

## Financial Inclusion (Role of Primary Co-operative Banks in Rural India)

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### Abstract

Primary Cooperative Bank can check each and every transaction of society and member of the Banks and also Loan disbursement, loan recovery – Daily, Weekly, Monthly, Half yearly and yearly.

*Investment Type:* Bank and shares wise investment entries calculation of each investment of the member.

*Report –* The report by the day book, cash book, simple balance sheet, groups balance sheet, trial balance sheet, profit and loss statement, trading account statement, NPA statement, DCBS (demand collection and balance statement) General Ledger, Balance List, Account Ledger.

*Vision:*

- a. Making administration , transparent and people oriented with means of administration reforms.
- b. Specification in administration with the mean of information technology
- c. Making the services available to the gross root level.
- d. Modernization in administration and providing satisfactory services.
- e. Extended financial facilities and small finance banks and specific the cooperative banks to be the leading representative body of the cooperative finance sector.

*Policy –*

- First bank of it's kind in the country to educate the membership and leadership
- To promote saving culture in rural and create access to loans.
- To maximise shareholders value.
- Social and cultural values oriented services, integrity.
- Concern for community, team work, costconsciousness, customer satisfaction,
- Loan modules- short term and long term.

The co-operative banks in India play an important role in even today in rural financing. These are registered under the Co-operative Societies Act and also regulated by the RBI. They are governed by the "Banking regulation Act-1949" and Banking Laws ( Co-operative societies) Act 1965.

**Keywords:** Forum; Investment; Agriculture; Co-Operation; Society.

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## Introduction

1. The Cooperative Credit Societies Act, 1904 led to the formation of Cooperative Credit Societies in both rural and urban areas. The act was based on recommendations of Sir Frederick Nicholson (1899) and Sir Edward Law (1901).
2. Their ideas in turn were based on the pattern of Raiffeisen and Schulze respectively. The Cooperative Societies Act of 1912, further gave recognition to the formation of non-credit societies and the central cooperative organizations. In independent India, with the onset of planning, the cooperative organizations gained more leverage and role with the continued governmental support. Machlagan Committee in 1915, highlighted the deficiencies of in cooperative societies which seeped-in due to lack of proper education to the masses.
3. He also laid down the importance of Central Assistance by the Government to support the movement. The Royal Commission on Agriculture 1928, enumerated the importance of education of members/staff for effective implementation of cooperative movement.
4. Saraiya Committee, in 1945, further recommended the setting up of a Cooperative Training College in every state and a Cooperative Training Institute for Advanced Study and Research at the Central level.
5. Cooperative banks helped overcome the vital market imperfections and serviced the poorer layers of society. Indian Cooperative Banks was also born out of distress prevalent in Indian society. Central Committee for Cooperative Training in 1953, constituted by RBI for establishing Regional Training Centres. Rural Credit Survey Committee, 1954 was the first committee formed till then to first delve into the problems of Rural credit and other financial issues of rural society.
6. It was the idea of Hermann Schulze (1808-83) and Friedrich Wilhelm Raiffeisen (1818-88) which took shape as cooperative banks of today across the world.
7. They started to promote the idea of easy availability of credit to small businesses and for the poor segment of society. It was similar to the many microfinance institutions which have become highly popular in developing economies of today.
8. Central Committee for Cooperative Training in 1953, constituted by RBI for establishing Regional Training Centres. Rural Credit Survey Committee, 1954 was the first committee formed till then to first delve into the problems of Rural credit and other financial issues of rural society.
9. Primary cooperative banks provides services i.e. saving account and current account, safe deposit lockers, loan and mortgage to the members and business, customers.
10. Banking policies by the banking regulation act 1949, initiates, amendment, coordinates with the governments, correspondent with various state government on matters pertaining to amendment of state cooperative act, monitors cooperative credit societies wealfare.
11. These movements were supported by governments of the respective countries. This success was achieved due to the failure of the commercial banks to fund and support the needs of small business owners and ordinary people who were outside the formal banking net.

## Objective of the Study

The primary objectives of the banks are rendering services to its customers/members/member-institutions by providing following various types of loans to the societies/individuals as detailed below.

The Bank obtains the funds by way of share capital from the members mainly from the affiliated societies and also from the State Government, increasing the reserve, mobilization of deposits from individuals and institutions and by borrowing loans from NABARD and State Government

- a. Short term (agriculture)
- b. Medium term (agriculture)
- c. Short term loan (others)
- d. Medium term loan (others)
- e. Long Term loan (others)
- f. Cash credit to Weavers Coop. Societies
- g. Cash credit to Consumer Co-operatives
- h. Cash credit to others
- i. Medium term loan to Salary Earners Coop. Societies

## Features of Co-operative Banks

1. Commercial banks are joint-stock companies under the companies' act of 1956, or public sector bank under a separate act of a parliament whereas

co-operative banks were established under the co-operative society's acts of different states.

2. Commercial bank structure is branch banking structure whereas co-operative banks have a three tier setup, with state co-operative bank at apex level, central / district co-operative bank at district level, and primary co-operative societies at rural level.
3. Only some of the sections of banking regulation act of 1949 (fully applicable to commercial banks), are applicable to co-operative banks, resulting only in partial control by RBI of co-operative banks and

- The Credit-Deposit ratio followed by commercial and co-operative banks in Kerala is unfavorable to the overall economic growth of the State.

*Scope of the Study*

- Primary Agriculture cooperative Societies (or) Primary agriculture credit society formation was aimed primarily for sanctioning loan at micro level to promote various farming activities comprising local activities as well to generate jobs in the villages.
- Various state government and central government jointly extended their support to these societies which drive the agriculture movement across india.
- Over understanding of the scope is to develop a system software application covering the features as mentioned below and implement the same with proper training and guidance.

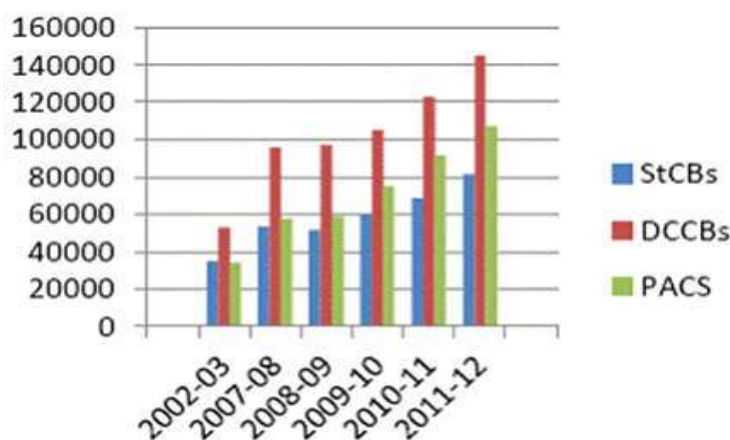
**Hypothesis**

- Primary Cooperative banks are playing a vital role in the economic development in India
- Non-Performing Assets are increasing affecting the profitability adversely

**Results**

**Table 1:** Institutional Credit to Agriculture: Relative Share of Different Institutions (Percent)

Year	Cooperatives	Scheduled Commercial Banks	Regional Rural Banks	Total Credit to agriculture _ Crore
1970-71	100.0	—	—	744
1980-81	61.6	38.4	—	3,292
1990-91	49.0	47.6	3.4	9,830
2000-01	39.4	52.6	8.0	52,827
2001-02	38.0	54.1	7.9	62,045
2002-03	34.1	57.2	8.7	69,560
2003-04	31.0	60.3	8.7	86,981
2004-05	25.0	65.0	10.0	1,25,309
2005-06	22.0	69.5	8.4	1,80,486
2006-07	18.5	72.6	8.9	2,29,400
2007-08	18.9	71.1	10.0	2,54,658
2008-09	15.3	75.8	8.9	3,01,908
2009-10	16.5	74.3	9.2	3,84,514
2010-11	16.7	73.8	9.5	4,68,291
2011-12	17.2	72.1	10.7	5,11,029
2012-13	18.3	71.2	10.5	6,07,375



**Graph 1:** Primary agriculture cooperate banks in rural, district, state

**Table 2:** Disbursement of agriculture credit since 1985-86 (Rs.Crore)

Item	1985-86	1995-96	1998-99	2000-01	2002-03	2010-11
Co-operative banks shrt term	2,787	8,331	12,571	16,564	20,247	N.A
Medium term and long term	1,087	2,148	3,386	4,220	4,049	N.A
Total	3,874	10,479	15,957	20,784	24,216	70,105
Commercial and regional rural banks	3,131	11,553	20,903	31,930	46,514	3,76,674
Grand total	7,005	22,032	36,860	52,714	70,810	4,46,779

### Findings of the Study

1. The Reserve Bank of India published a first report of Indian government exclusively dealt with urban co- operative banks in 1961 entitled 'Report on the Survey of Urban Cooperative Banks (1957-58)', under the chairmanship of Dr. N.S.R. Shastry.
2. The report was the outcome of the recommendations made by the Bombay State Cooperative Banks' Association at the first conference of urban banks held in August 1957 in Bombay.
3. Governor of the Reserve Bank, a sample survey was conducted during 1958-59 jointly by the Economic, Statistics and Agricultural Credit Departments of the Reserve Bank and the field work was carried out through the regional offices of Agricultural Credit Departments (ACD) located in Bombay, Calcutta, Madras and New Delhi.

### Suggestions

1. Primary-cooperative and rural area customers must be educated periodically by the primary cooperative banks to realize the importance of savings habit in the form of deposits
2. The primary cooperative banks should alert about qualitative performance for stakeholders for which they should create BEST [B=Behavioural, E=Economic, S= Strategic and T=Technical] managers and employees to 239 face future challenges.
3. To overcome from the crop up problems professionalism in bank, quality circle, training to all, performance based salary; proper financial analysis would be prime requisites in the modern day banking operations.
4. RBI should identify the places without bank facilities and help the people in those places to have a branch primary cooperative banks.

### Conclusion

- The requirements for a director of such a bank were described by the Maclagan committee, which held that the work called less for technical skills them for ordinary probity and knowledge and should be well within the capacity of any professional man
- He needs only to have a general knowledge of money rates and to fix his own to produce a required margin of profit he should be careful to forecast the probable receipts and demands from societies
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- The management of a district central cooperative bank is in charge of a board of directors elected annually, or in some case, triennially, on the basis of one member, one vole, at the general meeting, which is the ultimate authority in this and in other types of cooperative societies.

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