, State Co-operative Banks, State Governments, and District Central Co-operative Banks etc. The major part of the borrowings is from NABARD. The borrowings include the amount raised by floating debentures, Cash Credit from State Co-operative

Banks, Deposits etc. The State Co-operative Bank in each state is providing interim finance to the SCARDB.

Table 3: SCARDBs: Borrowing

| SL. NO | Name of SACRDBs | Raised During 2015-16 | | | Others (NCDC/ N HB/SCB etc.) | Grand total |
|--------|------------------|-----------------------|--------------|------------|------------------------------|-------------|
| | | NABARD | Central govt | State govt | | |
| 1 | Gujarat | 8900.00 | 0.00 | 0.00 | 0.00 | 8900.00 |
| 2 | Haryana | 16138.93 | 66.88 | 66.88 | 40595.00 | 56867.69 |
| 3 | Himachal Pradesh | 6369.81 | 0.00 | 0.00 | 0.00 | 6369.81 |
| 4 | Jammu & Kashmir | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 5 | Karnataka | 24999.76 | 828.33 | 528.33 | 0.00 | 26356.42 |
| 6 | Kerala | 145009.10 | 0.00 | 0.00 | 0.00 | 145009.10 |
| 7 | Pondicherry | 0.00 | 0.00 | 0.00 | 581.76 | 581.76 |
| 8 | Punjab | 51808.25 | 0.00 | 0.00 | 0.00 | 51808.25 |
| 9 | Rajasthan | 20000.00 | 132.71 | 132.71 | 213.47 | 20478.89 |
| 10 | Tamilnadu | 0.00 | 0.00 | 0.00 | 490.00 | 490.00 |
| 11 | Tripura | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 12 | Uttar Pradesh | 44999.99 | 0.00 | 0.00 | 28.78 | 45028.77 |
| 13 | West-bengal | 16499.99 | 0.00 | 0.00 | 0.00 | 16499.99 |
| | Total | 334725.83 | 1027.92 | 727.92 | 41909.01 | 378390.68 |

Source: Indian Co-Operative Movement a Statistical Profile, National Co-Operation Union of India.

Table 1 reveals that the borrowings of the SCARDBs in India. During 2015-16, the major part of the borrowings is from NABARD was Rs.334725.83 in lakh at all India level. In the 2015-16, the number of borrowings of the central government was Rs. 1027.92 in lakh. At the same time the state government amount was borrowing Rs. 41909.01 in lakh in India

Conclusion

The state co-operative agriculture and rural development banks have been purveying the credit from the NABARD to the PCARDBS or to the farmers directly [where the unitary system is followed] through their branches. The SCARDBs including the one in Tamil Nadu have been depending on NABARD and governments for their requirements of finance. The SCARDBs must increase the target for NFS lending to promote employment opportunities in rural areas and help the PCARDBs to enhance their business. At present, the government officials manage the affairs of these banks instead of by elected boards. The state governments may take steps to democratize the management of the banks by withdrawing the officials of the government working in the banks and providing a conducive atmosphere for their functioning.

References

1. Jadhao SP. Present Scenario of Banking Sector in India, International Research Journal, 2010.
2. Misal SM. Cooperatives and Rural Development: Indian Streams Research Journal, 2011.
3. National co-operative union of India. Indian co-operative movement a statistical profile, 2016.
4. Rabi N Patra, Mahendra P. Agasty, Cooperatives, Agriculture and Rural Development: Role, Issues and Policy Implication. 2013; 13:14-25. e-ISSN: 2279-0837, ISSN: 2279-0845.
5. Shivakumara S Manjunath. Performance of primary co-operative agriculture and rural development banks in Karnataka, International Journal of Multidisciplinary

Research and Development Online, 2016. ISSN: 2349-4182.

6. Tamizhazhagan V, Pugazhendy K. Physico-Chemical parameters from the Manappadaiyur and Swamimalai freshwater Ponds. Indo American journal of pharmaceutical science. 2016; 3(5):444-449.
7. Tejani Rachana. Financial Inclusion and Performance of Rural Co-operative Banks in Gujarat Research Journal of Finance and Accounting, 2011. ISSN 2222-1697 (Paper) ISSN 2222-2847.