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**Operational Efficiency of District Central  
Cooperative Banks in Gujarat-A Comparative Study**

**Ph.D Thesis**

**Submitted in  
partial fulfillment of the  
requirements for the award of the degree  
of **Doctor of Philosophy** in Economics**

**Submitted by**

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**Department of Business Management**

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**Rajkot, Gujarat (India)**

## **CERTIFICATE**

I hereby certify that the work is presented in the thesis entitled **“Operational Efficiency of District Central Cooperative Banks in Gujarat – A Comparative Study”** in fulfillment of requirement for the award of Degree of Doctor of Philosophy in Economics, submitted in the department of Business Management of Saurashtra University Rajkot is an authentic record of my own work carried out during a period from January,2003 to January, 2005 under the supervision of Prof. (Dr.) Pratapsinh L. Chauhan, Prof. & Head of the Department of Business management, Saurashtra University, Rajkot.

The matter embodied in this thesis has not been submitted by me for the award of any other degree.

**Rupal R Patel**

This is to certify that the above statement made by the candidate is correct to the best of my knowledge.

**Dated:**  
**Place:**

**Dr.Pratapsinh L. Chauhan**  
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## Preface

Cooperative Banks in Gujarat are the voluntary organizations working on federal structure basis. The banks are working to obtain their services on terms of greatest advantage to them. The cooperative Banks have a matter of facts, came into existence after introduction of first cooperative societies act in 1904 and started functioning partly in response to increasing consumer awakening exigencies created by war, drought etc./ and partly due to continuous Government support which sought to develop it as an economically viable alternatives to the market system. These has been perceived as a correct reply to the distorted market mechanism wide-income disparities, widely practiced adulteration inflationary conditions (owing to the persistent budgetary deficit) and have also been considered instrumental in relieving the lower strata of the society of the stress and strain caused to them by above mentioned factors.

Since the cooperative banks have to deal with customers in a competitive environment, the difficulties faced and advantages generated by them to the consumers are almost of the same magnitude throughout the country despite wide diversities in language, culture geographic terrain. Therefore, it was decided to undertake the study of a particular area rather than of the entire country. Gujarat State which is the birth place of cooperative movement in general and banking industry in particular has been chosen for the reasons of proximity.

The study is based on primary as well as secondary data. Four District Central Cooperative Banks namely, DCCB Ahmedabad; DCCB, Banaskantha; DCCB, Rajkot and DCCB Surat have been selected to study ineptly the overall working of the bank. Two hundred fifty individual respondents from the sampled district central cooperative banks have also been interviewed to know about the overall working of the banks and its services towards customers. In addition to above the Gujarat State Cooperative Banks has also been studied. The report has been divided into seven chapters.

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**Rupal R.Patel**

# Operational Efficiency of District Central Cooperative Banks in Gujarat-A Comparative Study

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# **CHAPTER-I**

## **INTRODUCTION**

### **1.1 RATIONALE OF THE STUDY:**

A Cooperative institution in the context of our present times represents a middle way. The Cooperative sectors have been accepted at par with the other two sectors and the public sector. The Cooperative sectors acts as balancing factor because it combines the best of both. It fulfills the needs of the individuals without harming or exploiting others. It honors ethical values as well as stands for an efficient business. It believes in character building and in uncalculating moral values among the members. It safeguards the interests of the weaker sections of the society.

The Cooperative movement is first and foremost an educative and social movement, before it can be considered a system of business. Joining the Cooperative can never be passive act as it is an act of participation. It is essential that there is available in the country well informed non-official leadership and trained personnel to man the cooperatives. It is in this context that cooperative education and training programme assume importance. Long before the official launching of the cooperative movement in India in 1904, the first experiment in organized cooperation was made in Baroda in Gujarat in 1889 when an urban credit society, Anyonya Sahakari Mandali was formed to relieve middle class people from financial distress. The first agricultural Cooperative credit society, registered in 1904, was the Visalpur cooperative credit society, in Daskori taluka of Ahmedabad district. The seed of multipurpose cooperative societies was sown in 1912 at all levels. The land development banks were organized in 1934-35 during the depression period have developed throughout Gujarat. The Cooperatives marketing and cotton were undertaken voluntarily by a few cultivators in Surat district have paved the way of successful cooperative efforts for marketing and processing cotton, Sugarcane, milk, Fruits and vegetables and other agricultural products at primary, central and apex levels have been established after independence. The Gujarat state has also been ahead in the organisation of cooperative

credit societies, forest labourers societies for Adivasi, cooperative housing societies, Industrial cooperatives and labour contract societies, lift irrigation, and farming societies, and fishery Cooperatives. The Sardar Bagayat Sahakari Mandal for exporting bananas to foreign countries, the Indian Farmers' Fertilizers Cooperative Ltd. and Rural Electrification Cooperatives, are other pioneering development in the cooperative sector in Gujarat.

Thus, It is now 100 years has passed since the cooperatives movement was introduce in Gujarat as well as in India. The movement has struck its root and its branches have spread out in various directions. The growth, however, has not been uniform. The original movement has eliminated to some extent the enormous hardship caused by agricultural indebt ness, which had the reached alarmingly high proportions. The growth of the cooperative movement can be conveniently studied in two parts: Pre - independence era and post independence era.(GSCU,1995)<sup>1</sup>

The Cooperative Credit Act of 1904 provided for registration of credit societies, whereas the cooperative societies Act 1912 opened the way for organization of societies for purposes other than credit and for formation of federations of cooperative societies. Very soon, primary societies for supply, housing, etc. and district cooperative banks and union of societies were formed. The earliest of these societies were formed in Surat and Bharuch. The development of cooperative housing in the Ahmedabad after the Second World War also significant.

The erstwhile Bombay Province passed its own cooperative legislation in 1925. During this period, the agricultural credit structure was arranged on the model recommended by the Maclagon Committee in 1915. Taluka level union/societies were formed for supervision of primary societies. Enterprising efforts were made for cooperative marketing and processing of cotton in Surat district. Another notable development during this period was in the field of cooperative education and training. The Bombay Provincial cooperative institute was formed for the purpose as early as 1918 and gradually began to operate in the districts through the district branches, which organized training

classes for secretaries of societies. It is also noteworthy that a cooperative training school was started as early as 1929 in Surat.

The period from 1937 to 1947 was one of re-organization and revitalization of the movement. The conditions created by the short supply of consumer goods and housing accommodation in urban areas gave the fillip to the consumer and housing cooperative movement, particularly in urban areas. At the same time lift irrigation societies, Milk producer's societies, and industrial societies also began to be formed in great numbers. Taluka and district purchase and sales union was formed mainly for supply and distribution work. The preference given by the government to cooperatives for procurement of food grains and distribution of consumer and other controlled commodities during and after the war period gave ample opportunities to the movement to prove its utility to the community.(GSCU,1995)<sup>2</sup>

The integrated scheme of agricultural credit introduced in 1947 paved the way for organization of multipurpose societies. The whole structure of agricultural credit for short and medium term loan was placed on sound footing. The State Cooperative Unions made arrangements for supervision and cooperative education and training. Thus, Cooperatives became an instrument of planning and was assigned an important role to play in the economy of the state. During this period, the Reserve Bank of India began to play a prominent role in the supply of cooperative agricultural credit.

Following the recommendation of the report of the committee on Rural Credit Survey of India, an integrated structure of cooperative credit, marketing, processing, warehousing, and cooperative training came to be developed. Large sized multipurpose cooperative credit societies, farming societies, housing societies for low income and backward classes peoples, foremost laborers and labour contract societies, industrial societies, milk and milk unions, fisheries cooperatives, etc. were formed in large numbers during the third five years plan period. The following table provides a picture of the performance of all types of cooperative societies in Gujarat during the period from 1961 to 1991.

**Table**  
**General Performance of Cooperatives in Gujarat**

(Rs. In lakhs)

<b>Years/Party.</b>	<b>1961</b>	<b>1971</b>	<b>1981</b>	<b>1982</b>	<b>1983</b>	<b>1984</b>	<b>1991</b>
No. of Socys	13959	20312	32229	34377	35786	37174	43833
Membership ( '000)	2053	4097	6741	7317	7838	8340	9853
Share Capital	2434	9658	24973	26748	29191	31815	37875
Owned Funds	3574	15321	57149	65385	73937	83324	98152
Deposits	3660	17168	105296	118860	143529	176943	215862
Working Capital	16434	07339	318863	375607	442585	499685	517645
Total loan outstanding by PACS	3630	16138	64182	74609	6889	102747	135964
Total outstanding by PACS	4403	23529	70178	838998	101470	118791	156739
Of which overdue	695	2298	18426	14844	16849	17545	28962
Percentage of overdue to outstanding	15.78	9.77	26.26	17.69	16.60	14.77	18.47
Amount in Profit	246	1140	4822	8116	8798	9862	10529
Amount of loss	131	362	3062	2699	4330	3766	4129

**Source: Data Compiled from R.B.I statements.**

The above table revealed that there is a steady progress on overall performance of the cooperative movement in Gujarat during the period from 1961 to 1991. There were 13959 all types of societies which increased by 43833 in 1991. The membership also increased from 2053 to 9853 during the same period. The total deposit with the cooperatives increased from 3660 lakhs in 1961 to Rs. 215862 in 1991. The total amount of the profit increased from 246 lakhs to 10529 during the same period.

## **1.2 SIGNIFICANCE OF THE STUDY:**

The Cooperative credit structure for meeting the short -term, medium-term and long term credit needs of cultivators in Gujarat consists of (i) State Cooperative bank at the apex level (ii) Central Cooperative Banks at the district level & (iii) Primary Agriculture Credit Societies at the grass root t covering a single / group of villages at the base level. Short -term credit is providing mainly for financing current expenditure necessary for the raising of crops during different seasons. Medium term credit policy (generally repayable within 3 to 5 years) is provided for purposes such as deepening of wells, purchase of agricultural implements, bullocks, milk cattle etc. and for conversion facilities in case of crop failure.

The State Cooperative Agricultural and Rural Development Bank fulfill long-term credit needs through its branches. Generally repayable over 5 to 15 years. It is given for capital investments in agriculture, which includes the construction of tube-wells land leveling, bunding and other land development purposes, purchase tractors, power tillers and other costly machinery.

As of 31<sup>st</sup> march 2001, besides the apex bank, there are 17 Central Cooperative Banks and 1 taluka Cooperative Banking Union operation through 1026 branches and 7262 primary agricultural credit societies which includes 31 FSS and 229 LAMPS functioning in the field of short and medium -term and long-term credit. Thus, the cooperative credit structure has a statewide branch network with retail outlets numbering more than 8500. The district Central Co-operative Banks is the central financing agency in the entire district. At the district level, 18 Central Co-operative Banks including on taluka Co-operative banking Union with their 1026 branches are operating

within their area of operations. District Banks cater the financial needs of the Urban Cooperative Credit Societies, FSS, LAMPS and the other non-agricultural Societies, Taluka and District Sales and Purchase Union etc through their branches spread at taluk and village levels in the concerned District and thereby cover whole state. A Board of Directors manages the District Central Cooperative Banks,(DCCBs) which are periodically elected. The Managing Director/General Manager is heading the DCCB as a Chief Executive. Several Managers, Branch Agents and Inspectors, assist the Managing Director/General Manager. If the Manager is the Chief Executive, Assistant Managers, Branch Managers, Agents assist him and inspectors are largely responsible for guiding the Primary Agricultural Cooperative Credit Society ( PACS) under their charge in the development of business. The main functions of District Central Cooperative Banks (DCCBs) are as follows:

- I) To provide Short-term loan and Medium term credit facility to primary Cooperative Societies.
- (ii) To provide working Capital to agro-processing units.
- (iii) To provide banking facility to the public.
- (iv) To provide deposits mobilization.

The short-term agricultural advances are the most important credit activity for the DCCBs. A prescribed application form is filled up by the DCCBs keeping in mind the credit policy and revised scale of finance for various crops. The farmers asset assessment is prepared / revised once in three years. This statement provides the land holding pattern of the members. This data used in arriving at the total requirements for short-term credit to be requested in the prescribed form to Gujarat State Cooperative Bank Ltd., (GSCB) and National Banks for Agricultural and Rural Development (NABARD). Later on, DCCBs request the PACS to prepare a detailed normal credit limit statement and this is approved by the DCCBs and the sanction is accorded to PACS.

The application is called for well in advance (June-July) before the onset of Kharif Cropping season. The DCCBs send these applications along with the information on internal lending resources, overall demand and



recovery position of the Bank. At the DCCB level the security is carried out to verify the eligibility of the bank and amount of re-finance in view of the internal lending resources and minimum involvement requirements.

The application received along with the scrutiny memo are put up before the GSCB's Executive Committee for their approval and forwarded to NABARD through the Registrar of Cooperative Societies, Government of Gujarat. In case of "C" category of Banks (and even in some cases of "B" Category Banks), NABARD insists upon the Government guarantee. The planning process for this activity is fairly well reutilized.

In addition to short-term agricultural advances, the DCCB sanctioned short-term cash credit for marketing of crops. The DCCBs have to make their request for refinance on prescribed from around November - December of the year. The detailed form requires comprehensive information for each society during the last four years. The security at the GSCB level is to see that the financial data required to be furnished has been fully provided. This application is also put up before the Executive Committee of the GSCB for approval and then forwarded to NABARD through the Registrar of Cooperative Societies Government of Gujarat. The request for short term credit limit for marketing depends upon the availability of such societies or District purchase and Sales Union which are either involved in processing and marketing of farmers produce or purchase and distribution of agricultural inputs to members and also to non-members on cash and credit basis. The short-term cash credit is also used by societies which run the consumer cooperative stores. The amounts of the cash credit depend upon the eligibility of the society and the level of the business envisaged.

The conversion of short-term loans to medium term is dependent upon security on the basis of annawari declaration. Some of the DCCBs in Gujarat have initiated special rehabilitation programmes for outstanding principal as well as interest. The farmers with overdue loans are asked to pay 10 to 20 percent of the demand and the rest of amount is rescheduled and fresh loans are given on the basis of actual repayment.

In addition to providing short term and medium term agricultural advances to the farmers, primary cooperative societies also undertake the activities of providing manners, improved seed and pesticides as also distribution of necessities of life. Purchase and sales union operating at the taluka and district level for which district banks provide non-agricultural advances also undertakes similar activities. Besides, necessary finance for working capital requirement is also granted by the district banks to co-operative sugar factories, spinning mills, dairies, and consumer's stores, urban banks and as such various types of credit limits are granted to other co-operative societies.

The mobilization of deposits is a very crucial aspect in the resources mobilization efforts by the DCCBs. The challenge is to mobilize large quantum of low cost saving bank deposits. Though deposits have shown a reasonable growth rate in most of the DCCBs, the problem has arisen with RBI directive effective from 9-10-92, which offers very high rates of interest on deposits of 46 to 179 days. The DCCBs are required to pay 1/2 percent and urban co-operative banks 1 percent more than the prevailing rates on such deposits. The potential customers who may otherwise have placed their savings in saving bank deposit account preferred to place the same in the short-term deposits. In any cases at least 50 percent of the deposits of DCCBs are institutional deposits from PACs requiring high interest payment. Therefore, the proportion of Low Cost saving deposits in the total deposits has become less than 40 percent. Thus the average cost of deposits has considerably gone up. **(GSCB,2003)<sup>3</sup>**

The DCCBs do not undertake any special effort to mobilize deposits except occasionally reminding the branch managers about this aspect of their task. Given the interest rate structure, DCCBs can hardly bring about improvement in the composition of deposits. The change in composition can be brought out only if the RBI reduces the rate of interest on the short-term deposits to the level where it is marginally higher than the saving deposits. Most DCCBs have been extremely conservative in expanding the branch network and hardly any DCCBs has undertaken a special saving drive to

mobilize low cost saving deposit or use any agent for this purpose.(MCIS,1993)<sup>4</sup>

To provide other banking facilities to their customers is also one of the important functions of DCCBs have provided safe vault deposit facility particularly at Urban branches within their locality so that more and more customer can attract with this facility. The following tables show the various performance aspects of DCCBs in Gujarat.

**TABLE: 1.2**  
**GENERAL PERFORMANCE OF DCCBS IN GUJARAT**  
**(Rs. In lakhs)**

S #	PARTICULAR	1995-96	1996-97	1997-98
1	No. of DCCBs	18	18	18
1	Share Capital	16687	17839	19005
2	Reserve	35846	37914	41603
3	Deposit	283857	370426	435449
4	Borrowings	53993	47656	46043
5	Advances (total)	205379	227577	238851
	of Which			
	- ST (SAO)	71365	180510	166863
	- Against which borrowing from NABARD	29347	34162	N.A
6	Profit	1285	3182	19.16
	No. of Banks	N.A	+12	+7
7	Loss	-20130	-2370	23656
	No. of Banks	N.A	-6	-11

**Source:** Statistical data of the Gujarat State Cooperative Bank,.  
Published by the Gujarat State Cooperative Bank Ltd.  
Ahmedabad

### **1.3 STATEMENT OF THE RESEARCH PROBLEM:**

The District Central Co-operative Banks is the central financing agency in the entire district. At the district level, 18 Central Co-operative Banks including on taluka Co-operative banking Union with their 1026 branches are operating within their area of operations. District Banks cater the financial needs of the Urban Cooperative Credit Societies, FSS, LAMPS and the other non-agricultural Societies, Taluka and District Sales and Purchase Union etc through their branches spread at taluka and village levels in the concerned District and thereby cover whole state.

The cooperative credit structure has been developed in India with the mission that they will provide the agricultural and finance to the needy farmers at a reasonable rate of interest. The DCCBs are mainly doing three activities in their area of operation like (i) advancement of agricultural finance (ii) collection of deposits and (iii) providing banking services. **(Landmark, 1991)<sup>5</sup>**

Upto 1990 the DCCBs has a **monopoly business** and they were covering about 70 percent of the population particularly in rural area through their business. After introduction of New Economic Policy (NEP) the business of the DCCBs has become very competitive and they are facing stiff competition in their area of operation where they have to flourish their business before Nationalized bank, Commercial Bank, Private Bank, Foreign Banks, Non-Banking Financing Agencies, and others. The overall all profitability of the DCCBs is also going down year to year. Out of 18 DCCBs in Gujarat only 10 are earning profit and 8 are in loss. The percentage of NPA of the DCCB is also exceeding from 35 to 40 percent in most of the DCCBs. Looking to the present situation prevailing in the area of DCCBs it is revealed that DCCBs have to make themselves more effective and efficient in the area of operation so that they can face the stiff competition and justify their objective of the existency. The present research study will focus on the overall working of the DCCBs and examine the operational efficiency with the help of the following objectives.

#### **1.4 OBJECTIVE OF THE STUDY:**

The research study is backed with the following objectives:

- To study the overall working of DCCDBs and GSCB in terms of deposit, lending, recovery and profitability.
- To study the customers' view on overall working of cooperative Banks.
- To study marketing of banking services rendered by the cooperative banks.
- To suggest the remedial measures for overall business development of the DCCBs and GSCB in Gujarat.

#### **1.5 RESEARCH METHODOLOGY:**

To achieve the above objective both primary as well as secondary data have been collected from the respective source:

- (i) For the collection of primary data a self-structured questionnaire were prepared and tested in one of the Bank. Two types of the questionnaire has been used for the collection of primary data i.e. (a) Institutional questionnaire and (b) individual questionnaire. The institutional questionnaire were used for preparation of the case study of selected DCCBs . At least four DCCB namely Ahmedabad. Rajkot, Surat and Banaskantha were selected from each cooperative region in consultation with GSCB/NABARD in the state.
- (ii) In addition to above about 250 individuals have also been interviewed to know about the views on banking product and customer services rendered by the DCCBs. Efforts have also be made to take the view from the employees and management people those are directly and indirectly associated with the working of the banks. For the selection of individuals a simple random sampling has been used to interview the respondents from the area of sampled DCCBs.
- (iii) The secondary data have been collected from difference source of collection. The duration of the secondary data were chosen from 1996

to 2001 with a interval of two years. The main source of secondary data are:

- Annual reports of the DCCBs and GSCB. Ahmedabad.
- RBI Bulletin and Annual reports published by the RBI.
- Statistical statement showing to overall working of Cooperative movement in India- Part-II Published by the NABARD.
- Statistical data of the Gujarat State Cooperative Bank (GSCB) and District Central Cooperative Banks (DCCBs) in Gujarat- Published by the Gujarat State Cooperative Bank.
- Information related to cooperative movement in Gujarat published by the Gujarat State Cooperative Union, Ahmedabad.
- Information related to cooperative movement in Gujarat published by the Registrar of Cooperative Societies, Government of Gujarat.
- Any other data /information from various libraries and Internet required for the study.

The objective of the study have also covered with the help of literature survey related to this topic. A separate Chapter has been prepared for literature review relation to the study.

## **1.6 AREA & LIMITATION OF THE STUDY:**

The overall area of the study has been focused only with Gujarat State. The study is limited with the District Central Cooperative Banks (DCCBs) and Gujarat State Cooperative Bank (GSCB) . Due to non availability of secondary data at the GSCB NABARD and other sources the analysis has been confined with the available source of data during the period from 1996-97 to 2000-01 and analysed accordingly.

**Reference:**

- (i) GSCU (1995) "Cooperative Movement in Gujarat" The Gujarat State Cooperative Union, Ahmedabad, 1995 pp. 15-21.
- (ii) Ibid. pp 22-23.
- (iii) GSCB(2000) "Annual Report of GSCB" The Gujarat State Cooperative Bank Ltd. Ahmedabad,2000 p 67.
- (iv) MCIS (1993) "Management Control \* Information System & Growth Strategy of GSCB" P.S.Management Consultant , Ahmedabad,1993 pp1-2
- (v) Land Mark(1991) "Land Mark A Publication of GSCB" The Gujarat State Cooperative Bank Ltd, Ahmedabad, 1991 p.96.

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## **CHAPTER-II**

### **OVERVIEW OF COOPERATIVE BANKING IN INDIA**

The cooperative bank has played an important role in the area of agricultural and rural development in the country. It has also developed the allied agricultural sector and has emerged as the most important source of institutional credit in the agricultural sector. Cooperatives provide both short and medium term loans to farmers. Long-term loan is made available by Primary Land Development Banks and Central Land Development Banks. The present study is concerned with the agricultural Credit utilisation advanced by the cooperatives, we have largely focused our attempt on the study of District Central Cooperative both at all India Level and State Level.

The farmers get credit through cooperative societies, which are regulated by Cooperative Societies Act. Each society grants short-term credit up to eighteen months for carrying out current agricultural operations. It also provides medium term loans for a period ranging between two to five years. The sources of cooperative lie in the efficient utilization of credit on the purpose for which it is granted. This chapter contains the overall scenario of cooperative banking in India in general and structure of cooperative credit in particular. The detail analysis is as follows:

#### **2.1 Origin and Development of Cooperatives:**

Since the times human-beings started sharing the common pursuits of life, the concept of co-operation emerged as a strong instrument of inter-linking and Living people together. The cooperation in the modern form took birth during the industrial revolution when working class felt exploited and helpless. Today, the cooperation occupies a vital position as a form of organisation in all the countries of the world. It is rightly remarked that cooperation is perhaps more widely distributed geographically than any other



modern form of organisation. The co-operatives are the best instruments for improving the socioeconomic lot of poor people in general and uplifting them to the standards of the mainstream of national life.

Indian economy is predominately agricultural. The agricultural operations are largely performed through crude and traditional methods. In order to bring improvement in agricultural sector, credit played important role in the recent years and cooperatives have emerged as the most important source of institutional credit. Moreover, the problem of rural indebtedness, which assumed alarming proportions during nineteenth century, had necessitated the popularity of cooperative sector.

Different laws enacted for regulating and controlling rural credit could not make significant role on the problem of rural- indebtedness. In 1892 M.Y.F. Nicholson, an JCS Officer submitted his monumental report "Possibility of Introducing Land and Agricultural Banks in the Madras Presidency". He recommended in his report the starting of the rural co-operative societies on the lines of the Raiffeisen societies formed in Germany.**(Pathania K.S.,1986)<sup>1</sup>**

The bonfire of Cooperative movement was lit in India with the passing of Cooperative Societies Act in 1904. The Act came into force throughout the country and it provided for the creation of co-operative department and charged it with the responsibilities of organising and supervising the working of the co-operative societies. The co-operative societies were to provide easy credit facilities to the Indian farmers. The registration of a cooperative society was made compulsory. Rural and Urban types of societies were organised. While the liability of the members was kept unlimited in case of rural societies, urban societies were left with the discretion of keeping liability limited or unlimited.

To remove the defects and deficiencies in previous Act, the Co-operative Societies Act of 1912 was enacted by the Government of India. This Act gave legal recognition to non- credit societies. A Committee under

the president ship of Sir Edward Maclagan was appointed in 1915 which made various recommendations of far-reaching importance for the improvement of the movement, especially with regard to its higher financial structure. In 1919, the subject of cooperation was transferred to Provincial Government. With this transfer, many states had passed their cooperative legislations suited to their requirements but retaining the framework of the 1912 Act in all such legislations. All these developments had led to considerable expansion in the Cooperative movement. **(Mathur B.S,1971)<sup>2</sup>**

After the attainment of independence, the subject of agricultural credit and agricultural indebtedness received special attention. All India Rural Credit Survey Committee (1952) came to the conclusion that the co-operative credit had only touched the tip of the problem since not more than 3.1 per cent of the total agricultural credit was handled by the cooperatives. During 1955-56, the credit supplied by the Cooperative movement and government agencies reached the level of Rs. 135 crores. In the Third Five Year Plan, the membership of the Primary Credit Societies rose from 17 millions to 27 millions and nearly 90 per cent of the villages were covered by the Cooperatives **(Arputharj, 1982: 128)<sup>3</sup>**

In the fourth five year Plan, the government also rendered assistance to the cooperatives in important matters like finance, organisation and trained personnel. During this plan an amount of Rs. 178.57 crores was spent for the development of co- operative sector. An amount of Rs. 423 crores was utilized for the development of cooperatives in Fifth Five Year Plan. The total outlay for Sixth Plan was Rs. 914.23 crores while the total public outlay on cooperation in Seventh Plan is set at Rs. 1400.18 crores. During 1982-85, an amount of Rs. 2500 crores as short term loan, Rs. 250 crores as medium term loan and Rs. 500 crores as long-term credit were distributed through cooperatives. The amount of loan has further increased to Rs. 4973 crores during 1991-92. The value of agricultural produce marketed was Rs. 2700 crores. Retail sales of fertilizers were 500 crores and value of consumer

goods distributed in rural areas was Rs. 1500 crores during 1984-85. The deposits which were to the tune of Rs. 808 crores in 1987-88 have increased to Rs. 1605 crores during 1991-92, which indicates an increase of 98.6 percent.

A look at the above facts convinces us that cooperatives have made a significant stride during 70's and 80's It is playing very crucial rule in granting agricultural credit, marketing of agricultural produce and distribution of essential commodities in the rural areas.**(Hajela T.N,1981)<sup>4</sup>**

### **Concept and Principles of Cooperation**

Cooperation has been defined for different purposes and in different ways by cooperators, economists, lawmakers and others. It is enough to say here that the cooperative is an association of persons usually of limited means who have voluntarily joined together to fulfil a common economic need through the formation of a democratically controlled business organisation making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking. It denotes a special method of doing business.**(Mathur B.S,1971)<sup>5</sup>** Cooperation is a form of organisation wherein persons voluntarily associate together as human beings, on the basis of equality for promotion of economic interest of themselves. Hough, E.M., defines cooperation into broadest sense that cooperation means simply as voluntary association in a Joint undertaking for mutual benefits According to Herrick, cooperation is the act of poor persons voluntarily united for utilizing reciprocally their own forces, resources or both under mutual management to their common profit or loss.**(Haugh EM,1967)<sup>6</sup>**

### **Cooperative Principles**

The principles of Co-operation may be considered as broad guidelines for co-operative societies in the conduct of their various activities. They direct the movement and indicate the follow-up action to be pursued by the Society in future. They determine the mode and manner of co-operative action for the

attainment of pre-determined goals. Prof. D.G. Karve views the Co-operative Principles as "The way of organising and conducting cooperative activities which are an inherent and independent corollary of the ideal or the objective of the Co-operative movement. A cooperative society should for its object of economic and social betterment of its members by means of the exploitation of an enterprise based upon mutual aid, conform to the following six cooperative principles as formulated by the International Cooperative alliance (Singh R.P,1972)<sup>7</sup>

**(i) Open Membership and Voluntary Association**

Membership of a cooperative society shall be voluntary and available without artificial restrictions of any social, political racial or religious discrimination to all persons who can make use of its services and are willing to accept the responsibilities of membership.

**(ii) Democratic System**

Cooperative societies are democratic organizations. Their affairs shall be administered by persons elected or appointed in a manner agreed upon by the members and accountable to them. Members of primary societies shall enjoy equal rights of voting (one member, one vote) and participation in decisions affecting their societies. In other than primary societies the administration shall be conducted on a democratic basis in a suitable form.

**(iii) Limited Interests on Capital**

Share capital shall only receive a strictly limited rate of interest, if any.

**(iv) Equitable Distribution**

The economic results, arising out of the operations of a society, belong to the members of that society and shall be distributed in such a manner as would avoid one member gaining at the expense of others.

**(v) Cooperative Education**

All cooperative societies shall make provision for the education of their members, officers and employees, and of the general public, in the

principles and techniques of cooperation, both economic and democratic.

#### **(vi) Mutual Cooperation**

All cooperative organizations, in order to best serve the interests of their members and their communities, shall actively cooperate in every possible way with other cooperatives at local, national and international levels, having as their aim the achievement of unity of action among cooperators throughout the world.

On the basis of the principles of cooperation, the cooperative societies are formed and registered under State Cooperative Act. Co-operative Act, is a statute or law made by a legislature body for the regulation of various affairs of the cooperatives in States.

#### **Cooperative Society**

A cooperative society is a voluntary association of individuals, organised in accordance with cooperative principles to satisfy their economic and social needs.

#### **Primary Cooperative Society**

A society in which the membership is limited to individuals and operates at the village level to attain the following objectives:

- (i) To advance credit on liberal terms and conditions
- (ii) To accept deposits of the people
- (iii) To develop/inculcate the habit of Savings among the farmers.
- (iv) To take up educative, advisory and welfare services for the benefit of farmer members. **(Singh R.P.,1972)<sup>8</sup>**

#### **Types of Credit**

Period or duration is an important basis of classification of agricultural credit. On the basis of period, credit needs of the farmers may be classified as short-term credit, medium-term credit and long-term credit.

#### **Short-Term Credit**

Short-term or seasonal credit is that which is granted for the purpose of providing working capital requirement of the farmers. Generally, farmers

are required to run their farms efficiently to obtain crop in the best possible manner. They hold the credit upto the sale of harvest. The period for which this type of credit is provided generally ranges between 6 months of 15 months. It can exceed more. According to the All India Rural Credit Review Committee the short-term credit is lump- sum credit facility which is provided to fill up the gap in outlay which cannot met by the own resources of farmers during the period between two harvest. The various purposes for which short-term credit is provided are purchase of seeds/fertilizers/ insecticides, hiring of the labour, hire charges of agricultural machineries, payment of electricity bills, tax on lands, godown charges, etc. The demand of this type of credit is expected to increase at the time of harvest. This type of credit is also known as crop loans. These loans are disbursed through Primary Agricultural Credit Societies (PACS). Commercial Banks and Regional Rural Banks (PRBS). In such a case where the security is accepted in the form of anticipated crop, production credit is provided. While the consumption loans are sanctioned on the basis of personal security of the borrowers.

### **Medium-Term Credit**

Land improvements, purchase of implements, machinery, live-stock, conversion of cultivation system etc. are the purposes for which farmers require medium-term credit. This credit is provided for more than 15 months but not exceeding 5 years. The medium-term credit is classified in two categories by the Functional Committee on Cooperative Agricultural Credit of National Co-operative Development Co-operation. The first category belongs to maintenance or replacement of existing production assets, i.e. normal credit requirements. While the second classification is concerned with new investments for improving the productive efficiency of the farm i.e. special medium-term loans. Further though there is difference between medium-term credit and short-term credit but it is not always possible to make distinction clearly, for instance, when farmer renews his short-term loan after a year it ceases to be such, although it still belongs to the category of short-term credit

from the angle of purpose of loans. Again, while loans for growing crops are re-tunable within a year, the same cannot be said in case of loans for the cattle rearing which may take a longer period, despite the fact that these involve ordinary working expenses, like those required for raising crops. Thus, a sharp distinction between short-term loan and medium-term loan is not possible. Only on the basis of purposes for which the loan is provided, we can make differences. The medium-term credits are repaid in half yearly or annual installments.

### **Long-Term Credit**

The long-term loans are granted for a longer period i.e. more than 5 years upto 10 years. In some cases it may be granted for a period upto 20 years. As in the case of short-term credit and medium-term loans, the clear distinction between medium-term credit and long-term credit can be easily made. Generally, farmers require all types of credit at the different stages of farming. But the need of long-term finance is more pressing. As stated by the RBI in its preliminary reports, "Long-Term Credit is more important and if any effective steps are taken to make the agriculturist credit worthy, this is first problem which is to be tackled. (Singh Pratap,1992)<sup>9</sup>

### **2.2 Essential Features of Agricultural Credit System:**

With a view to fulfil the credit needs of the farmers and to ensure that it serves the national economy as a dynamic factor it is essential that a sound system of credit should be built up. Such system should be able to convert the present 'State credit into a Dynamic credit'. Because the 'static credit' does not increase the output, income and assets at the time of maturity, i.e. end of the credit period. Contrary to it, under dynamic credit, a satisfactory increase in output, income and assets may be noticed after the maturity of credit. In other words a credit system should be efficient to promote the development. The criteria regarding a good credit system for agricultural finance have been produced by many experts. 'As for the agricultural credit it must be provided from another angle, while dealing with Indian Farmers, who

are uneducated and ignorant in respect of implications of various aspects of agricultural credit. So, the credit system should be scientific and flexible. This credit system should also be able to encourage the farmers for increasing their production and also a higher standard of living. It may be possible by the favorable support from Government and its agencies. According to RBI, credit system should have following features:

- The credit system for modern agriculture should integrate the credit with services for ensuring the arrangements of inputs and services along with credit.
- On the one hand the absence of credit is better than facile credit. Because the former may be used for wasteful consumption purposes which may impose an extra burden on him. On the other hand facile credit is more dangerous because it may lead the borrower to avail credit without any basic needs.
- Under the credit system all areas and farmers (specially small and marginal farmers) should be covered. In other words, the credit system should be so efficient as to expand its activities horizontally as well as vertically.
- Under a good system of credit for modern agriculture emphasis should be given to issue loans for production purposes. But the consumption loans should not be prohibited completely. The loans should be provided on the basis of anticipated production or increased income which would occur due to the use of credit rather than tangible security or existing income. It will help the small farmers to avail the credit and implement their plan of cultivation.
- In a credit system, the cost of handling credit and services should be lower. In the absence of this, most of the farmers will deny credit which may cause a burden beyond their repaying capacity.
- The credit system should be such which mobilizes sufficient resources to provide finance for the purpose of investment required for modern agriculture.

From the above discussion suitable criteria for a good and sound system of agricultural credit can be given:

- All the credit needs of short, medium and long-term of the farmers should be met.



- Credit should be made available as near the door-step as possible and when needed by the farmer.
- It should generate savings and accelerate economic growth.
- The borrowers should be encouraged to adopt new technologies without which sufficient capital cannot be generated to repay loans.
- The lending agency should be geared to finance the entire farming system.
- The credit agency should be in a position to inter-link with marketing agencies to ensure full recovery of loans'

Thus in a good and sound system of agricultural credit there should be a provision of continuous evaluation of the credit programmes. This will assist to estimate quantitatively the impact on improvement in respect of farm production, cropping pattern, cropping intensity, farm output, employment opportunity and actual farm income. Under the sound credit system, guidance should be available to farmers for its proper utilisation.

### **2.3 Network of Cooperative Agricultural Credit:**

In India, agriculture is the main source of earning livelihood. For its development through modern technology, there is a need for finance. Professor John D. Black has very rightly stated, "If we are all concerned about increasing total agricultural output in the shorter time, we must provide credit first and foremost. This will enable them (farmers) to buy more labour, 'saving equipments, more seeds and fertilizers". The Rural Credit Survey Report (1950) quotes the French proverb which says that "Credit supports the farmers as the hangman's rope supports the hanged". Adequate and timely credit to the farmers is, therefore, vital and indispensable for the rehabilitation and progress of agriculture."

There are a number of organizations which provide loans to farmers. Short and medium term loans are provided to the farmers by commercial

banks, regional rural banks, and primary agricultural credit societies etc. In addition to short- and medium-term credit, the agriculturist also requires long-term loans for current cultivations, improvement of land and digging of wells etc. In India, there are a number of institutions which provide long-term credit to the farmers. Some of them are Commercial Banks, State Land Development Banks, Primary Land, Developmental Banks etc. the farmers. The co-operatives are managed through a three-tier system. At the village level, there are primary societies which include agricultural, non-agricultural credit and non-credit societies. At the district level, there are co-operative Unions and Central Co-operative Banks to which all the primary societies in the district are affiliated. The primary societies receive their financial requirements from the central banks. At the state level there are State Cooperative Banks providing finance to Central Banks. The State Cooperative Banks, to a great extent, depend upon the finance provided by the Government and the Reserve Bank of India.(Singh Pratap,1986)<sup>10</sup>

## **2.4 Cooperative Banking in India:**

Cooperative Banking has a crucial role to play in the Indian financial system. The cooperative principles of managing finance in India serve via media between the sophisticated institution like Commercial Banks on the one hand and the unscrupulous money-lenders on the other. Despite the fact that nationalized banks are spreading their operations in the rural areas. Cooperative Banking remains the best answer for catering to the needs of the small borrowers. A scheme of Government of Joint Stock Bank finance might reduce the rates of interest but only the cooperatives can teach the peasants to borrow at the right time, the right amount for the right and stipulated purposes.(Singh Kulwant,1990)<sup>11</sup>

### **(a) Genesis of Cooperative Banking**

By the end of 19th century the condition of rural masses in India was quite deplorable. The countryside was studded with problem, of poverty, ignorance, improvidence and ancestral debt and sudden outbreak of natural

calamities. The outcome of all these factors resulted in rural indebtedness. With a view to save the peasants from the clutches of money-lenders, provincial government enacted several measures of relief, such as, Deccan Agriculture Relief Act (1879), Land Improvement Loan Act (1883) and Agriculturist Loan Act 1884. These measures could not leave the impact due to stringent and cumbersome official procedures. Later on, after a series of measures on the recommendation of Committees, the First Cooperative Societies Act (1904) came into existence."**(Kamra P.K,1987)**<sup>12</sup>

The passage of this act was the first milestone in the cooperative movement in India. It aimed at encouraging thrift habits among poor peasants and artisans by setting up cooperative societies which were classified as 'rural' and 'urban',. With the enactment of this act, many credit societies started coming up and by the end of 1909-10, there were 0.2 lakhs societies with about 1.60 lakhs members and a working capital of Rs. 6.80 million. There was, however, no provision for the establishment of non-credit societies or central agencies, such as Central Cooperative Banks/Federations. Moreover registration as well as cancellation of societies under the act involved a lengthy procedure. In order to rectify these shortcomings, the Government passed a Comprehensive Cooperative Societies Act, 1912. It provided for registration of all types of credit societies, non-credit and apex federations. In order to assess the quantitative and qualitative progress of the movement, the Government of India appointed a committee on cooperation on October, 1914 under the Chairmanship of Sir Edward Maclagon.

The Committee recommended the establishment of central banks at district level and provincial banks and federation of societies as apex Banks/Unions at the provincial level for the purpose of supervision. Resultantly, a three-tier cooperative banking structure emerged at the provincial level. In the post-independence era, cooperation has been

assigned a notable role in bringing socio-economic changes through the process of democratic planning with accent on assisting the weaker section of the country."

A Cooperative Bank has been defined by *Divideas* as, "a mutual society" formed, composed and governed by working people themselves for encouraging regular savings and granting small loans on liberal terms of rate of interest and repayment. According to Government publication, cooperatives in the country's, economy will not only avoid excessive centralization and bureaucratic control likely to result from planning itself, but also curb the acquisition instincts of the individual procedure or trader working for himself. For these reasons, various five year plans envisaged a great deal of scope for the organisation of cooperative activity. In the year 1986-87 there were 3.42 lakhs cooperative societies out of which 3.39 lakhs were primary co-operative societies with 1465.39 lakhs membership and working capital of Rs. 47551.60 lakhs. In the year 1992-93 the membership has gone to 8.67 lakhs and the working capital has touched the figure of Rs. 12141 crores. The eighth five year plan aims at developing the primary agriculture credit societies as multipurpose viable units, promoting professional management and strengthening effective training for improving operational efficiency.(Tyagi, R.B,1967)<sup>13</sup>

#### **(b) Objectives of Cooperative Banking**

The objectives of the cooperative banking are spelled out as under.

**( Hajela T.N.,1981)<sup>14</sup>**

- Cooperative Bank's try to bring about the most effective use of the loans they advance for the purpose. Loans are advanced only for productive purposes. Secondly, the Bank supervises the activities of those members who have borrowed from it to ensure that the amount issued is utilized for the purpose for which it was granted.
- The financial resources of a Cooperative Bank, alone may not be sufficient to cater to the requirements of a large number of its

members. Though a Cooperative Bank is an association of small farmers who are often not creditworthy, it does not encounter much difficulty in securing loans from other financial agencies.

- The aim of the Cooperative Bank is also to reduce the risk in lending by a careful handling of its activities. Its insistence on the utilisation of the loan amount only for productive purposes ensures that borrowers will repay the amounts on the due dates. If no close watch is kept on the activities of the borrowers, it is very likely that the borrowed fund would be used for consumption purposes, in which case the borrower becomes a defaulter, and with it, the risk of lending increases.
- When the small farmers easily receive cooperative loans from Banks they are motivated too invest the borrowed funds in .productive ventures with a view to increasing their incomes. As a result of this savings of members go up, leading to larger amounts of funds at the disposal of Co-operative Bank. In other words, Cooperative Banks promote the habit of thrift among its members.

**(c ) importance of Cooperative Banking:** Cooperative bank is useful in the following ways. **(Sharda V, 1986)<sup>15</sup>**

- ❖ It is a superior institutional arrangement for financing agricultural operations. Cooperative banks offer loans to farmers so that the might utilize the amount for increasing agricultural production and raising their standard of living. In a country where the farm population is composed of small farmers who have small lands, cooperative banking is most advantageous. As the society consists of farmers themselves, it knows at first hand the credit problems of the rural poor and strives to find out suitable solutions for them. No other institution can be so effective as the cooperative banks in rural areas, for the other financial institutions are run by persons who do not come from the farming community and who do not have first hand knowledge of the economic condition of farmers, their temperaments and their requirements. **(Sharda V, 1986)<sup>16</sup>**
- ❖ Generally speaking, people are conservative when they cannot translate their plans into action due to their inability regarding financial handicaps. Cooperative Banks make persons dynamic by offering them the necessary financial assistance. This encourages

farmers to be engaged in productive activities which benefit them as well as the banks. Cooperative banking changes the whole attitude of farmers and enables them to adjust to the changing environment.

- ❖ Cooperative Banking teaches the farming community to borrow at the right time, the right amount for the right purpose and repay the loan on the due dates. Therefore, we may say that cooperative banks assist in developing a healthy attitude among farmers, which enables them to speed up agricultural production.
- ❖ A strong and stable Cooperative Bank in a rural areas frees a large number of borrowers from the clutches of money-lenders and constrains the latter to reduce their rate of interest if they want to continue in business. Consequently, the profit margin of money-lenders has been greatly reduced.
- ❖ Cooperative Banks are capable of setting into motion the various factors leading to prosperity in rural areas. This effect is brought about by cooperative banks in two ways. First by providing easy credit facilities to farmers which stimulates economic activity. Secondly, the habit of saving is inculcated among farmers so that they may not have to borrow in future. The savings of the people promote investment activity, which ultimately results in prosperity.
- ❖ The cooperative banks advance credit for agriculture and allied activities. They supplement the income of the farming community by enabling them to engage in dairy farming, sheep rearing, vegetables growing etc.
- ❖ Cooperative Banks not only stimulate several economic activities but also help in bringing about rural reorientation by changing the thinking and behavior of the people for their own advantage and for the benefit of the nation. **(Sharda V, 1986)<sup>17</sup>**

### **State Cooperative Banks**

Cooperative banking has a very pertinent role to play in the system especially in the sphere of rural finance. The State Cooperative Banks, in fact, are the highest agencies for the supply of cooperative credit for short- and medium-terms. They are at the top in the three tier cooperative credit structure. The jurisdiction of these banks is the whole state. The Central Cooperative Banks in the state are the members of the State Co-operative Bank. Individual and primary cooperative credit societies are also enrolled as members by some state cooperative banks. The main functions of a state cooperative bank are. **(Laud G.M,1992)<sup>18</sup>**

- ❖ It acts as an intermediary between the central cooperative bank and the money market. State cooperative banks borrow money from the money market and make available loans to central cooperative banks.
- ❖ The state cooperative bank functions as the balancing center by borrowing from those central cooperative banks which have excessive funds and disbursing this amount to the deficient central cooperative banks.
- ❖ It inspects the working of central cooperative banks and gives them timely guidance and help as and when necessary.
- ❖ It operates as an agency of the Reserve Bank of India . to finance agriculture. The Reserve Bank of India grants loans to state cooperative banks which, are disbursed to farmers with the help of the three-tier structure.
- ❖ It aids state governments in drawing up plans of rural development and in their implementation.

Central Cooperative banks and the state Government subscribe to the share capital of state cooperative banks. Formerly, individuals were also permitted to purchase the share of these banks. But now this practice has been dispensed with. They accept deposit from member societies, non-members, companies of various types and individuals. Special deposits are accepted from local boards, educational institutions and municipalities. Loans constitute the major source of funds for state cooperative banks. Money is borrowed from Reserve Bank of India, the state Government, the State Bank of India and subsidiaries. The state cooperative bank enjoys an overdraft facility with the State Bank of India. Sometimes, the state cooperative banks borrow from one another. But borrowings from the Reserve Bank of India are the main source of loans to state cooperative banks. "

State Cooperative Banks do not lend funds directly to farmers. Loans are sanctioned to Central Cooperative Banks and they further distribute to primary credit societies. All these societies, in turn, lend the funds to ultimate borrowers. The lending operations of state cooperative banks cover loans, cash credit and Overdraft facilities made available to member banks. A certain limit is fixed for each central cooperative bank, upto which it can

borrow from State Cooperative Banks. Short-term loans are given for a period of less than 12 months and medium-term loans for less than three year.

In the following part, an attempt has been made to study the performance of State Cooperative Banks at national level. The performance of the bank can be analyzed from Table 3.2 and Figure 3.4. In India, the number of State Cooperative Banks has decreased from 29 in 1987-88 to 28 in 1992-93, but the deposits have increased from Rs. 4440 crores in 1987-88 to Rs. 7321 crores in 1991-92 which shows an increase of 64.8 per cent. The working capital of State Cooperative Banks showed a significant increase from Rs. 74459 crores in 1987-88 to Rs. 13349 crores in 1991-92 which shows an increase of 78.9 per cent. The loans issued by these Banks have decreased from Rs. 9323 crores in 1987-88 to Rs. 7685 crores in 1991-92 which shows a decrease of 17.5 per cent. The owned funds which were to the tune of Rs. 726 crores in 1987-88 increased to Rs. 1125 crores in 1991-92, where indicates an increase of 54.9 per cent. The percentage of Overdues to loan outstanding increased from 8.4 to 14.1 per cent during 1987-88 to 1991-92. In nutshell, the performance of the bank has remained satisfactory. **(Singh R.P,1993)<sup>19</sup>**

### **Central Cooperative Banks**

"The necessity for establishing Central Co-operative Banks is that there should be an intermediary agency between the primary credit society with a rural bias run by agriculturists having no touch with the money market and the provincial Cooperative Bank run mainly by city men with urban bias and having no close association with the countryside's We agree with this viewpoint for an intermediary structure is essential if the cooperative credit movement is to become effective. Central Cooperative Banks function at the district level with the primary cooperative credit societies in that district as its members. We also have Central Cooperative Banks which admit both individual and primary societies as their members. The Standing Advisory Committee on Agricultural Credit of the Reserve Bank of India (1952) was in



favour of only one Central Bank for each district. This suggestion was supported by the All India rural Credit Survey Committee. But, still, in certain districts, we have more than one Central Cooperative Banks. The share capital of the Central Cooperative Banks consists of the shares purchased by individual members, by primary credit societies and by State Government. The Bank gets money mainly from the State Cooperative Bank and the Reserve Bank of India. Deposits of various types-savings, current recurring and fixed deposits are received from primary cooperative societies and individuals. It is the binding on the bank to create a statutory reserve fund out of its profits. The functions of the Central Cooperative bank are guided by the following motives. **(RBI,1976)<sup>20</sup>**

- ❖ To act as the connecting link between primary credit societies and State Cooperative Banks.
- ❖ To provide credit facilities to its member societies to enable them function more effectively.
- ❖ To act as a balancing center by diverting funds from surplus primary credit societies to deficient primary credit societies.
- ❖ To guide and control and working of its member societies.
- ❖ To maintain a supervisory staff to watch carefully the activities of its member societies.
- ❖ To strengthen the cooperative credit movement in the district.

## **2.5 Co-operative Land Development Banks:**

It is not adequate if farmers are provided with short- and medium-term credit. Equally important is the long-term credit, which is essential because it would facilitate structural changes and innovations in the agriculture sector. The long-term credit structure consists of the land development banks and commercial banks including regional rural banks. The Cooperatives namely State Central Cooperative Land Development Banks make Credit available to the farmers directly through a net work of their own branches or through the central cooperative banks." In the beginning, the long-term credit structure was not sound. It was recognized that cooperative institutions are not able to cater to the long term credit needs of the farmers. So, separate institution is

necessary for long-term finance. Thus, the land development banks emerged in the field of long-term credit for agriculture. Formerly, these were known as Land Mortgage Banks because of granting loans on the mortgage of land, with development process they were renamed as Land Development Banks. The structure of land development banks is federal in some states and unitary in others. In the states, which have unitary structure. State Land Development Banks provides finance directly or through a network of branches. And in those States, having a mixed pattern, the structure is federal with primary land development banks.

Primary land development banks either operate at the level of a district or a Taluka, depending upon the circumstances in different states in the country. They provide long-term credit to farmers. The purpose, for which credit is provided are redemption of loans, repayment of old tests, improvement and purchase of agricultural land, minor irrigation schemes and purchase of modern agriculture implements which are costly in nature. They assist the farmers to enhance their standard of living by protecting them from the clutches of money-lenders and also inculcate in them the habit of thrift. The banks lend money only to the members for a period varying between 10 to 30 years. The Cooperative Societies can also take the membership of the bank. The rate of interest charged by the bank differ from place to place.

State Land Development Banks are the apex level institutions in long-term Cooperative Credit structure. Such types of banks function and extent loans through their branches as well as primary land development banks. The membership of the bank is composed of primary land development banks. In a few states, individual members are also permitted to acquire its membership with certain restrictions. These apex banks float debentures and sell the long-term bonds in money market. The bank also acts as an agency which links the long- term banking and the RBI and the Government. The primary land development banks are guided, supervised and inspected by these apex banks. The Bank has its elected board of management. The

Directors are elected for a period of three years. Paid officials are appointed to handle the routine matters of the bank. The prime motive of the bank is to protect the farmers from falling victims to the middlemen and give them the necessary encouragement to save so that the process of capital-for-nation is stimulated." In the following part, an attempt has been made to analyze the performance of cooperative land development bank at national level on the basis of table.(**Sharda V,1986**)<sup>21</sup>

The overall performance of the Bank is satisfactory. But there is a need to frame a proper loaning policy to ensure the prompt recovery of loans. Government should develop a positive perception towards these banks by extending all types of help. The management should play an effective role and must encourage the innovative activities for their prosperity and development. Thus, the cooperative movement in India has achieved the heights which it was supposed to and flourished in the different fields of socio-economic activities. The role of cooperative movement in the development of PACS is particularly important under the situation where agriculture dominates all other economic activities. The role of cooperative movement in the development of PACS is particularly important under the situation where agriculture dominates all other economic activities. The PACS have significantly transformed the lot of its members and affected the structure of agriculture credit in the country. They have not only revolutionized the agricultural operations but also affected the credit utilisation behavior of farmers.

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## **CHAPTER-III**

### **REVIEW OF LITERATURE**

Very few researches have been conducted so far with special reference to the “**Operational Efficiency of District Central Cooperative Banks in Gujarat- A Comparative Study**” most of these researches did not adopt an integrated approach. In previous works, different aspects have been investigated and analyzed without taking notice of their inter-dependence on and relevance to other factors. Consequently, findings, too, are not virtually admissible. An attempt, therefore, has been made in this chapter to review some of the noticeable studies having direct or indirect bearing on the objectives of the present research work. For the sake of convenience, the review of literature has been divided into the following four broad categories:

- 3.1 Distribution of loans, advances and deposit mobilization through District Central Cooperative Banks.**
- 3.2 Management and working pattern of District Central Cooperative Banks.**
- 3.3 Marketing of banking product and consumer satisfaction through District Central Cooperative Banks.**
- 3.4 Other areas of District Central Cooperative Banks .**

### **3.1 DISTRIBUTION OF LOANS, ADVANCES AND DEPOSIT MOBILIZATION THROUGH DISTRICT CENTRAL COOPERATIVE BANKS**

Chakravarti, S.(1976) who has conducted a study, **“Role of District Central Cooperative Banks on distribution of agricultural loans”** is of the view that any developing economy in general is prone to inflationary tendencies and in this situation a time-bound programme for distribution of agricultural loans to cover 100 percent of the total requirement in the country make a vital contribution in both of stabilizing the prices and providing farmers’ protection against unfair practices. Indeed, even in normal course a strong credit movement is imperative for the protection of farmers’ interest. Yet today, the credit business of district cooperative banks does not exceed by 67 percent of the total requirement in the country. This is deplorably a small coverage for the large objectives designated for the movement.

Finally, it concludes that , District central cooperative banks can play a significant role, not only in distribution of agricultural loans but also in determining and approach to and contours of the Vth plan and in pre-planning of the projects for inclusion in the Fifth Plan.

Gaven, I.D.(1979) has studied **“The Impact of Agricultural loans and advances in Srilanka”** . Making the farmers survey data on the basis of the study, he has examined the utilization of rationing system of different organizations in rural, urban and estate areas and concluded that high proportion of total loans distributed through the cooperative banks to all income groups. Such incremental income, according to this study, enables the farmers to raise the use of different loans.

However the identification of target groups for channelisation of the benefit of the loan distribution has not been attempted. Such identification becomes essential in order to protect the lower strata of the society against

inflation. Further, the benefit should not be confined to the richer section of the society.

Kamant, G.S.(1984) studied **“The Distribution of Loans & Advances a View in Perspective”** . and sought to examine the most important aspect of distribution of agricultural loan i.e. the organization and operation of the loan distribution system through district central cooperative banks. The findings of the study are summed up there. The first phase of the scheme included such as short-term and medium term agricultural loans, housing loans long term loan for the purchase of agricultural implements. The second phase, which was hardly implemented, was intended to require district central cooperative banks to undertake distribution of some of the other category of loans (i.e. consumer loan, housing loan, vehicle loan etc.) as farmers were not by and large willing to obtained this services from the banks. Therefore, this should be especially at apex levels, either state or national.

He concludes that is essential that the cooperative bank must strengthen the confidence and the ability to provide a case further extension of the scheme in years to come on cooperative linings. All this can be accomplished by the cooperative banks only through proper management actions for which again they would need the right type of personnel. Time, alone will indicate as to what extant the farmers and this movement fulfill the expectations.

Kaushal, O.P.(1972) conducted a study, **“Proposed Channel of Distribution of loans for Rural farmers”** and strived for a channel of distribution suitable to the needs of farmers in the rural areas. In this paper he cited an example of the Corporation bank which has been successful in its experiment in providing the rural farmers with most of the financial requirements of their use under one roof.

Findings of the study emphasize that the strategy of the Corporation bank has been caught by the people who are pleased at the prospects of getting the financial assistance of daily use at their nearest point under one point.

Kumar, Rakesh (1983)studied **“The concept of regional Credit**



**Distribution Centre”** , and has concluded that the concept of Regional Credit Distribution Centre abroad may not proven suitable in Indian conditions because of the different socio-economic environment. New ideas and methods of implementation should be evolved in order to make cooperative credit movement more effective.

Murthy, M.G.K.(1984) conducted a study the “**Credit Delivery system in Andhra Pradesh**” . The main objective of this study was to examine the efficiency of this system in Andhra Pradesh. The goals, structure and existing communication system of the credit distribution system in this state has been examined to identify problems faced by organizations involved in rural credit distribution system. The study is severaly handicapped due to the paucity of information and records and the poor response of the informants. Necessary information was gathered from the offices of the various District Central Cooperative Banks.

The study concluded that the success of the rural credit distribution system depends much on the information reporting system and evaluation studies which will help in identifying and redressing the weaknesses and pitfalls in the system. The present plurality of control and confusion in coordination must be avoided through changes in the organizational structure. It is also suggested that a proper integration must be established among the various organs of the rural distribution system.

Prabhakara, Rao,J.V. and Prasad, R.(1983) in their study, “**Role of District Central Cooperative Banks on Distribution of Agricultural Loans – A new Concept**” observe the following aspects; (i) lack of proper organizational structure (ii) exploitation of the system by the private banks for their selfish advantages, and (iii) indifferent bureaucracy, have a ordinary farmer to loose the confidence in the system (iv) the lack of organized resistance and initiative on the part of farmers is another factor which has aggravated the problem.

To meet the problems of supply of some of these commodities, a two-fold strategy has been adopted. First is ‘Credit approach’ which envisages

preparation of annual credit budgets in the widest sense aiming at balancing the supply of the demand for the credit requirements. Secondly the area approach which seeks to ensure that essential commodities reach the vulnerable areas like tribal area, rural areas, semi-urban areas.

The findings of the study are that the existing Credit Distribution system consists of a network of about one lakh primary agricultural credit societies working in rural areas. Out of the total number of credit societies 67 percent are running on profit, 17 percent are no profit no loss and remaining are in loss.

Finally, the study suggests that the new type of structure of cooperative credit societies run with active participation from farmers members. The credit societies are among the most effective instruments in protecting the interests of farmers and hence, represent an extension of the credit distribution system. The cooperative movement should take more care in this area and play a two fold role in the credit distribution system. One is to manage credit delivery system and another is to establish credit with marketing and safeguard the interest of the farmers. It is also an accepted policy that mobile recovery system should be progressively brought under the cooperative sector.

Purushothaman, R.A.(1983) conducted a study of the “**Rural Credit Distribution**” . The main purpose of the study was to suggest measures to encourage and assist the farmers through cooperative societies. Here new concept has been developed according to which a chain of projects has to be chalked out. Each project, consisting of 20-30 societies linked for the purpose of credit distribution and its linkage with primary cooperative marketing societies.

The finding of the study are that the implementation of the rural credit distribution scheme of government of India has been made in the light of actual situations experienced by them. Therefore, it is but necessary that government takes care to avoid any deterioration in the quality of credit operations.

Saxena, A.K. (1983) undertook the study “**The Role of Cooperative in Credit Distribution System in India- with special reference to Agricultural Credit**”. The main objective of the study was to improve the distributional

channel of credit in rural areas. Under this scheme, short-term and medium term agricultural loan have been provided to the farmers on the basis of their credit limit. The existing channels of distribution are proposed to be improved and rationalized. Various committees comprising females from each Mohalla, or locality have been entrusted with the task of keeping contacts with farmers and inspection of retail outlets dealing with essential commodities.

The study finds that the experience gathered till now should be pooled in a channel to find out ways and means in which cooperative organizations are putting their efforts to develop the repaying habits among farmers.

Seshaiab, K Murthy & Sivashankar, P.R.(1984) have studied the **“Distribution of Agricultural Credit to the Weakest of the Weak: Some Issues”** . The main thrust of the study was to suggest ways to distribute rural credit to the weaker farmers especially those who constitute the poorest of the poor of the society, virtually to those who fail to protect themselves through mutual help and cooperation.

He concluded that despite the various steps taken by the government, the credit distribution system has been proved to be ineffective because of the inefficient internal management of the cooperatives and credit distribution system as well as the failure to have a nexus between production, procurement, transportation and distribution. The private bank can always circumvent the situation to the best of his advantage by corrupting the beaurocracy. Thus, unless there is a thorough overhaul to rectify these two-dimensional defects, any alternative system is destined clothed.

Shankarish, A and Madhusudan, Rao,P.(1983) studied the **“Operational Problems of District Cooperative Banks”**. An attempt has been made to study the problems of District Cooperative Banks in Maharashtra in general. The problems of District Central Cooperative Banks have been studied in terms distribution of credit and its recovery and other aspects economic viability etc. For the purpose of study, 12 Primary Agricultural Cooperative Societies (PACS) have been selected for a set of questionnaires. An official of the District Central

Cooperative Banks was also interviewed in order to cross check the information the problems, opinion and suggestions expressed by the farmers. The study was based on the analysis of data collection through questionnaires as well as through informal discussions with the dealers and officials.

The findings of the study, are much closed to the reality. It is suggested that the credit facility should be made available to the farmers at the door step so that unnecessary expenditure may be saved. According to the study 70% of the margin of the farmers may be saved, in this way. It will also eliminate the necessity of the recovery inspectors visiting the primary cooperative credit societies to verify the position of the recovery.

Shankariah, A and Sudrashan, R.(1984) conducted a study entitled the **“Cooperative Credit Distribution System- An empirical Assessment”**. The study aimed; (i) to assess the effectiveness of primary agricultural cooperative credit societies in the fulfillment of the objective of credit distribution system,(ii)to discuss the extent of the increased economic welfare through primary agricultural credit cooperative societies (iii) to assess the performance of credit distribution system, in which the majority of farmers are small farmers. The performance has been assessed in terms of farmers’ perception and image regarding the functioning of the primary agricultural cooperative credit societies through district central cooperative banks. An attempt has also been made to sort out the farmers’ difficulties in their dealings with the primary agricultural cooperative credit societies and to identify the future pattern, the primary agricultural cooperative societies would prefer.

For the purpose of the study the samples of 65 farmers Card-holders who are residing under the jurisdiction of “Laskar Singram “ cooperative societies in Warangal city Mucinipality have been drawn on the basis of random sampling. The main findings were: (i) An overwhelming majority of the respondents expressed that short term credit limit for Kharief and Ravi crops were not adequate to meet their household requirements. The majority of farmers also responded that the ‘A’ component credit limit sanctioned for Ravi

crop was not adequate. The existing operational defects in the credit distribution system should be rectified urgently to attain the objective of primary agricultural cooperative societies i.e. upliftment of the poor and vulnerable sections of the society. In this direction the suggestions forwarded might be of some help to the officials and the farmers concerned.

Srinivas, M. Murthy, A.K.(1983) undertook the research of the “**Credit Distribution System**” . The main objectives of the study were (i) to examine the viability of primary agricultural cooperative societies , (ii) to examine various socio-economic and procedural constraints in the operations of the system. For the specific purposes, a primary cooperative societies run by the farmers in Nandi an important town in the Telegans region of Andhra Pradesh was selected. The economic viability of the primary agricultural cooperative societies was examined in terms of the distribution of agricultural loan and expenditure incurred, recovery received and profit earned, the transactions for the month of January 1983 were taken into account to draw conclusion.

The findings of this study were that if the suggestions recommended are implemented, it is possible to boost the moral and motivation of farmers. They were likely to extend their whole-hearted cooperation for the success of the Credit Distribution System.

Subba, Rao K. (1980) had some reflections on “**What is Surplus State; Distribution of Agricultural Credit in Andhra Pradesh**” and tried to estimate the credit requirement for the State of Andhra Pradesh under certain assumptions. In the rural areas, credit distribution system covers;

- (i) Cultivating households with an operating holding of less than 0.5 hectare in the irrigated coastal area of Andhra Region and less than 1.0 hectares in the other regions;
- (ii) Agricultural labour in household industries.

In urban areas the entire urban population excluding the assessed households of income tax were proposed to be included in the credit distribution system. To work out these estimates, he assumed a minimum requirement of

agricultural loan and its distribution pattern in each area /unit. He concluded that Andhra Pradesh is not a surplus state, the rural and tribal areas were neglected and even across districts, people in the deficit districts were made to depend upon open market in such a way that ultimately the benefit of the farmers should maintained.

Syngal, B.S.(1985) concluded the study on “**Credit Distribution System through District Cooperative Banks in Bulgaria**” and attempted to find out how to save the peasant members from the exploitation of the big landlords and to ensure that the audit requirements will be catered on easier terms and in turn helping in improving the agriculture production. In this study, the author has pointed out that the main activities of primary agricultural cooperative societies in Bulgaria were not confined to retail trade on credit with farmers, other activities are: (i) distribution of agricultural inputs and supply of consumable items. The study observed the cooperatives as a essential tools of credit distribution system. He was also of the view that in India, due role has not been assigned to cooperatives and for many reasons they are kept out from the main stream.

Talwar, M.S.(1984) conducted a study “ **A Case study with Reference to its Role in the Credit Distribution system**”. The study aimed at developing an idea regarding a present arrangements of distribution of credit through the primary agricultural cooperative societies with its area of operation. To make the study complete, top officials, employees and farmers of credit cooperatives were surveyed and even non-farmers were also contacted.

The findings of the study are that all the credit activities for which the society was organized were being undertaken properly. Some of them were; (i) advancement of agricultural loan (ii) distribution of agricultural inputs and (iv) supply of consumable items. Lastly , it has been suggested that along with the present work and business activities, the management has also of the cooperative societies has also to deal with the following task, i.e. sound recovery on agricultural loan, distribution of fertilizer and other inputs to the farmers on time.

Umre, R.S.(1974) conducted a study “**Rural Cooperatives and Credit Distribution System**”. The main objective of this study was to protect the vulnerable section of the farmers from unjust rate of interest by ascertaining regular distribution of agricultural credit to them through primary agricultural cooperative credit societies.

The main finding of this study is that 50,000 village level societies and 2000 primary marketing societies and 2000 taluka level cooperative societies were engaged in retail distribution in rural areas. Their transactions were based on adhoc sales of agricultural inputs. As a result, many of them stopped functioning for want of regular supplies of food items. In view of these difficulties faced by village cooperatives, it was considered necessary to streamline the rural distribution system. For this purpose the National Cooperative Development Corporation, (NCDC) a Government of India undertaking, launched a scheme of distribution of agricultural credit through primary agricultural cooperative societies in rural areas on projected lines in 1974. The total turnover in rural areas was around 22368 crores. The turnover of agricultural credit societies was estimated at over 12000 crores. Thus cooperatives' share in rural business was approximately five percent. There was a programme to cover in this scheme all the villages in the country by the end of the Seventh Five Year Plan. It was expected that about 80,000 primary village societies would be brought under this fold and they would handle the business worth Rs, 20,000 crores by the end of Sixth Plan.

### **3.2 MANAGEMENT AND WORKING PATTERN OF DISTRICT CENTRAL COOPERATIVE BANKS.**

Balakrishna, V.K.(1985) conducted a study “**Personnel management of Credit Cooperatives**”. The main thrust of the study had been as to how to provide the best services to each member of strengthening the organization. According to it agricultural credit whether at top or at the lowest level, should develop individual policy as to suit the local socio-economic conditions. The

coordination in the policy adopted by each unit should also be sought. A suitable management cadre may also be evolved.

Bhattacharya, A.C (1979) conducted a study, “**Structure of Credit Cooperative Movement in West Bengal**” . The main objective of this study was to find out how to increase the credit business of cooperative credit societies with proper measurements and weights at just and reasonable prices. It established that in view of the great similarity in the objectives and activities of the District Central Cooperative Banks and West Bengal State Cooperative Banks, it was desirable that the farmer should confine its activities, exclusively, to the task of promotion and development of the movement while the commercial/industrial activities should be pursued by the West Bengal State Federation alone in the state. In other world every efforts should be put to avoid duplication of their work so that there is no unnecessary raise in prices at the retail business of credit societies.

Goel, S.L. (1977) attempted a study “**Organizational and Managerial problems of Apex Cooperative Organization**” and concentrated on the activities of the Apex Cooperative Banks Ltd Chandigarh. The findings of the study were that there is need to consider organizational development as a subject of long range and continuous efforts and not as an adhoc affair. This implies that planned change in one or more of the sub-systems of an organization should be done in such a way so that it may introduce the flexibility and adaptability into the system to cope up effectively with the complex external environment while maintaining its own dynamic forces. One organization can learn from the experience of other organizations which can suit for the ultimate objectives as stipulated for a cooperative organization.

Frank, R. E. (1969) analysed the “ **Borrowing Behavior for three frequently borrowed banking products agricultural credit, agricultural inputs and consumable items**” by using J. Walter Thompson panel data from July,1956 to June,1957. It was found that farmers category and income level have close links with loyalty with recovery of agricultural finance. The study also



identified and tried to define the basic farmers motives in selecting a society in the banking industry. A random sample of 300 farmers from north center of Franklin Country (Columbus), Ohio was taken for the study. The internal factors which influence farmers in the product selection were identified as a pleasant shopping experience, price convenience etc. Similarly, external (outside of the society) factor, such as advertisement, location, nearness of the other service centers and social influences among farmers were identified in effecting the store selection.

Khare, H.K. and Ukhalkar, A.S.(1974) conducted a study, “**Farmers Resistance and Marketing Management**”. The main objective of this study, was to discuss some problems which in the field of marketing management of credit cooperatives, were likely to be faced in the near future on the emergence of farmers movement in India.

It was concluded that their present activities would have to be pooled to search for an enlightened management philosophy which would create confidence in the minds of the farmers and at the same time maintain marginal earnings of their concerns. The details would have to be worked out in the practical field. One thing was, however, certain that the farmers were likely to dominate the area in the near future and persons responsible for marketing management would be put to trouble if they do not see the wordings on the wall and get prepared for it.

Lalwani, M. R. (1984) conducted a study “**Personnel Management of Credit Cooperatives**”. The study tried to evaluate the personnel philosophy and approaches to the personnel management to highlight; (i)the organizational planning and development, (ii) the staffing pattern, (iii) the training and development, (iv) the motivations, (v) the labour relations, and (vi) the personnel research.

It was found that the personnel policies, instructions approaches and regulations were very crucial factors for smooth running of the cooperative sector. Under the orientation courses, the cooperatives objectives could be

accomplished for poor masses of India by giving a fresh outlook to the personnel policies.

Modermott (1936) conducted a survey of **“Farmers reactions of buying from cooperative credit society”**. in the city of Chicago, on the basis of interview with 6334 farmers. It was found that the people preferred one product to another product because of the differences in prices, convenience, service, quality of product attitude of the employee and other credit facility provided by the society. By considering a sample of 124 farmers households of the areas surrounding the business district on Chicago’s North West side, it was found that only 33 percent of the farmers proved economical i.e. an appraisal of the store merchandise in terms of price, quality, variety and efficient distribution. The remaining two-third selected societies including the 17% at the most convenient place to minimize the cost of the product.

Narayan, B.(1974) did a research on **“Management of Credit and Farmers Behavior”** and attempted to analyze the various facets of economical, psychological and sociological behaviour. This study was based on a survey of a Primary Agricultural Cooperative Credit Society, Ranchi.

The study concluded that the decision of buying habits was influenced by many factors: (i) The persons, who stimulate, inform or persuade the consumer at any stage of the buying process e.g. the neighbour who narrates the experience, feelings, economy and variety of the use of a particular brand of fertilizer and its preference. A number of studies have shown that personal influences have played a decisive role in the choice of ‘branded fertilizer than the non-branded. This shows that farmers in India are as much amenable to communication and influences as elsewhere. (ii) The person who takes the decision to purchase a particular brand of fertilizer is most crucial, it is the farmer who, in general decides to purchase a particular brand or the primary agricultural society which decides to keep a particular brand at the store. Out of the 15,000 farmers surveyed, it was found that the house-wives played a decisive role in choosing a particular brand of fertilizer.

Rao, J. J. (1982) conducted “**A Study of personnel Management in Selected Primary Agricultural Cooperative Societies in Orrissa**” and suggested the following measures for effective personnel administration in primary cooperative societies. (i) The organizational set up in the society should be such as to bring about proper communication, co-ordination and distribution of duties, (ii) In bigger stores, a personnel section should be established, (iii) The organizational setup in the store should be such as to bring about proper communication, coordination and distribution of duties, (ii) In bigger societies, a personnel section should be established, (iii) The societies should prepare manpower plan based on long term sales budgets, (iv) detailed job descriptions and duty charts should be prepared for all the posts, (v) a system of job rotation should take place in the stores to the best of the employees’ potential, (vi) Internal promotions should be always be explored by the management while filling up a vacancy or a new post, (vii) All promotions should be based on merit base (viii) Service conditions and other fringe benefits should be made lucrative to retain and attract competent people. (ix) Training programme should be worked out for various categories of employees in the society.

Rao. J. J. (1982) conducted also a study “**Working of Primary Cooperative Societies in Orissa - a case study of the Balasore Primary Cooperative Credit Society**”. The study observed that the net earnings of the cooperative societies in Orissa have declined during 1979-81 as compared to previous years. The main reason for such trend was attributed to cost escalation in almost all heads.

Reddy, T. S. and Humpanna M. (1982) conducted a study “**Sales Management in Primary Agricultural Cooperative Societies**” . The main objectives of the study were;

- (i) to concentrate on achieving sufficient sale volume, providing ample contribution and
- (ii) to boost the profits providing continuous growth.

No specific sales policy was found in the society visited. It was

recommended that to promote a better sales, a proper sales policy should be laid down which could serve as the guideline for a day to day sales administration of the society. The District Central Cooperative Bank should extend credit to the recognized institutions. There was an abnormal delay in clearing the debts which blocks the capital culminating in the shortage of the working capital.

Finally, it can be said that the success of the societies depends much upon the coordinated efforts of all the Government agencies, semi-official and non-official organizations of farmers.

Singh N.K. Jalal, R.S. and Tiwari, M.M. (1984) conducted a study of "**Vocational Organization of Primary Cooperative Societies**". The findings of the study were that the spatial development of the primary cooperative societies is fundamentally based on the cooperation for economic and social welfare but these numerous cultural forces affecting morphogenesis of farmers' consumerism, farmers' destination-distance, cost of getting in touch with connectivity and opportunity, time cost and distanced cost and physical environment and farmer satisfaction and dissatisfaction are the replica of multidimensional, spatial and non-spatial characteristics of the primary cooperative societies.

Among the various spatial characteristics the locational aspect acquires paramount importance in performing economic interactions. The principal objective of the paper seems to be to provide an idea for the development of national policy for the location of the primary cooperative societies. It may be useful to the decision making bodies for primary cooperative societies to follow a rational locational policy for the benefit of mass farmers.

### **3.3 Marketing of Banking Product and Consumer Satisfaction through District Central Cooperative Banks.**

The main criteria for effective and efficient working of a store is the farmers' satisfaction. Some scholars have also attempted to throw light on the problems of farmers'. These studies are summed up below:

Garg, R.B.L.(1977) conducted a study "**Farmers Problem and Credit Cooperatives**" and attempted the various aspects of farmers problems such as adulteration, sub-standard products, higher retail margins, under weighing, misleading, advertisement and significant importance of credit cooperatives in holding price line as also in streamlining the public distribution system. It was concluded that the retail outlets should be stepped up with a view to diversify the range of agricultural product.

The study expected that in view of the keen interest on the part of the Government, both central and state, the agricultural cooperative movement may soon make a headway and was likely to provide required protection to the farmers who are mercilessly cheated by the retailers in private trade.

Gupta, A. P. (1977) conducted a study, "**Farmers Problems in India**" in which he attempted a following aspects of farmer problems viz, rise in prices, advertisement and promotional tactics, product delivery, product performance, maintenance and replacement, warranties, adulteration and hazardous products. He concluded that the farmer should know how to seek, use and evaluate the information available to him. Similarly, farmers' should be asked to avoid conspicuous consumption of it is not suited to an economy like ours. Finally, the farmers can thrive only with the active cooperation of mass media.

Kumar, A.(1974) conducted a study "**Buying Problems of Farmers**", and concluded that farmers in India have manifold problems, such as ignorance about goods, absence of an association, trading malpractices and poor implementation of the provisions of the various acts like Prevention of Food and

Adulteration and prevention Act, Indian Standard Institution Act. Among them, the problem of ignorance is universal in character. Consumers even in developed countries are not able to make intelligent purchases because of ignorance. Hence, the training of farmers, as recommended, should be the first step in the direction of the protection of farmers and effective implementation of the provision of various acts by strengthening the inspection directorate by committed persons, should be the second important step in this direction. The attitude of trader and manufacturer may also go in a long way in solving the problems with which an average farmer in India is confronted.

Narayan, Rao,(1974) studied “ **Managerial Problems of Agricultural Cooperatives**” with following earmarked objectives: (i) to analyse the day to day market conditions for purchase of agricultural produce , (ii) to purchase quality of agricultural inputs at favorable prices (iii) to arrange for scientific storage of goods.

The findings of this study were that if the District Central Cooperative Banks and Primary Agricultural Cooperative Societies are not doing well for the distribution of agricultural loan and deposit mobilization, the farmers have to go to go other financial institutions who may charge slightly more but who preserve an assured for the services. In a good number of cases, the demand of agricultural loan from the cooperative banks are more than non-cooperative banks. There are ample evidences of the cases where the unduly heavy overhead charges on agricultural loan have been claimed by the District Central Cooperative Banks and Primary Agricultural Societies which is basically responsible for raising the interest among non-cooperative base financial institutions. The private dealers are capable of influencing the farmers at a good rate of interest and services.

Pathak, S.C.(1977) conducted a study “**Managerial Problems of District Central Cooperative Banks**” and highlighted the managerial problems of DCCBs under the following four heads: (i) Planning (ii) Organization (iii) Motivation, and (iv) Control and suggested some remedial measures, viz., (i) to

correct the distorted situation, there should be no Government control (ii) The office-bearers and the members of the managing committee should be trained (iii) Audit is done by the independent Chartered Accountant (iv) A periodic inspection is done either by the Reserve Bank of India or by its agent. Prizes and shields may be awarded to encourage efficient working in cooperative banks, (v) Detailed planning of District Central Cooperative Banks should be done by them well in advance with active support from local leaders and educationists.

Prasad, B. (1977) conducted a research “**Farmer Problems in India**” . In the paper the author has categorized their main problems, i.e. (i) professional farmers’ problems (ii) Real farmers’ problems (iii) Common problems. He suggested the following measures to improve the conditions; (i) The government should provide more incentives to encourage the production. Re-introduction of development rebate in the name of investment allowance is considered to be a wise step of the Government of India in a right direction. (ii) India should recognize only one zone for the free movement of the required products. The decision of the Government with regard to free movement of agricultural credit and non-agricultural credit seems to be a right step to minimize the problems of farmers, (iii) It should be the responsibility of the Government not to encourage the export of scarce commodities, (iv) Government agencies should be directed to supply the uniform quality of the commodity in one installment. Sahoo, S.C.(1977) conducted a study, ‘The Real Problems of the Indian Farmers and presented the major points, such as dishonest traders, malpractice in a varied number of ways, such as adulteration, sale of limitation of agricultural product etc. He concluded that the present-day problem of the Indian farmer is due to the following reasons, (i) Demand for agricultural loan and its distribution through district central cooperative banks and primary agricultural cooperative societies. (ii) The agricultural cooperative movement is perhaps the most important chain for the farmers. (iii) The India farmer is poor and cognizant of his rights but does not exercise the same as a farmer (iv) Collective farmers resistance is absent

and has not been cultivated on a wide scale. (v) The gains from the consumer cooperative movement to the farmer has been a myth rather than a reality.

Saxena, A.K. (1983) conducted a study **“Practice and problems of District Central Cooperative Banks in U.P.”**, and highlighted a major problems of primary cooperative societies, as lack of financial assistance, poor managerial capabilities, lack of experienced supporting staff, non-inception of the proven methods of purchase and sales promotional activities.

It is concluded that the French system should be adopted to suit Indian Conditions to ensure the success of the wholesale and the retail trade. It should be restricted so that the economies of scales may be attained as a result of large size operations. All the branches can have uniformity in rates and other policies. As a normal practice there should be only one consumer society in a city operating through certain number of shops and its membership should be open to all such sections of consumers as it may deserve a character of the community institution.

### **3.4 Other areas of District Central Cooperative Banks :**

This section covers studies on many other areas of vital importance viz., finance, protection of farmers' interest, specific areas, problems etc. These are: Agarwal, N.C.(1974) studies **“Problems of Cooperative Banks and Solution”** . The findings of this study stress on the formation of the District Central Cooperative Banks for which the whole country may be divided in different zones. Family may be taken as primary unit. One hundreds families of a locality or an area may be allowed to form a cooperative. The present card holders who might be getting their supplies from their fair price shops be asked to get themselves enrolled as members of the primary cooperative society of their respective areas/localities. With full coverage of all the families of an area by the cooperative societies. The existing cooperative societies will automatically stop functioning and district central cooperative banks will reach commanding heights, and suggested the above scheme to protect the interest of millions



unprotected farmers in the country. If the above distributive scheme is implemented, it is expected that not only the interest of the consumer will be protected, but the district cooperative bank will also help the government to hold the interest rate to protect the interest of the farmers by making them available the articles which are in scarcity.

Batra, M. L. (1966) conducted a study "**Financing of Credit Cooperatives**" and concluded that the cooperative bank should be allowed by the Reserve Bank to adopt certain measures in the matter of financing primary agricultural cooperative societies, and for that too rigorous pattern in the matter of fixation of overall limits and margins may not be laid down. Marginal variations depending on the merits of the case should be allowed. Their ability to deliver the goods' was contingent upon the extent of finance they could mobilize. It becomes the responsibility of the Government to ensure that they are not starving of funds. This underlines the need to finalize the proposal for arranging "full finance" for primary cooperative societies on the basis of 25 per cent guarantee by the government as early as possible.

Bhalla, Y.D. (1983) attempted a study "**Distribution of Agricultural Loan in Udaipur**" (Rajasthan) and has found that the loan sub-committee scrutinizes the demand received from various benches and prepared the demand note for apex bank. The agricultural loan is being distributed to the farmers through PACS on the basis of their credit limit in both rabi and kharief crops.

Even in such cases good size of primary cooperative societies are contacted. For certain items, certain reputed PACS should at first, be approved by the loan committee of the DCCB.

Pai(1990) in his work, "**Cooperative Banks and Priority Sector Advances**" observed that, out of the total priority sector advances of cooperative banks in India, the highest share was given for trade (24.4 per cent) followed by small-scale industries (23 per cent) and housing constituted only 6 percent. The significance of the cooperative banks was left even in the early part

of this century. Many committees and working groups appointed by Government of India, Reserve Bank of India and State Governments have emphasized the importance of cooperative banks from time to time. Mac lagan Committee (1915)<sup>2</sup> stated that the need for cooperative bank as an ideal institution, to meet the credit and banking requirements of men of small means. In the committee report it was pointed out that, "credit societies and banks might serve a useful purpose in training the upper and middle classes to understand ordinary banking principles." In 1931, the Indian Central Banking Enquiry Committee highlighted the role of cooperative banks to meet the credit needs of small farmers, traders, small entrepreneurs and middle classes people.

**GOI (1931)** The Cooperative Planning Committee in 1946 observed that, " Cooperative Banks would be the most suitable agency for serving the credit needs for farmers and non-farmers in the rural areas The Committee stated as under:

**Government. Of India (1946)** "Joint stock banks are not interested in developing business of short-term Loans, because the cost of advancing and recovering them is high. Further, as joint stock banks are not likely to have under ordinary circumstances full and intimate knowledge of the standing and resources of persons of moderate means, they will not advance on personal security. On the other hand, there are, in rural areas numerous persons of small means, like traders, merchants, artisans, factory workers, street hawkers, motor and lorry drivers, who resort to money lenders and similar agencies for small loans and obtain them at high rates or interests. The cooperative banks qualify by establishing personal and intimate relationship with people for this class as the most suitable agencies for serving their credit needs.

The "**Rural Banking Enquiry Committee**" (1950) also commented on the role that cooperative banks could play in providing banking facilities. The committee observed that "cooperative banks, which were established in metropolitan cities, would be able to offer facilities both to urban people and to

individual farmers in the nearby rural areas, and in view of their relatively low cost of establishment and operation can go up to places smaller than the Taluka towns.

According to the “**Small Scale Industries Board Committee**”(1956) set up by the Government of India to consider the question of channeling loans to small scale industries through cooperative banks observed that: “.... the supply of credit by all existing institutional agencies is not adequate to demand and the proposal for utilization of cooperative banks for channeling loans to small scale industries has to be considered.

The “**V. P. Varde Committee**”(1983) pointed out the need to strengthen the cooperative banks, because of their significant role in development process of the downtrodden people in rural area . As the cooperative banking is an ideal institution to bring a socio-economic change in the country was expressed in all our Five Year Plans. The survey of Reserve Bank of India in 1958-59 and the study Group on Credit Cooperatives in agricultural sector in 1963 (Government of India(1963)<sup>8</sup> has also pointed out the role and importance of the cooperative banks. The main findings of the survey is as follows:

- a) First and foremost, they can organize and bring together middle and farmers in rural and semi-urban areas.
- b) The mobilization of savings by cooperative banks and the consequent drawing of resources into the Apex and Central Cooperative Banks, which are in need of funds to finance the rural, industrial and other functional cooperatives can contribute to general economic development.
- c) By providing credit on reasonable terms to the middle classes farmers, they can rescue them from the exploitation of moneylenders.
- d) By financing rural based industrialists and artisans in rural and semi-urban areas, they can make a significant contribution to agricultural and industrial development.
- e) They can provide intelligent, experienced and active leadership to the cooperative movement including the central and the Apex cooperative

bank. which in view of their federal character draw their directors from member institutions.

- f) The same opinion was also expressed in RBI Report on the survey of cooperative banks (1957-58). Working Group of Industrial Financing set up by Reserve Bank of India in 1967 (P.N. Damry Committee)<sup>9</sup> suggested that the cooperative banks were the only suitable agency which could successfully meet the credit needs of small scale units.

The “**Banking Commission**”(1970) appointed by the Government of India in February 1969 under the chairmanship of Mr. Saraiya R.G. has observed as under:

“Cooperative banks do useful work in mobilizing deposits and financing the agricultural and non-agricultural sector of small borrowers.... Another useful activity is financing of house construction and repairs for members of the banks. Also this type of banking provides a useful avenue of those who have the necessary ability to set up a bank”

### **Conclusion:**

This review of literature can broadly be divided in four categories. In the first, comes case studies, confined to a particular area whose findings can not be generalized as a cooperative banks choice and response changes from one to another banks. In the second, come those studies, which emphasize on theoretical discussions, based on secondary data which implies that some general assumptions and conclusions must be adopted to develop a country-wise network of institutions. Obviously, this is not cooperative banking practical and thinking on such lines may not prove fruitful for a country like India with diverse cultures and languages. Thirdly, some studies have been undertaken from the point of view of cooperative banks alone.

The fourth category aims at suggesting measures for improving the conditions after discussing little bit of managerial perspective and development of cooperative banks in recent past. Till now no study has been undertaken by any researcher so far as the Gujarat State is concerned. The customers as

well as cooperative banks have specific problems in this state after introduction of New Economic Policy and those can be brought out only where the study area is limited to district central cooperative banks and Gujarat State Cooperative Bank Ltd in Gujarat State. The present study will be expected a good step in this direction.

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## CHAPTER-IV

### PROFILE OF THE ORGANIZATIONS

#### 4.1 COOPERATIVE MOVEMENT IN INDIA:

Co-operative movement is hundred year old in India. The first ACT governing co-operative societies was enacted in 1904. Co-operators are aware of the important land mark in the history of development of co-operative movement in India. After 1904, Co-operatives Society's Act was amended in 1912. In 1919 Montague Chelmsford Reforms made one very important recommendation regarding co-operative movement. Co-operation as a subject was put in the state list. Even after independence after the Constitution of India came into being, co-operation till today remains a state subject under our Federal Constitution. In 1924 the principal of one man one vote was made applicable to both urban and rural societies.**(Bedi R.D,2000)**<sup>1</sup>

In the first few decades of twentieth century co-operative movement was not a significant movement or an important movement. But after independence as a result of Government encouragement and particularly the active role of the Reserve bank of India, co-operative movement began spread all over the country and in various sectors of economy particularly in the rural areas. Sugar Co-operatives emerged in Maharastra in 1950s. Marketing societies became very active in Punjab and Haryana in 1960s. Later on, co-operative movement in India became one of the largest and broad based movement. The union Ministry of Agriculture and Co-operation in its Annual Report of 1986-87 submitted to parliament has summarised the progress of the co-operative movement in India impressively in the following paragraph.**(Bedi R.D,2000)**<sup>2</sup>

The co-operative movement in India has emerged as one of the largest in the world. There were about 3.15 lakhs co-operative societies of all types in the country with the total membership of nearly 145 millions

and working capital of about 38,000 cores as on 30th June 1986. The co-operative movement in the country is largely rural based. The Government's emphasis on institutionalisation of distribution of inputs to the farmers and marketing of agricultural produce through co-operative owned by them has given an added impetus to the growth of the co-operative sector in the rural area.

During 1985-86 co-operative activities attained further heights. agricultural credit disbursed by the co-operatives reached the level of Rs. 3206 crores in 1985-86 as against Rs. 2905 crores in 1983-84. The value of agricultural produce marketed by the co-operatives during 1985-86 increased to a record figure of Rs.4193 crores against Rs. 3032 during 1984-85. Co-operatives distributed 38 lakh tonnes of fertilisers during 1985-86 accounting for about 42 percent of the total fertilisers distributed in the country. The co-operative sugar factories produced 41.56 lakh tonnes of sugar in 1985 -86 season accounting for about 59 percent of the National production of sugar co-operative occupies a significant place in the dairy development programme of "**Operation Flood** " they are being assigned important role in the production and processing of oil seeds." As experience in Maharastra has shown that their is a tremendous scope for development of co-operative in the development of lift irrigation and water management activity. Gujarat and Maharastra's experience in dairy development is to well known to need repetition. In many public utility services like distribution of electricity and canal irrigation water, co-operative organisations can play very effective role and therefore they should be encouraged to undertake these responsibilities so that people's participation and involvement can be brought about effectively and bureaucratic control and to some extent even establishment and overhead expenditure can be reduced. **(Mishra Baidhyanath, 1997)<sup>3</sup>**

There is also vast scope for development of organised marketing, processing and export activities on co-operative basis in a number of other agricultural commodities including vegetables, horticultural products,

flowers ,forest produce, milk and meat co-operative consumers stores can play a great role in providing services to millions in both rural and urban areas. But unfortunately our co-operatives consumer movement has not come up to our expectations. Despite these limitations we can be proud of the fact that co-operative movement has expanded vastly in various fields and sectors in the post independence period. A number of successful co-operatives are functioning today in the country. Some very outstanding co-operatives workers and leaders are playing a very vital and important role in the advancement. But during this very period some very unhealthy features have overtaken the co-operative movement and it is likely that the very future of the entire co-operative movement is likely to be endangered as a consequence of these adverse developments. **(Mishra Baidhyanath, 1997)<sup>4</sup>**

Some leaders of the co-operative movement do not bother about the principles of public morality and use all means fair or foul, to get elected as leaders in some of the co-operative institutions. Many of the these leaders use their positions in these institutions as a stepping stone to secure positions in political field. This has vitiated the atmosphere in the co-operative movement. Instead of managing these co-operative organisations as business organisations political motivation is influencing the decision making process. Naturally the functioning and development of the co-operative movement is adversely affected as a result of this.

One of the major drawbacks in the movement has been its extreme uneven regional development. Though some historical and social factors are responsible for this and adequate corrective steps have not been taken to rectify this position by the concerned State Governments. Though the co-operative movement is supposed to be voluntary and free from Government and political interference, political and Government interference has become the main feature of the movement now a days and as a result, the development of healthy co-operative movement is itself endangered. It is a common experience that the elections of co-

operative organisations are postponed under one excuse or the other to suit the convenience of the ruling party. Suppression of the committees if management for political reason and replacing them by Government nominated bodies has become quite common throughout the country. State Government also appoint Government Officers as chief executives without giving deep thought to this problem. Co-operatives are mainly business and economic organisations and officers with economic and business background alone can manage these organisations. **(Singh K.G.1998)<sup>5</sup>**

In addition to business abilities, executives who are supposed to manage co-operatives, must understand the basic principles of co-operative organisations and problems of human relationship. But the State Government makes appointments without these considerations. Government has no adequate personnel to run and manage the public sector or State owned enterprises. Most of the officers whom Government appoints for public sector units are officers who have no economic background or experience to run these organisation as business executives. The general problems of law and order or administration are different in nature than those of development. Most of the government undertaking in the country today are incurring heavy losses because Government officials are unable to provide leadership on economic and industrial matters. Co-operative movement is mainly an economic movement, as has been already mentioned. It has to be run on sound economic and industrial principles. Productivity and Profitability has to be the important objective in running such organisations. Despite Government's awareness that they have no adequate personnel to run economic organisations, they are tempted to appoint officers of their choice in order have political control of these organisations. It is common experience that Ministers or even Chief Ministers try to influence the election of the office bearers of their choice in important Co-operative organisations. They thus act against the principles of co-operative

movement. Smaller political functionaries try to emulate them at lower levels and hence political interference has become inseparable part of the co-operative functioning. Because of this politicians are striking at very root of the co-operative movement and causing incalculable and irreparable harm to the movement. Indian societies already fragmented and a non-cohesive society because of the rigid caste system. For healthy development of the co-operative movement, better cohesive and democratic atmosphere has to be developed in the society. In fact politicians and social workers can play a great role in this regard, but instead they are using the co-operative organisations as instruments in their power struggle and actually accentuating the divisions in the social life. Unless this is corrected, the future development of the co-operative movement will be seriously affected.

Co-operative institutions built and run on sound democratic and business like principles can be an important cornerstone of the democratic structure of the society. They can give the lot of strength and vitality to the Nations. In order to achieve these goals. National & State leadership must have clear principled policy approach and full trust in the democratic functioning of these organisations. **(Siva Prakashm 1993)<sup>6</sup>**

Fortunately country, Prime Minister Shri Atal Behari Vajpai seems to be aware of these problems. He has addressed recently a very important communication to the Cooperative Ministers of the State during drawing their attention to the basic tenets of the co-operative movement and asking them to have regular election of the co-operative institutions and not to have political interference in their functioning. Co-operation is well known, is a State subject. As the new political pattern is emerging in this country, different political parties may be in power in different States. Particularly in this background Prime Ministers directives are important for all the states in India, but they are more important from the point of view of congress ruled States. Chief Ministers in congress ruled States must strictly adhere to the guidelines given by the Prime Ministers. As a result Prime Minister's

directives will have great moral value and impact and also protecting the interest of consumers. Despite difficult political situation in the country, Prime Minister has been good enough to find some time for the cause of co-operative movement. It shows that he attaches great importance to third historic movement particularly in the background of Indian conditions. But ultimately the future of the co-operative movement in India will depend upon the co-operation of the State Governments and leadership of the co-operative movement (TOI, 2002)<sup>7</sup>

#### **4.2 COOPERATIVE MOVEMENT IN GUJARAT:**

Co-operative movement in the Gujarat State has taken deep roots. While looking back to the history of movement in the state, one will have to view the history of cooperative movement right from the beginning of the current century. At present, Gujarat occupies a front line position amongst all the States of India in the field of development of co-operatives. However, much is left to be desired, if we evaluate the expansion of cooperative movement with special reference level of population, literacy, area and industrial development of the state.

It is also necessary to refer to certain important facts which are apparently visible and prove to be a hindrance in the development of the state in general and cooperative movement in particular. For instance, the high proportion of tribal and economically backward population inadequate irrigation facilities per hectare and recurrence of natural calamities in the form of drought conditions. One will have to accept certain limitations which any movement has to face when it is directed towards the service to the community. And that is done not always catch the right direction of the activity should not give rise to disappointment. One should rather take such failures as an opportunity for turning point for future planning in a such a way that the changes of a failure minimised, if not eliminated and the movement gathers momentum towards uninterrupted progress. Every human being will always inculcate this approach for progress and

institutions particularly the cooperatives which are organisations run by human beings are required to adopt this approach which ultimately proves beneficial in the overall development of the institutions themselves. Development of Co-operative movement in Gujarat is very much diversified and it covers every possible area of economic development . It would be in the fitness of things, if we take co-operative movement in the State as the central point for various economic activities in social as well as public life. However, Co-operative workers out of sheer modesty do not project co-operative movement in this following order. The cooperative can be divided into a number of sections and sub-sections according to the needs of society and economic development. Despite this, it is a matter of satisfaction that various sub -sections covering number of economic activities within the Co-operative fold are intent woven with each other in such a manner that they project themselves into a unified cogent and solid co-operative movement at State level.

In fact, Co-operative movement has achieved high degree of success in certain specific areas and fruits of this achievement have become available directly or indirectly to the community at large in the State. Basic Co-operative infrastructure in the State has developed into a well spread network. While reviewing the economic development under co-operative fold, one should not forget the role played by the leadership committed to certain principles and value based practices and had foresight the future development of the State. Equally important are the successors to this leadership. Who have maintained their spirit of development of co-operative movement and have also introduced various innovations from time to time. One cannot forget the dedicated professional and faithful employees who have given their life-long time for development of co-operative movement. In fact Gujarat is really fortunate in having continuous flow of such leadership and professional executives in maintaining the developmental pace of co-operative movement. **(Garg M.C. & Joshi MM,1997)<sup>8</sup>**

Within the co-operative structure of the State, agricultural credit societies occupy important place, similarly agro - based co-operative processing societies are also important organisations operating on co-operative basis. They are engaged in processing of agricultural produce into various finished and semi -finished products for meeting the requirements of the consumers in the market. There are also operative organisations which have undertaking purchase and sale of agricultural produce and processed goods with reasonable prices beneficial to both agriculturists and consumers. there are also co-operative organisations which have specialised themselves in planning various activities preparing projects for establishment of various processing units. There are also organisations within co-operative fold looking after housing projects various types of activities necessary for better living conditions. There are also co-operative education institutions engaged in training and developing a new line of co-operative leaders, professionals executives and trained employees. There are also experts to review the working of co-operative movement and to give guidance for future development amongst all these institutions / organisations and infrastructure, there is a network of co-operative financial institutions in the State consisting of State Co-operative Banks, District Co-operative banks, Urban Co-operative Banks and Land Development Bank.(**Bedi, R.D.,2000**)<sup>9</sup>

Different segments of the co-operative movement have special and specific problems depending upon local features, economic conditions of the area, level of literacy, social and religious customs, business and ground rules and regulations of the State level and local institutions and above all local and State level index of efficiency. There are the forces influencing co-operative movement and create chain of questions to be answered within various co-operative organisations.(**Jain Pramodlata,1990**)<sup>10</sup>. As pointed out earlier failure in any direction should not result into frustration but it should be taken as an opportunity for turning point for future planning. this, the stagnancy in the movement



should always provoke a process of thinking regarding the state of stagnancy and the future action of planning. peddling a cycle on stand, no doubt gathers speed, but it does not cut any ground. Similarly a continuous process of development very often creates growth fatigue or leads to sense of complacency. Such a state of affairs is an impediment in future development for any individual and the same is true in case of organisations. **.(Jain Pramodlata,1990)<sup>11</sup>.**

On a review of co-operative movement in Gujarat with specific reference to the figures, statistical tables, graphs etc, stagnancy in the movement in certain quarters becomes visible. Attempts to break through such stagnancy will lead to progress. It is also necessary to review the working of any movement with objective outlook. Wherever, the rest-pose in the continuous process of any movement comes, it should not be taken as stagnancy. It is like a couple driving in the hand- driven cart and taking rest at noon in the middle of the onward journey. Here one should not mistake the couple to be tired of the journey. In fact, they should be taken as having rest pose with a view to cover the distance and reach the final destination with firm determination. **.(Jain Pramodlata,1990)<sup>12</sup>.**

In the process of development, there should be continuity. In case of certain segments of Co-operative movement , a stage of growth of fatigue becomes visible after continuous process of progress. Such a situation should not be taken as stagnancy but it should be considered as process of rest pose. Any section or sub section of co-operative movement is ultimately connected with economic achievements. To maximise such achievement is the goal of co-operative within the co-operative movement it has also to be ensured that profit is judiciously distributed within the members and organisations which may ultimately formulate the society with justice and equality and management on democratic lines.

It is in the context that research in the segments of co-operative movements is considered very necessary. In statistics what is known as "audit" and in sociology what is known as 'freshening' both are very much

necessary in co-operative movement . Connivance at 'audit' and 'freshening' is fatal to any economic activity. So far as co-operative movement is concerned this becomes more fatal because co-operative movement is not a system for achieving only economic goals, but it is also connected with the judicious distribution of the profit among the members for elevating their economic and social life. **(Rais Ahmad. 1996)**<sup>13</sup>

Well wishers of co-operative movement as also thinkers and experts have to analyse various aspects and performance of co-operative movement for indicating future direction for further development of the movement. For these things, first of all it is necessary that basic and reliable data becomes available . it is indeed difficult, if not impossible , to collect reliable information about co-operative movement which is pared over entire State covering very remote places of rural population. For the convenience of the readers the cooperative movement in Gujarat has been divided into two categories. The details is as follows. **(GSCB,1994)** <sup>14</sup>

#### **Pre-independence era:**

The first experiment in organised co-operation was made in Baroda in 1889 with an urban credit society, **ANYONA SAHAYAK SAHAKARI MANDALI** (now **ANYONA SAHAKARI BANK LTD.**) was formed to relieve middle class people from financial distress. The society got itself registered as a co-operative under Co-operative Societies Act 1912 and converted into an urban co-operative bank in 1966. It has developed enormously in membership, share capital, deposits and volume of business, and works as leading urban bank of the town. **(GSCU,1996)** <sup>15</sup>

The first agriculture credit society registered under the Act in 1904 was **VISALPUR CO-OPERATIVE CREDIT SOCIETY** in the Dascori Taluka of Ahmedabad district followed by Degam Co-operative Credit Society in valsad district. The first urban co-operative bank in the state registered in 1909 was the Jambusar People's Co-op Bank in the Bharuch District.

The seed of multipurpose society. sown in 1912 at kodinar, has paved the way for crop loan system under the integrated scheme of rural credit. The land development banks organised in 1934-35 during the depression period developed throughout the State since 1960 got united into the State level body called Gujarat State Co-operative Land Development Bank.

The Co-operative marketing of cotton undertaken voluntarily by a few cultivators in Surat District has paved the way for successful co-operative efforts for marketing and processing of cotton, sugarcane, milk, oilseeds, foodgrains, fruits and vegetables and other agricultural products at primary, central and apex levels. The State has also been ahead in the organisation of Non-agricultural Co-operative Credit Societies, Forest Labourers Societies for Adivasis, Co-operative Housing, Industrial Co-operatives, labour Contract Societies, Lift irrigation, Farming, Poultry and Fishery Co-operatives. The Sardar Bagayat Sahakari Mandal for export of Banana to foreign countries, IFFCO, KRIBHCO and Rural Electrification co-operatives are some of the notable developments. **(Silver Lining,1991)<sup>16</sup>**

Co-operative Societies Act of 1904 provided for registration of Credit Societies, whereas Co-operative Societies Act, 1912 opened the way for the organisation of societies for purposes other than credit and also for the formation of federations of societies. Accordingly, primary societies for supply, housing etc. and District Co-operative Bank and Union of societies were formed. The earliest of these societies were formed in the Surat and Bharuch districts. The development of co-operative housing societies in Ahmedabad after the world war Also significant. **(Mulani J.M,1992)<sup>17</sup>**

The erstwhile Bombay Province passed its own cooperative legislation in 1925. During this period, the agricultural credit structure was arranged on the model recommended by the Maclagon Committee in 1915. Taluka level union/societies were formed for supervision of primary

societies. Enterprising efforts were made for cooperative marketing and processing of cotton in Surat district. Another notable development during this period was in the field of cooperative education and training. The Bombay Provincial cooperative institute was formed for the purpose as early as 1918 and gradually began to operate in the districts through the district branches which organised training classes for secretaries of societies. It is also noteworthy that a cooperative training school was started as early as 1929 in Surat. **(Mulani J.M,1992)<sup>18</sup>**

The period from 1937 to 1947 was a period of reorganisation and revitalisation of the movement. The conditions created by the war resulting in the short supply of consumer goods and housing accommodation in urban area gave fillip to consumer and housing co-operative movement particularly in urban areas. At the same time societies such as lift irrigation societies, milk producers societies, industrial societies also began to be formed in great numbers. Taluka and district purchase and sale unions were formed mainly for supply and distribution work for which preference was given to the co-operative societies by the Government. The preference given by the Government to co-operatives for procurement of food grains and distribution of consumer and other controlled commodities during and after the war period gave changes to the movement to prove its utility in services to the community. **(Mulani J.M,1992)<sup>19</sup>**

### **After independence**

The integrated scheme of agricultural credit introduced in 1947, paved the way for organisation of multipurpose societies. The whole structure of agricultural credit for short and medium term loans was placed on sound footing. Arrangements for supervision and co-operative education and training were also made. Experiments in co-operative farming were also launched. Thus Co-operation became an instrument of planning and was assigned important role to play in the economy of the State. During this period, the Reserve Bank of India began to play an

increasing role for the supply of co-operative agricultural credit. **(Jaya S.Anand, 1999)<sup>20</sup>**

Following the recommendation of the report of the committee on Rural Credit Survey of India, integrated structure of cooperative credit, marketing, processing, warehousing, and cooperative training was developed. Large sized credit societies, farming societies, housing societies for low income and backward classes people, forest labourers and labour contract societies, industrial societies, milk and milk unions, fisheries cooperatives, etc. were formed in large numbers during the two plan period. Arrangements for co-operative education, training, publicity and propaganda were made at all levels. District Co-operative Unions were formed for the purpose. Within the Third Five Year Plan period the movement made progress in respect of Land Development finance, marketing and processing, housing, milk production, co-operative education and training etc. **(Jaya S.Anand,1999)<sup>21</sup>**

In the field of agricultural credit, the emphasis was placed on Service Co-operatives after the resolution of National Development Council in 1958. The Reserve Bank of India played a vital role in respect of agricultural credit in the State by way of assistance for seasonal and term loans based on production oriented system of lending for agriculture. The following table shows the overall progress of cooperatives in Gujarat.

**Table : 4.2**  
**General Performance of Cooperatives in Gujarat**  
**(Rs. In lakhs)**

Years/Party.	1961	1971	1981	1982	1983	1984	1991
No. of Socys	13959	20312	32229	34377	35786	37174	43833
Membership ('000)	2053	4097	6741	7317	7838	8340	9853
Share Capital	2434	9658	24973	26748	29191	31815	37875
Owned Funds	3574	15321	57149	65385	73937	83324	98152
Deposits	3660	17168	105296	118860	143529	176943	215862
Working Capital	16434	07339	318863	375607	442585	499685	517645
Total loan outstanding by PACS	3630	16138	64182	74609	6889	102747	135964
Total outstanding by PACS	4403	23529	70178	838998	101470	118791	156739
Of which overdue	695	2298	18426	14844	16849	17545	28962
Percentage of overdue to outstanding	15.78	9.77	26.26	17.69	16.60	14.77	18.47
Amount in Profit	246	1140	4822	8116	8798	9862	10529
Amount of loss	131	362	3062	2699	4330	3766	4129

**Source:** Data Compiled from R.B.I statements.

The above table indicates that the overall progress of cooperative movement in Gujarat from 1961 to 1991 seems to be quite satisfactorily. The number of societies increased by 214 percent during 1991 over the period from 1961. The amount of profit of all cooperatives also increased by 4180 percent . The share capital and the working capital has also increased by 1456 and 1213 percent respectively during the same period. It is also revealed from the table that the composition of membership during 1961 to 1991 has increased by 379 percent over 30 years of span which seems is remarkable.

### **4.3 PROFILE OF GUJARAT STATE COOPERATIVE BANK**

The Gujarat State Co-operative Bank Ltd (GSCB) was established in the year of 1960, as an Apex Bank for the Cooperative Credit structure in Gujarat for meeting the Short-term and Medium-term credit needs of the

farmers in Gujarat. **(GSCB,1990)**<sup>22</sup> This structure consists of: (i) Gujarat State Cooperative Bank Ltd (GSCB) at the apex level,(ii) District Central Cooperative Banks (DCCBs) at district level and (iii) Primary Agricultural Credit Societies (PACS) at the Grass-root level.

As an apex institution, GSCB is a Banker's Bank in the Cooperative Banking field and it works as a financial intermediary, a conduit of new ideas and novel projects and it mostly leads the cooperative movement in the State. The GSCB is expected to mobilize deposits for the cooperative credit movement, meet credit needs of its constituents (DCCBs as also PACs), provide necessary banking services and work as a balancing centre **(MCIS-1993)**<sup>23</sup>

The GSCB has played a very crucial role in the spread and growth of cooperative movement in Gujarat since its inception and has been an intrinsic partner in accelerating growth of Gujarat's economy. The GSCB has achieved a phenomenal growth in its owned funds (share capital and reserves). The owned funds have increased from Rs. 183.33 lakhs in 1960-61 to Rs. 20524 lakhs in 1996-97. This has considerably enhanced the borrowing capacity of the bank and enabled it to meet the short term and medium term credit needs of its constituents. The GSCB has also experienced a manifold increase in its deposits. The deposits have gone up from Rs. 6.08 crores in 1960-61 to Rs. 1779.91 crores in 1996-97. All these along with the borrowing from the NABARD & SIDBI has enabled the bank to increase its advances from Rs. 14.64 crores in 1960-61 to Rs. 868.51 crores in 1996-97 (GSCB)

A prudent management of funds by GSCB has enabled it to earn reasonable profits over the years and transfer substantial amount of operating surplus to special reserves before arriving at net profits. The profits so arrived have been used for paying 15% dividend on share capital and meeting the obligation of statutory reserves and provisions. The table No. 4.1 shows the general performance of GSCB for last five years:

**Table- 4.3**  
**THE GUJARAT STATE CO-OP BANK LTD. AHMEDABAD**  
(Rs. in lacs)

S#	Particulars	1994	1995	1996	1997	1998
1	Share Capital	802	851	9149	968	1049
2	Reserve	16110	16659	18148	19555	20661
4	Borrowing	20109	21142	47252	20717	69663
5	Investments					
	(a) With Banks	54850	22575	33180	52021	115082
	(b) Other Investments	32028	39241	53503	67330	94236
6	Advances	51964	58505	79205	86850	95674
7	Profit	180	199	277	306	315
8	Working Capital	16175	141927	185566	232267	337274
		7				
9	Cost of Management	454	448	535	630	715

**Source:** Annual Reports of Gujarat State Cooperative Banks Ltd. Ahmedabad

#### **Management of GSCB:**

The Gujarat State Cooperative Bank is managed by a Board of Directors periodically elected and the key committees appointed by the Board. The Board of Directors is composed of the following members:

- i) One representative of each District Central Cooperative Bank.
- ii) Two representative of Urban Cooperative Banks and Banking Unions.
- iii) One representative of Industrial and other Cooperative Societies.
- iv) One representative of Land Development Bank.
- v) One representative of Apex Marketing Federations.
- vi) Not more than three directors representing the State Government.
- vii) Managing Director (Ex-officio).
- viii) Two Directors who may be co-opted by the Board.

At present the Board of Directors consists of 25 members. The important feature of the Board is the vast representation of all the DCCBs in the State. The Managing Director (MD) is a chief Executive of the Bank and he is assisted by joint Chief Executives and two General Managers i.e. General Manager (Finance and Development), General Manager (Banking and Accounts) and four Managers i.e. Manager (Personnel &



Administration), Manager (Banking & Accounts), Manager Agriculture and Manager Finance and Chief Officers and other staff. As on today there are 223 employees working in the Bank.

To facilitate the decision making process and disposal of urgent matters requiring Board's attention, the Board has set-up four important sub-committees.

- i) Executive Committee consisting of 12 members of the board and meets as and when necessary.
- ii) Industrial Committee, which consists of 14 members of the board and meets as and when necessary.
- iii) Staff Committee consisting of 14 members and meets as per need.
- iv) Legal Committee consisting of 14 members and meets as per need.

The decisions of these committees are sent for information and further directions of the Board when it meets once in 3 months. In addition to these committees, GSCB also convenes the meetings of Chairman and Managers of all the DCCBs in the State for comprehensive review twice a year.

#### **4.4 PROFILES OF DCCBs IN GUJARAT**

The District Central Cooperative Banks are the central financing agency in the entire district. At the district level, 18 Central Cooperative Banks including one Taluka Cooperative Banking Union with their 1026 branches are operating within their area of operations. District Banks cater the financial needs of the Urban Cooperative Credit Societies, FSS, LAMPS and other non-agricultural Societies. Taluka and District Sales and Purchase Unions etc through their branches spread at Taluka and Village levels in the concerned District and thereby cover whole State.

The District Central Cooperative banks are managed by a Board of Directors which are periodically elected. Either General Manager or Manager is heading the DCCB as a Chief Executive. The General Manager is assisted by several Managers, Branch Agents and Inspectors.

If the Manager is the Chief Executive, he is assisted by Assistant Managers, Branch Managers, Agents and Inspectors. Inspectors are largely responsible for guiding the PACs under their charge in the development of business.

As stated earlier, the District Central Cooperative Banks are working as a Central Financing Agency for the development of Cooperative Movement in the District. Their main functions are as follows:

- i) To provide Short term and Medium term credit facility to Primary Cooperative societies.
- ii) To provide Working capital to agro-processing units.
- iii) To provide Banking facility to the public.
- iv) To provide Deposit mobilization.

The short term agricultural advances is the most important credit activity for the DCCBs. A prescribed application form is filled up by the DCCBs cropping in mind the credit policy and the revised scale of finance for various crops. The farmers asset statement is prepared/revised once in three years. This statement provides the land holding pattern of the members. This data is used in arriving at the total requirements for short-term credit to be requested in the prescribed form to GSCB and NABARD. Later on, DCCBs request the PACS to prepare a detailed normal credit limit statement and this is approved by the DCCBs and the sanction is accorded to PACS.

The applications are called for well in advance (June – July) before the onset of Kharif Crossing Season. The DCCBs send these applications along with the information on internal lending resources, overall demand and recovery position of the Bank. At the DCCB level the scrutiny is carried out to verify the eligibility of the Bank and amount of re-finance in view of the internal lending resources and minimum involvement requirements. The application received along with the scrutiny memo are put up before the GSCB's Executive Committee for their approval and forwarded to NABARD through the Registrar of Cooperative Societies,

Government of Gujarat. In case of “C” category of Banks (and even in same cases of “B” category Banks), NABARD insists upon the Government guarantee. The planning process for this activity is fairly well reutilised.

In addition to short term agricultural advances, the DCCB sanctioned short term cash credit for marketing of crops. The DCCBs have to make their request for refinance on prescribed form around November – December of the year. The detailed form requires comprehensive information for each society during the last four years. The scrutiny at the GSCB level is to see that the financial data required to be furnished has been fully provided. This application is also put up before the Executive Committee of the GSCB for approval and then forwarded to NABARD through the Registrar of Cooperative Societies, Government of Gujarat. The request for short term credit limit for marketing depends upon the availability of such Societies or District Purchase and Sales Unions which are either involved in processing and marketing of farmers produce or purchase and distribution of agricultural inputs to members and also to non-members on cash and credit basis. The short term cash credit is also used by societies which run the consumer cooperative stores. The amounts of the cash credit depends upon the eligibility of the society and the level of the business envisaged.

The conversion of short term loans to medium term is dependent upon scarcity on the basis of annawari declaration. Some of the DCCBs in Gujarat have initiated special rehabilitation programmes for outstanding principal as well as interest. The farmers with overdue loans are asked to pay 10 to 20 percent of the demand and the rest of amount is rescheduled and fresh loans are given on the basis of actual repayments.

In addition to providing short term and medium term agricultural advances to the farmers, primary cooperative societies also undertake the activities of providing manners, improved seed and pesticides as also distribution of necessities of life. Similar activities are also undertaken by

purchase and sales unions operating at the taluka and district levels for which non-agricultural advances are provided by district banks. Besides, necessary finance for working capital requirements is also granted by the district banks to cooperative sugar factories, spinning mills, dairies, consumer stores, urban banks and as such various types of credit limits are granted to other cooperative societies.

The mobilization of deposits is a very crucial aspect in the resource mobilization efforts by the DCCBs. The challenge is to mobilize large quantum of low cost saving bank deposits.

Through deposits have shown a reasonable growth rate in most of the DCCBs, the problem has arisen with RBI directive effective from 9.10.92 which offers very high rates of interest on deposits of 46 days to 179 days. The DCCBs are required to pay  $\frac{1}{2}$  percent and urban cooperative bank 1 percent more than the prevailing rates on such deposits. The potential customers who may otherwise have placed their savings in saving bank deposit account preferred to place the same in the short term deposits. In any cases at least 50 percent of the deposits of DCCBs are institutional deposits from PACS requiring high interest payments. Therefore, the proportion of Low cost savings deposits in the total deposits has become less than 40 percent. Thus the average cost of deposits has considerably gone up. The DCCB do not undertake any special efforts to mobilize deposits except occasionally reminding the branch managers about this aspect of their task. Given the interest rate structure, DCCBs can hardly bring about improvement in the composition of deposits. The change in composition can be brought-out only if the RBI reduces the rate of interest on the short term deposits to the level where it is marginally higher than the saving deposits. Most DCCBs have been extremely conservative in expanding the branch network and hardly any DCCBs has undertaken a special savings drive to mobilize low cost saving deposit or use any agents for this purpose.

To provide other banking facilities to their customers is also one of the important functions of DCCBs. All the DCCBs have provided safe vault deposit facility particularly at Urban branches within their locality so that more and more customer can attract with this facility. The following table indicates the overall performance of District Central Cooperative Banks working in Gujarat.

**Table- 4.4**  
**General Performance of District Central Cooperative Banks in Gujarat**  
(Rs. in lacs)

S#	Particulars	1993	1994	1995	1996	1997
1	Share Capital	13181	14912	15729	16688	17839
2	Reserve	16320	35816	31493	35845	37913
3	Deposit	199531	237050	256478	283856	370426
4	Borrowing	46039	35946	46283	53992	47657
5	Advances	149616	154985	170560	205379	227870
6	Profit (No. of Banks)	1374 11	1385 12	1233 14	1285 11	1390
7	Loss (No. of Banks)	-546 4	-36785	-4303 3	-20130	-20708
8	No. Profit / No loss	3	1	1	1	
9	Working Capital	302231	340360	370147	441401	524469

**Source:** Statistical data of the Gujarat State Cooperative Bank,.  
Published by the Gujarat State Cooperative Bank Ltd.  
Ahmedabad.

The table indicates that the overall performance of DCCBs in Gujarat was found increasing from 1993 to 1997. Total deposits and advances are also increased by 129.44 percent and 78.79 percent respectively during the same period. Out of total advance the percentage of short term agricultural advances increased by 256.08 percent. However, there is substantial increase in working capital by 162.73 percent during the same period. It is also observed from table under reference that out of 18 DCCBs only 09 are in profit and remaining 09 are in loss. The total profit earned by 09 DCCBs in 1997-98 is 13.90 crores and the loss of remaining 09 DCCBs is 207.08 crores. It means there is overall loss on the business of all DCCBs by (Rs. 207.08-13.90) = Rs. 193.18 crores during 1998-99.

## **4.5 Profile of Selected District Central Cooperative**

### **Banks:**

To study the overall operational efficiency of selected DCCBs in Gujarat in general and business performance in particular was one of the main trust area of this study. To fulfill this task a detailed study of four DCCBs have been conducted. The detail performance of District Central Cooperative Banks on working and management pattern four DCCBs namely, Ahmedabad, Banaskantha, Rajkot and Surat have been selected on the basis of discussion had with General Manager of Gujarat State Cooperative Bank, Ahmedabad. While selecting DCCBs an efforts have also been given to cover the sampled DCCBs from each cooperative region in the state of Gujarat. . The detail profile of the sampled DCCBs is as follows:

#### **4.5.1 Profile of Ahmedabad District Central Cooperative Banks Ltd.:**

The Ahmedabad district is one of the well developed districts of Gujarat State. District is well known for its larger turnover in the trade and commerce due to inbuilt business acumen of its people in general. The district was formerly known as the Manchester of the India due to the prevalence of large number of textile mills. Now the situation is different. The soil of the Ahmedabad district is medium black (Goralu), which is highly suitable for agriculture. The main crops of the district are cotton, paddy, bajra, wheat and jawar. Pulses are also grown in some of the areas Cotton is main cash crop. Ahmedabad district among the highly industrialised district in the country. There are 152 large and medium industries. 2580 registered small scale units and 12567 rural and cottage industries. There are 56 industrial estates of which 46 are in Co-operative sector. **(GOG,1998)** <sup>25</sup>

Ahmedabad district Co-operative Bank was registered as a District Central Financing Agency in the year 1954 under the provisions of the then Bombay State Co-operative Act.,1925 in the co-operative sector. However, earlier in the year 1922, it was registered as a Daskori Taluka Federation. In the year 1925 it was functioning as a Daskori Co-operative Banking union, Objects of the union were alike District Bank. The working

was restricted to certain talukas. In the year 1937, it started functioning as a central Co-operative Bank and in the year 1954 coverage was extended for the whole district. Consequent upon the formation of the Gujarat State and reorganization of the Saurashtra State Co-operative Bank Ltd ; this Bank was affiliated to Gujarat State Co-operative Bank Ltd., and is working as a Central Financing Agency in Ahmedabad District. Furthermore, Gandhinagar was considered to be the capital of Gujarat and a new District Viz. Gandhinagar District came into existence from 1-03-66. Bank extended its area of operation to this newly formed district also. Thus, Ahmedabad District Co-operative Bank is working as Central financing Agency for Ahmedabad as also Gandhinagar District. **(Land Mark, 1991)**

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### **Banking Structure in Ahmedabad District**

There are about 486 commercial bank's branches, 11 branches of private sector banks and 102 branches of Ahmedabad District Co-operative Bank and 7 branches of Land Development Bank. Over and above this , 65 Urban Co-operative Banks and their 279 branches also function well with all banking facilities.

### **Organisational Structure of the Bank**

The Ahmedabad District Co-op. Bank has got more than 100 branches in the district, out of which 18 branches and the head office have got own buildings and function with all required banking facilities, bank tries its level best for having own buildings for the rest of the branches. It is needless to say that bank's own building impressed upon the peoples' confidence in bank. There are the members of the bank. As such this bank is well organised one having very good network of branches.

### **Management and Administration**

Management of the bank vests in Board of Directors consisting of 25 members, including 3 representative of Government and Apex Bank of the State. Members of the Board are elected as per its by-laws, which provides democratic management. It is a policy making body. Day to day administration vests in the administrative machinery, which consists of managerial staff as well as middle level management and junior staff. Staff members are given some training, which adds to their knowledge and

improves the skill. As such , Bank is having the advantages of professional management.

### **Loaning Policy and Procedure**

Bank has adopted production oriented loaning policy under project approach. It tries to fulfil the concept of developmental banking and recently it has also adopted the credit planning under the service area approach. Most of the loaning are done for agricultural production purposes as well as to generate income from employment opportunities. These all are in consistence in the broad framework of national objective. The general performance of Ahmedabad district central cooperative banks has shown by the following table.

**Table 4.5.1**  
**General Performance of ADC Bank , Ahmedabad**  
**(Rs. In Lacs)**

Sr #	Particulars	1996-1997	1997-1998	2000-2001	% age Increased over 97-01
1.	No. of Branches	116	118	122	5.17
02.	Share Capital	2028	2433	3609	77.79
03.	Reserve & Other Fund	20531	18848	24609	19.86
04.	Deposit	83365	95220	148166	77.73
05.	Borrowing	393	1105	36856	9378.81
06.	Advances	32012	33990	74595	133.02
07.	Working Capital	103474	116764	218836	111.49
08.	Profit	-	-	660	-
09.	Loss	2952	102.66		

**Source :** Data Compiled from Annual Report of ADC Bank, Ahmedabad



The above table indicates that there is an increasing growth of Ahmedabad district central cooperative banks in all the area. The number of branches increased by 5.17 percent during the period from 1996-97 to 2000-01. The share capital and reserves are also increased by 77.79 and 19.86 percent respectively during the same period. It is also revealed from the above table that the growth trends of share capital and deposit is similar, while the banks has borrowed heavy amount during 2000-01 as a result the percentage increased by 9378.81 percent during same period.

#### **4.5.2 The Banaskantha District Central Co-op.Bank Ltd.**

The Banaskantha district is located on the boarder of the country at remote corner of the State with large area under desert having inadequate rainfall. Non- availability of raw material due to poor infrastructure, lack of entrepreneurship are the main cause of industrial backwardness of the district. However, the small scale industrial units and cottage and village industries are being established in Palanpur, Kanodar and Deesa. GIDC has established industrial sheds at Palanpur, Deesa, Sirohi and Ambaji, Chhapi and Bhabhar area. Diamond cutting and polishing and is bagel processing units are in Palanpur and cold storage units for storing potato in Deesa. The main cottage industries are handloom, weaving ,leather tanning, carpentry, poultry, tailoring, shoe making, cloth making, cloth printing and dyeing bamboo works, gold and silver ornaments are the popular activities. Further GMDC is exploring the possibility of mineral development such as copper, zinc at Danta taluka near Ambaji. Further a number of quarries have been established recently in Palanpur and Danta talukas. Marble cutting units and mini cement plants are being established in Danta block.

#### **Banking Structure in Banaskantha District**

There are about 106 branches of commercial banks including regional rural banks. The Banaskantha District Co-op. Bank has 84 branches and eleven branches of Gujarat State Co-op. Land Development

bank are functioning at Taluka headquarters. Most of the branches opened by the banks are in rural areas.

The Banaskantha District Central Co-operative Bank was registered as a District Central Financing Agency in the year 1959 under the provisions of the then Bombay State Co-op. Societies Act, 1925 in the Co-operative Sector. At that time bank was affiliated to the Bombay State Co-operative Bank Ltd. Consequent upon the formation of Gujarat State and reorganisation of the Saurashtra State Co-op. bank in to the Gujarat State Co-operative Bank , this bank was the affiliated to the Gujarat State Co-op. Bank and is now working as a Central Financing Agency in the Banaskantha District.

Banaskantha district is located in the northern part side of Gujarat State. Banaskantha is the third largest district of the State. it is surrounding by Rajasthan in the North, Mehsana in the South, Kutch in the West and Sabarkantha district in the East. The district divided into eleven talukas. There are 1369 villages and 5 towns in the district. The important towns are Palanpur, Deesa and Radhanpur.

The soil of the district is loose, sandy and porous and cannot retain much moisture. Bajra , Jowar, Wheat, Cumin and Mustard continued to be major crops of the district. Area under double multiple crops is increasing. The percentage of double/ multiple cropping area to net area sown has increased from 16 to 28 percent as per 1993-94 data.

### **Organisational Structure of the Bank**

The Banaskantha District Central Co-operative Bank has got 112 branches in the district, of which 18 branches and the head office have got their own building, and functioning with all required banking facilities. It is needless to say that bank's own building impress upon the peoples' confidence in the bank. there are 1345 co-operative societies , which are the members of the bank. Thus, bank is well organised one having good network of branches in the district for providing service to the rural population.

### **Financial Working of the Bank**

Total advances of the bank remained over Rs. 3231.11 lakhs of which Rs. 1091.27 lakhs assigned for non-agricultural activities. Rs. 10.08 lakhs is marked as project lending, Rs. 30.16 lakhs as IRDP finance and industrial finance is Rs. 118.72 lakhs. Among non-agricultural activities interim finance to Co-operative housing society for constructing residential houses and milk houses predominate appreciable. Bank achieved 2nd rank in the recovery by obtaining 90.29% recovery in the Gujarat State. Bank's owned fund and deposit reached to the tune of RS. 566.91lakhs and Rs. 4704.32 lakhs respectively. Total working capital of the bank reached to Rs. 5725.88 lakhs and earned net profit of Rs. 46 lakhs during the year 1988-89.

### **Management and Administration**

Management of the bank is vested in the Board of Directors consisting of 19 members, including Government and Apex Bank's representatives. Members of the Board are elected as per the by-laws, Which provides democratic management. It is a policy making body. Day to day administration machinery, which consists of managerial staff as well as middle level management and junior staff. Staff member are given training, which adds to their knowledge and improves the skill.

Bank has adopted production oriented loaning policy under the project lending scheme. it tries to fulfil the concept of developmental banking recently it has adopted the credit planning under the service area approach. Most of the advances are for production purposes as well as to generate income from employment opportunities. These all activities are in consistence in the broad framework of national objectives. The following table indicate the general performance of DCCB Banaskantha for the period from 1996097 to 2000-01.

**Table 4.5.2**  
**General Performance of DCCB, Banaskantha**

(Rs. In Lacs)

Sr #	Particulars	1996-1997	1997-1998	2000-2001	% age Increased over 1997-2001
1.	No. of Branches	112	115	112	-
02.	Share Capital	752	881	1616	114.89
03.	Reserve & Other Fund	2571	2750	4433	72.43
04.	Deposit	13909	15726	26603	91.26
05.	Borrowings	2022	4438	6211	207.17
06.	Advances	10388	12162	23998	131.02
07.	Working Capital	19519	24335	40900	109.95
08.	Profit	120	128	290	141.67
09.	Loss	-	-	-	-

**Source :** Data Compiled from Annual Report of DCCB, Banaskantha.

It is indicated from the above table that the overall performance of DCCB Banaskantha is highly remarkable the highest percentage increased from 1997 to 2001 was registered in the case of borrowing. The main reason behind that the banks has borrowed money from higher institutions during the period from 1998 onwards because as per RBI norms these banks has to make provision of non-performing assets on standard, bus-standard, doubtful and loss loans. The table also revealed that the net profit increased by 141.67 percent during the period from 1996-97 to 2000-01. It is also revealed from the sources that the bank is number three position in the state in the case of profitability and other resources.

### **4.5.3 Shree Rajkot District Co-operative Bank Ltd.**

Rajkot district Co-operative Bank was registered as a District Central Financing Agency in the year 1959 under the provisions of the then Bombay State Co-operative Societies Act.,1925 in the co-operative sector. At that time the bank was affiliated to the Saurashtra State Co-operative Bank. Consequent upon the formation of Gujarat State and reorganisation of Saurashtra State Co-operative Bank, this bank was affiliated to the Gujarat State Co-op. Bank Ltd and working as a Central Financing Agency in the Rajkot District.

Rajkot is one of the 6 district in the Saurashtra region of Gujarat State. It is centrally located in Saurashtra peninsula. The District consists of 13 talukas with 12 towns and 855 inhabited villages. The land, by and large, is plain and the type of soil in Gondal, Dhoraji, Jetpur, Upleta and Jamkandorna taluka is rich black, while in Jasdan, Rajkot, Paddhari, Wakaner, Lodhika and Kotdasangani talukas is light brown and rocky soil, mixed soil observed in Morbi and Maliya talukas. Groundnut, Cotton, Bajra, Jowar and wheat are grown in the district. This district is selected under National Oilseed Development Programme (NODP). Total population of the district according to 1981 census is 20,93,094 of which rural population is 12,28,772 i.e. 58.71 percent.

The district famous for a manufacture of oil engines and pump sets throughout the country. there are 61 large and medium industries in the district. Most of them are located in Rajkot and Morbi block. There are 8 industrial estates set up by Gujarat Industrial Development Corporation, in which 362 industrial sheds and 466 industrial plots have been allotted to various entrepreneurs. The important industries set up in the district are oil mills, solvent extract plants, cotton ginning /pressing factories , forging and casting, clock manufacturing units, dyeing and printing works etc. Of late diamond cutting units and silver / jewellery units are also being set up. 140 industrial co-operative societies also working in the district. The co-

operative dairy provides marketing support to dairy activity. Rajkot district is rich in mines and minerals. Fireclay, sandstone, limestone, mounding sand and white chalk are main mineral deposits.

### **Banking Structure**

A good network of banks' branches exists in the district. There are 205 branches of commercial banks, of which 79 are located at rural centres. Rajkot District Co-op. Bank has 101 branches, most of these branches are located in rural areas. The Gujarat State Co-op. Land Development Bank has 13 branches in addition to this, there are 32 branches of Jamnagar, Rajkot Gramin Bank.

### **Organisational Structure of the Bank**

The Rajkot District Co-operative Bank has got more than 115 branches in the district , of which 64 branches have safe deposit vault facility. 38 branches and the head office have got own buildings. Bank's own building impressed upon the peoples confidence in the bank. Bank had organised agricultural cell for providing guidance and information on agriculture and various rural development schemes. there are 358 Primary Agriculture Credit Societies, 318 Milk producers; Co-operative societies , 383 Housing , 1 Co-op. Sugar Factory, 13 Sales and Purchase Union, 3 Co-operative Processing Societies, 2 Farmers Service Societies, 43 Consumers, 18 Lift Irrigation and 128 Co-operative Credit Societies. Thus, bank is well organised with very good network of branches.

### **Financial Working of the Bank**

The total advances of the bank remained over Rs. 98 crores of which Rs. 35.31crores assigned for non-agricultural activities. Bank's owned fund and deposit reached to the tune of Rs. 1793.67 lakhs and Rs. 11228.51 lakhs respectively. Bank financed to the tune of Rs. 317.25 lakhs for construction of Godown and 7 oil tankers under National Grid Scheme for Rural Godown. The bank earned net profit of Rs. 72.00 lakhs during the year 1988 -89.

## Management and Administration

Management of the bank is vested in the Board of Directors consisting of 22 Directors. Members of the Board are elected according to the provisions made under its bye-laws, it is a policy making body and day to day administration vests in the management machinery, which consists of Manager, 3 Deputy Managers, 3 Assistant Managers and 468 middle level management and junior staff, Staff members are given training under various training courses conducted by Co-operative training colleges, which adds to their knowledge and improves the skill.

## Loaning Policy and Procedures

Bank has adopted purpose oriented loaning policy under crop loan policy. It tries to fulfil the concept of developmental banking and recently it has adopted the credit planning under the service area approach. Most of the loaning are done for productive purposes as well as to generate income from employment opportunities. Bank provides agricultural as also non-agricultural advances under IRDP and advances to non-farm sector under NABARD scheme. The following table indicates the general profile of DCCB Rajkot.

**Table 4.5.3**  
**General Performance of DCCB Rajkot**  
(Rs. In Lacs)

Sr #	Particulars	1996-1997	1997-1998	2000-2001	% age Increased over 97-01
1.	No. of Branches	102	114	115	12.57
02.	Share Capital	970	969	1199	23.16
03.	Reserve & Other Fund	6099	6864	11133	82.53
04.	Deposit	34062	36625	54606	60.32
05.	Borrowing	2035	2186	12553	516.85
06.	Advances	9739	12105	41379	324.87
07.	Working Capital	41189	44747	75589	83.52
08.	Profit	350	635	665	90.00
09.	Loss	-	-	-	-

**Source :** Data Compiled from Annual Report of DCCB Rajkot.

The above table indicate that the overall performance of DCCB Rajkot is quite satisfactorily. The growth of the bank during 1996-97 to 2000-01 has very remarkable and unitary. The bank is earning profit since inception. The profit of the bank has increased by 90 percent during the same period. The advances and working capital has also increased by 324.87 and 83.52 percent respectively during the same period.

#### **4.5.4 The Surat District Co-operative Bank Ltd.**

The Surat District Co-operative Bank was earlier in the year 1909 registered as Surat District Co-op. Union gradually developed various types of activities in the interest of farmers. By 1921 all types of banking activities were adopted and by the year 1923-25 it was registered as Surat District Co-op. Bank . The Bank was affiliated to earlier Bombay Provincial Co-op Bank Ltd. Consequent upon the formation of Gujarat State this bank was affiliated to the Gujarat State Co-op. Bank and is working as a Central Financing Agency in the Surat District.

Surat District located in South Gujarat. The north and south is bounded by Bharuch and Valsad districts respectively, while on the west it faces Arabian sea, On the eastern side it is contiguous to the districts of west Khandesh and Nasik of Maharashtra and the Dangs of Gujarat. For the administrative convenience the district is delineated into thirteen talukas. The district has 11 towns, 1184 inhabited and 84 uninhabited villages. Additional 65 new villages are increased due to settlement of ukai dam rehabilitation in songadh, Uchchhal and Nizar talukas. The soil of Surat district is clay loam type and poor in drainage. In general, soil water as well as the sub-soil water in coastal area is saline. The western half of the district has flat, deep and fertile soils. Whereas the eastern half has undulating areas and shallow soil. Part of Choryasi and Olpad talukas also possess karyi land and coastal area. Paddy, Jowar, Tuber and other pulses are main food crops or cash crops are sugarcane, groundnut, banana and vegetables. Farmers adopts the advantage of crop rotation by



sowing lequiminous crops followed by non-lequiminous crops. By adopting crop rotation the fertility of the soil will increase and disease to crops are taken during all the three seasons viz. Kharief, Rabi and Hot weather season.

Surat district has witnessed industrial boom during the last two and half decades. The main industries in the district are textile, chemicals, engineering, sugar mills, paper mills, milk unions and cement processing units. Besides the traditional industries of the district viz. jari, diamond cutting / polishing and fast growing art silk industry play pivotal role in the state economy. The " Kribhco" multi unit co-op. society has set up a giant fertilizer complex and started producing 1.45 million tonnes of urea year with an investment of more than Rs. 950 crores. The plant will raise the status of industrial activities and will strengthen the backbone of the economy of the district. Main large scale units are fertilizer factories, sugar factories, paper mills, cement processing units, engineering and chemical industries, milk unions, metal foundry units and beverage factories. At the same time, the pace of the growth of small scale industries has been very rapid in Surat District. In the rural and cottage industries sector activities like handloom, carpentry, hosiery, tailoring, black smithy, bricks making etc. are well developed. In the co-operative and Khadi and village industries sector there are 222 societies relating to different traders with total membership of 40,000 units giving employment to more than one lakh persons.

The Gujarat Industrial Development Corporation bank expanded its activities in the district by establishing 5 industrial estates. On National Highway No. 8 near Kim Char Rasta a big industrial estates is coming up. Instead of developing upon various industrial corporations, the industrialists of Surat district have established 67 industrial estates at various places in the district on co-operative basis. Thus Surat district is well developed industrially as also agriculturally.

### **Banking Structure in Surat District**

Surat District is considered to be a gold district in respect of banking infrastructure. The total number of commercial bank's branches including the branches of Regional Rural Bank was 249 in February 1988 with an average coverage of 9816 persons per branch, which is much lower than the level envisaged by RBI to cover 17,000 persons per branch. In addition to commercial banks branches network 51 branches of Surat district Co.op bank 13 branches of Land Development Bank, 4 branches of Gujarat Industrial Co-op. Bank provide the additional banking facilities. Furthermore 17 branches of 7 urban co-op. banks function in Surat which cater substantial financial needs of Surat city.

### **Organisational Structure of the Bank**

The Surat District Co-op. Bank has got 51 branches , out of which 18 branches and the head office have got own buildings and function with all required banking facilities. Over and above this there are 225 primary agricultural co-op. societies along with the large agricultural multi purpose societies is broad based in the district to cater the needs of the rural population.

### **Financial Working of the Bank**

The total advances of the bank remained over Rs. 4065.76 lakhs of which Rs. 2957.98 lakhs assigned for non-agricultural activities. Bank's owned fund and deposit reached to the tune of Rs. 1825.37 lakhs and Rs. 18181.10 lakhs respectively. Total turnover of the bank reached to Rs. 20871.52 lakhs and earned the net profit of Rs. 75.20 lacks during the year 1988-89. Bank distributed dividend to its member at the rate of 12%. This trend is continued since 1979-80.

### **Management and Administration:**

Management of the bank is vested in the Board of Directors consisting of 20 members including 4 nominated directors of which 2 are nominated by Government, 1 District Registrar and 1 nominated by Gujarat State Co-op. Bank. Members of the Board are elected as per its bye-laws,

which provides democratic management. It is a policy making body. Day to day administration vests in the administrative machinery, which consists of managerial staff as well as middle level management and junior staff. Staff members are given training which adds to their knowledge and improves the skills as such bank is having the advantages of professional management.

### **Loaning Policy and Procedures**

Bank has adopted production oriented loaning policy under crop loan system and provide S.T., M.T., credit facilities to the farmers according to the instructions given by NABARD from time to time. It tries to fulfil the concept of development banking and recently it has also adopted the credit planning under the service area approach scheme. 80% of the total short -term crop credit programme sponsored by lead bank was fulfilled by the Surat District Co-operative Bank. Bank finance the remote village of forest area under IRDP scheme. Bank has entered the non - farm sector advances under NABARD scheme. Thus, most of the finance granted by Surat District Co-op. Bank are for production purposes as well as to generate income from employment opportunity. These all activities are in consistence in the board frame work of national objectives. The following table indicate the general performance of DCCB Surat.

**Table4.5.4**  
**General Performance of DCCB Surat**  
**(Rs. In Lakhs)**

Sr #	Particulars	1996-1997	1997-1998	2000-2001	% age Increased over 1997-2001
1.	No. of Branches	58	58	58	-
02.	Share Capital	299	317	448	49.83
03.	Reserve & Other Fund	9357	10966	13421	43.43
04.	Deposit	58591	70787	99825	70.37
05.	Borrowing	4618	2019	1795	- 61.13
06.	Advances	37782	29301	35389	- 6.34
07.	Working Capital	71590	81093	112509	57.15
08.	Profit	275	375	386	40.36
09.	Loss	-	-	-	-

**Source** : Data Compiled from Annual Report of DCCB Surat.

It is seen from the above table that the overall performance of the bank is satisfactorily and steady. One interesting indicator revealed that percentage increase of borrowings and advances is negative by 61.13 and 6.34 percent respectively during the period from 1996-97. The deposit and working capital is also increased by 70.37 and 57.15 percent respectively during the same period.

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## **CHAPTER-V**

### **BUSINESS PERFORMANCE OF SELECTED DCCBS AND GSCB**

The formation of cooperative society was to provide agricultural loan at reasonable rate of interest was one of the motto of cooperative movement at the initial stage. The first cooperative credit societies act was introduced by the Government of India in the year 1904 with the intention that the focus of cooperatives would be given to the farmers and all primary cooperative credit societies will distribute agricultural loan to the farmers at the reasonable rate. As long as the growth of cooperatives began the activities and diversification of cooperatives also developed, as a result the birth of cooperative credit structure took plan and presently three tier cooperative credit structure is functioning. At the grass root level primary agricultural cooperative credit societies is directly distributing the agricultural loan (Short-term and medium term) to the farmers, at the center level district central cooperative bank (DCCB) is monitoring the credit structure and at the apex level state cooperative bank (Apex Bank) is facilitating the credit requirement of the state. The present study focus of the overall all business scenario of district central cooperative in Gujarat in general and selected GSCB and DCCBs in particular. The entire chapter has been divided into three parts the first part has focused on the over all business performance of Gujarat State Cooperative Bank (Apex Bank) , the second part strive the overall business performance of District Central Cooperative Banks in Gujarat and the third part has maintained the detail

analysis of business performance of selected District Central Cooperative banks in Gujarat. All the data has been compiled manually for five years starting from 1996-1997 to 2000-2001. Appropriate Pie Charts and Squire Charts have also been prepared to pinpoint the detail analysis of the data. The detail analysis of all the three parts of the chapter is as follows:

### **5.1 Business Performance of GSCB:**

The Gujarat State Cooperative Bank Ltd (GSCB) is mainly engaged in providing advances for the agriculture and rural development in the State through 17 District Central Cooperative Banks and one Taluka Banking Union. All are operating through the network of their 1026 branches and about 7500 PACS and 185 LAMPS affiliated with respective DCCBs. The Bank is also engaged in providing advances for industrial development through Primary Urban Cooperative Spinning Mills for the purpose of production, procurement, processing and marketing activities.

The basic objective of the Bank is to provide production advances for the Kharief, Rabi and Summer Season to the agriculturists/farmers. The short term credit limits are sanctioned by the Bank to the DCCBs for fulfilling their lending targets. With the commencement of the working from 1960-61, the Bank entered in the field of agricultural lending by sanctioning short term credit limit of Rs. 14 crores to the DCCBs. After 36 years of working, the Bank sanctioned Short term credit limit to Rs. 350.21 crores to different DCCBs in the year 1995-96. Thus limit to the extent of 25 times were provided by the Bank during the period of 36 years (Landmark) 1991. Short term credit limits for financing agriculture can be obtained from NABARD



for providing short term advances to farmers for their agricultural operations. Normally, NABARD charged interest on such advances @ 3% to 5.5%. However, NABARD stepped up the rate of interest by 2% making the range between 5% to 7.5% with effect from 1<sup>st</sup> July, 1996.

In addition to providing advance to farmers for agricultural operations, a system of marketing arrangement has also been evolved within cooperative framework to secure better prices to the farmers by marketing their agricultural produces at the most appropriate time of market. A system has been evolved in such a way that direct recovery of production credit limit from marketing could be obtained and necessary procedure has also been arranged accordingly. Efforts are also made to establish coordination between credit and marketing under the system of marketing advances.

The GSCB has gradually accumulated Rs. 3334.70 lacs for Agricultural Credit Stabilisation Fund from its profit. This fund is mainly utilized for granting Medium Term Conversion Loans to district banks according to the norms fixed under the scheme introduced by NABARD for providing conversion advances in the area of State where the farmers fail to repay the dues under the Short-term agricultural loans on account of failure of crops due to famine conditions prevailing out of natural calamities such as insufficient rains, excessive rainfalls, nuisance of pests etc. In such circumstances their unpaid short term dues are to be converted into medium term loans which are recoverable within a period of three to five yearly instalment basis. As many as 30 industries and services under broad

categories are approved by NABARD under the non-farm sector. The GSCB has undertaken the work procuring refinance from NABARD towards the non-farm sector finance made by the district banks since the year 1986-87. In the earlier years NABARD used to provide 100% automatic refinance towards, the advances made to non-farm sector. However, the scheme was introduced by NABARD in the year 1995-96 to extend refinance upto 80% against these lending. The GSCB received refinance worth of Rs. 761.00 lacs from NABARD which was above the targeted figure of Rs. 738.00 lacs. As many as 17 DCCBs in the State did commendable work in the area of lending to non-farm Sector.

The following table indicates the overall business operation of GSCB for last three years.

**Table-5.1.1**  
**Overall Performance of GSCB Ltd. Ahmedabad(Rs. in lacs)**

Sr. No	Particulars	1990-1991	1993-1994	1996-1997	1999-2000	2000-2001	% age increase over 91 to 01
1	Share Capital	724	802	969	1247	1336	84.53
2	Reserve	13930	16111	19555	20276	21085	51.36
3	Deposit	59255	113115	177991	261033	274153	362.66
4	Borrowing	22203	20109	20717	39559	43374	95.35
5	Investments (Total)	19064	32029	119352	188504	178461	836.12
6	Advances (Total)	63119	51965	86850	123443	150912	139.09
7	Profit	28734	27481	306	335	353	-98.77
8	Working Capital	28589	27220	232267	338300	355788	1144.49
9	Cost of Management	145	261	631	862	1039	616.55

Source : Annual Reports of Gujarat State Cooperative Bank Ltd., Ahmedabad.

The above table revealed that the overall performance of the GSCB is steady. The share capital increased by 84.53 percent during the period from 1990-91 to 2000-01. the reserves and total investment increased by 362.66 and 836.12 percent respectively during the same period. It also revealed from the above table that the working capital increased by 1144.49 percent during 1990-91 to 2000-01. the cost of Management is also increased by 616.55 percent as a result profit of the GSCB decreased by 98.77 during the same period. The detail analysis of overall business operation of Gujarat State Cooperative Banks has shown by the following table.

**Table**  
**Business Performance of GSC Bank Ltd. (Rs. in lacs)**

Sr. No	Particulars	1996-1997	1997-1998	1998-1999	1999-2000	2000-2001
01	Total Deposit of which	<b>177990</b>	<b>232151</b>	<b>247668</b>	<b>261033</b>	<b>274153</b>
	* Savings	110 (0.06)	164 (0.08)	166 (0.09)	212 (0.09)	236 (0.1)
	* Current	17318 (9.73)	15178 (6.53)	14166 (5.71)	15740 (6.03)	16295 (5.94)
	* Fixed	152113 (85.46)	216809 (93.39)	231885 (93.62)	243080 (93.12)	253020 (92.29)
	* Others	8449 (4.75)	-- --	1451 (0.58)	2001 (0.76)	4602 (1.67)
02	Total Advances of which;	<b>86551</b>	<b>95674</b>	<b>103598</b>	<b>123443</b>	<b>150912</b>
	* Short Term	56571 (65.37)	56872 (59.44)	57418 (55.43)	74775 (60.57)	94760 (62.79)
	* Medium Term	18026 (20.82)	22733 (23.76)	21801 (21.04)	22149 (17.94)	21747 (14.42)
	* Long Term	11954 (13.81)	16069 (16.80)	24379 (23.53)	26519 (21.48)	34405 (22.79)
03	Total Turnover	264541	327825	351266	384476	425065
04	No. of Employees	280	294	304	265	239
05	Per Employees Turnover	945	1115	1155	1450	1778

**Note :** i) Figures given in parentheses indicates the percentage of total Deposit and Advances.

ii) All the data are based up on end of the year.

**Source :** Statistical information on the working of GSCB/DCCBs in Gujarat State 2000-2001.

The above table indicates the various type of deposits and advances. Out of total deposit on an average 91 percent is from fixed deposit. The percentage of saving and current deposit is very nominal. However, there is a substantial increase by 20.31 percent in the deposits over the period from 1996-97 to 2000-01.

The table also indicates that the Bank has made maximum short-term advances under NABARD refinancing scheme. Out of total advance, more than 15 percent advances are under short term agricultural sector. The percentage of medium term and long term advances is about 20.82 to 14.42 and 13.81 to 22.79 percent respectively during the period of 1996-97 to 2000-01, though there is an increase about 74.36 percent in total advance during the same period.

The total turnover (i.e. Deposit and advances) is increased by 60.68 percent during 1996-97 over the period of 2000-01, and the per employees turnover is also increased by 88.14 percent during the same period.

From the above table it is seen that the overall business performance of the bank is quite satisfactorily, but looking to the changing scenario in banking sector GSCB is not performing well in terms of own banking business and diversified loan portfolio towards non-agricultural Sector. It is accepting only high cost deposit from other cooperative banks and institutions and re-investing the same for earning higher rate of interest. It means being at par with scheduled bank it is not looking for low cost deposit because it has no branches. There is a need and ample scope

for GSCB to start its banking business outside the bank premises so that it can collect more and more low cost deposits from open market.

After collecting low cost deposit (i.e. saving and current), GSCB can increase advances for non-farm sectors through DCCBs. It is observed from the above table that the maximum percentage of advances is under short term agricultural sector. There is a ample scope for financing to non-farm sector. The GSCB can utilize the financial resources collected through low cost deposit for advancing to non-farm sector and medium term advances and can earn maximum margin through productive lending. The lending operations of GSCB for the period from 1994-95 to 1996-97 is shown in the table as given below:

**Table: 5.1.3**  
**Lending Operations of GSCB Ltd. Ahmedabad**

(Rs. in lacs)					
Sr. No	Particulars	1994-95	1995-96	1996-97	% age increase over 1997-95
01	Total disposable owned funds	118882	12664	13608	14.52
02	Total borrowings	21143	47252	20717	- 2.02
03	Total deposits (70%)	66872	75751	124594	86.32
04	Total Advanceable money (1+2+3)	99897	135667	158919	59.08
05	Total Advances	58506 (58.56)	79205 (58.38)	86851 (54.65)	48.45
06	Total Investments	39242	53504	67330	71.57
07	Total Demand	36330	33966	38047	4.73
08	Total Recovery of which;	31425	26273	37613	19.69
	* Short Term	25134 (79.98)	21926 (83.45)	33993 (90.37)	35.24
	* Medium Term	4842 (15.41)	2608 (9.93)	1604 (4.26)	- 66.87
	* Long Term	1449 (4.61)	1739 (6.62)	2016 (5.37)	39.13
09	Percentage of Recovery to Demand	86.49	77.35	98.85	--
10	Total No. of Employees	277	273	280	1.08
11	Per Employee Recovery	113.45	96.23	134.34	18.42

Note : i) Figures given in parentheses indicates the percentage of total recovery.

Source: Statistical information on the working of DCCBs & GSCB Ltd., Ahmedabad.

The above table indicates that there is an increase in total lendable funds by 59.08 percent over the period from 1997 to 1995. Out of total lendable funds, about 54 to 58 percent money has been advanced through short term, medium term and long term advance. The total investments of the Bank has also increased by 71.57 during the same period. Table also indicates that overall recovery is more than 80 percent. The highest recovery i.e. 98.85 percent made by the bank during 1996-97. Per employee recovery also sizable. It increased by 18.42 percent for the year of 1996-97 as against 1994-95. On an average it is observed that the GSCB is performing well in terms of lending. But its maximum advances are in Short-term agricultural sector which is refinanced by NABARD. There is a need to advanced money in non-farm sector rather than investments in approved securities. Lending in non-farm sector will not only increase the business but also develop the cooperative character by way of productive lending which increases job opportunities.

## **5.2 Business Performance of DCCBs in Gujarat:**

The short term agricultural advances is the most important credit activity for the DCCBs. A prescribed application form is filled up by the DCCBs keeping in mind the credit policy and the revised scale of finance for various crops. The farmers asset statement is prepared/revised once in three years. This statement provides the land holding pattern of the members. This data is used in arriving at the total requirements for short-term credit to be requested in the prescribed form to GSCB and NABARD. Later on, DCCBs request the PACS to prepare a detailed normal credit limit

statement and this is approved by the DCCBs and the sanction is accorded to PACS.

The applications are called for well in advance (June – July) before the onset of Kharief Crossing Season. The DCCBs send these applications along with the information on internal lending resources, overall demand and recovery position of the Bank. At the DCCB level the scrutiny is carried out to verify the eligibility of the Bank and amount of re-finance in view of the internal lending resources and minimum involvement requirements. The application received along with the scrutiny memo are put up before the GSCB's Executive Committee for their approval and forwarded to NABARD through the Registrar of Cooperative Societies, Government of Gujarat. In case of "C" category of Banks (and even in some cases of "B" category Banks), NABARD insists upon the Government guarantee. The planning process for this activity is fairly well reutilised.

In addition to short term agricultural advances, the DCCB sanctioned short term cash credit for marketing of crops. The DCCBs have to make their request for refinance on prescribed form around November–December of the year. The detailed form requires comprehensive information for each society during the last four years. The scrutiny at the GSCB level is to see that the financial data required to be furnished has been fully provided. This application is also put up before the Executive Committee of the GSCB for approval and than forwarded to NABARD through the Registrar of Cooperative Societies, Government of Gujarat. The request for short term credit limit for marketing depends upon the

availability of such Societies or District Purchase and Sales Unions which are either involved in processing and marketing of farmers produce or purchase and distribution of agricultural inputs to members and also to non-members on cash and credit basis. The short term cash credit is also used by societies which run the consumer cooperative stores. The amounts of the cash credit depends upon the eligibility of the society and the level of the business envisaged.

The conversion of short term loans to medium term is dependent upon scarcity on the basis of annawari declaration. Some of the DCCBs in Gujarat have initiated special rehabilitation programmes for outstanding principal as well as interest. The farmers with overdue loans are asked to pay 10 to 20 percent of the demand and the rest of amount is rescheduled and fresh loans are given on the basis of actual repayments.

In addition to providing short term and medium term agricultural advances to the farmers, primary cooperative societies also undertake the activities of providing manners, improved seed and pesticides as also distribution of necessities of life. Similar activities are also undertaken by purchase and sales unions operating at the taluka and district levels for which non-agricultural advances are provided by district banks. Besides, necessary finance for working capital requirements is also granted by the district banks to cooperative sugar factories, spinning mills, dairies, consumer stores, urban banks and as such various types of credit limits are granted to other cooperative societies. The mobilization of deposits is a



very crucial aspect in the resource mobilization efforts by the DCCBs. The challenge is to mobilize large quantum of low cost saving bank deposits.

Through deposits have shown a reasonable growth rate in most of the DCCBs, the problem has arisen with RBI directive effective from 9.10.92 which offers very high rates of interest on deposits of 46 days to 179 days. The DCCBs are required to pay  $\frac{1}{2}$  percent and urban cooperative bank 1 percent more than the prevailing rates on such deposits. The potential customers who may otherwise have placed their savings in saving bank deposit account preferred to place the same in the short term deposits. In any cases atleast 50 percent of the deposits of DCCBs are institutional deposits from PACS requiring high interest payments. Therefore, the proportion of Low cost savings deposits in the total deposits has become less than 40 percent. Thus the average cost of deposits has considerably gone up.

The DCCB do not undertake any special efforts to mobilize deposits except occasionally reminding the branch managers about this aspect of their task. Given the interest rate structure, DCCBs can hardly bring about improvement in the composition of deposits. The change in composition can be brought-out only if the RBI reduces the rate of interest on the short term deposits to the level where it is marginally higher than the saving deposits. Most DCCBs have been extremely conservative in expanding the branch network and hardly any DCCBs has undertaken a special savings drive to mobilize low cost saving deposit or use any agents for this purpose.

To provide other banking facilities to their customers is also one of the important functions of DCCBs. All the DCCBs have provided safe vault deposit facility particularly at Urban branches within their locality so that more and more customer can attract with this facility.

The following table shows the general performance of DCCBs in Gujarat.

**Table: 5.2.1**  
**Overall Performance of DCCBs in Gujarat**  
(Rs. in lacs)

Sr. No	Particulars	1990-91	1992-93	1995-96	% age increase over 96-91
1	Share Capital	7513	13181	16687	137.44
2	Reserve	17812	16320	35846	112.85
3	Deposit	161452	199531	283857	129.44
4	Borrowings	37439	46039	53993	27.29
5	Advances (Total)	127281	149617	205379	78.79
	of which;				
	- ST (SAO)	50693	50036	71365	256.08
	- Against which borrowing from NABARD.	19931	30323	29347	71.40
6	Profit	916	1374	1285	247.37
	No. of Banks	13	11	N.A.	- 7.69
7	Loss	- 2604	- 546	- 20130	- 8.98
	No. of Banks	3	4	N.A.	200.00
8	Working Capital	248649	302231	441402	162.73

Source : Statistical information on the working of DCCBs in Gujarat 1995-96,

The above table revealed that the overall performance of the DCCBs in Gujarat is quite satisfactorily during the period from 1990-91 to 1995-1996. The share capital reserve, deposits and borrowings are increased by 137.44 percent during the same period. The table also indicated that the total advanced increased by 78.79 percent and the ST(SAO) is increased by 256.08 percent during the same period. The net profit of the DCCBs in Gujarat is increased by 247.37 percent while the working capital is also increased by 162.73 percent during the same period. The following table indicated the overview of all DCCBs in Gujarat.

**Table:5.2.2**  
**Overview of all DCCBs in Gujarat**

(Rs. in lacs)

Sr. No	Particulars	1996-97	1997-98	2000-2001	% age increase over 2001-1997
<b>1</b>	<b>No. of Branches</b>	<b>1039</b>	<b>1060</b>	<b>1071</b>	<b>3.07</b>
2	Total Membership (in Nos) of which;	<b>29236</b>	<b>32633</b>	<b>37000</b>	26.55
	- Institutional	23265 (79.57)	25325 (77.60)	26887 (72.67)	15.56
	- Individual	5971 (20.43)	7308 (22.40)	10113 (27.33)	69.37
<b>3</b>	<b>Share Capital (Total) of which;</b>	<b>17839</b>	<b>19005</b>	<b>24168</b>	<b>35.47</b>
	- State Government	2353 (13.19)	2353 (12.38)	3124 (12.93)	32.76
	- Societies	1364 (76.47)	12375 (65.12)	16466 (68.14)	20.70
	- Individual	925 (5.18)	26.89 (0.14)	92.47 (0.38)	90.00
	- Others	920 (5.16)	4251 (22.36)	4484 (18.55)	387.39
<b>4</b>	<b>Reserve Funds (Total) of which;</b>	<b>37194</b>	<b>41602</b>	<b>54625</b>	<b>46.86</b>
	- Statutory Fund	5475 (14.72)	5837 (14.03)	7488 (13.70)	36.76
	- Agri. Credit	4088 (10.99)	4444 (10.68)	5715 (10.46)	39.79
	- Building Fund	3347 (8.99)	3400 (8.17)	3084 (15.65)	7.85
	- Special Bad Debts	1210 (3.25)	1195 (2.87)	2431 (4.45)	100.90
	- Bad & Doubtful Fund	20496 (55.10)	22551 (54.20)	30322 (55.51)	47.94
	- Others	2578 (6.95)	4175 (10.05)	5585 (10.23)	47.44
<b>5</b>	<b>Total Deposit of which;</b>	<b>370426</b>	<b>435449</b>	<b>650347</b>	<b>75.56</b>
	- Fixed	231777 (62.57)	294939 (67.73)	464622 (71.44)	100.46
	- Savings	72696 (19.63)	82952 (19.05)	115932 (17.82)	59.47
	- Current	24754 (6.68)	30819 (7.07)	37913 (5.83)	53.15
	- Others	41199 (11.12)	26739 (6.13)	31879 (4.91)	- 22.62

**Source:** Data compiled from Statistical data of the Gujarat State Cooperative Bank for the year 1996-97 onwards.

The above table indicates that the overall performance of the DCCBs in Gujarat is quite satisfactory during the period from 1996-97 to 2000-2001. The total membership increased by the 26.55 percent. Out of the total membership, institutional as well as individual membership increased by 15.56 percent and 69.37 percent respectively during the same period. The total share capital increased by 35.47 percent during 1996-97 to 2000-01. Out of the total share capital, the state government and societies share capital increased by 32.76 and 20.70 percent respectively. The individual share capital & others is also increased 90.00 percent & 387.39 percent respectively during the same period.

The total reserve funds increased by 46.86 percent during the period from 1996-97 to 2000-01. Out of the total reserve funds, statutory funds, special bad debts funds bad & doubtful funds and other are increased by 36.76, 100.90, 47.94 and 47.44 percent respectively during the same period. The total deposits increased by 75.56 percent during the period from 1996-97 to 2000-01. The fixed deposits and saving deposits increased by 100.46 and 59.47 percent respectively during the same period. The current deposit is also increased by 53.15 percent during the stipulated period.

The table is also indicated that the highest increase registered in fixed deposit by 100.46 percent during 1996-97 to 2000-01. The total deposits has registered in second position in the case of percentage increase.

The following table shows the business performance of all DCCBs in Gujarat.

**Table:5.2.3**  
**Business Performance of all DCCBs in Gujarat**

(Rs. in lacs)					
Sr. No	Particulars	1996-97	1997-98	2000-2001	% age increase over 2001-1997
<b>1</b>	<b>Total Borrowings</b>	<b>47657</b>	<b>46043</b>	<b>128195</b>	<b>168.99</b>
	of which;				
	- NABARD	10398 (21.82)	13474 (29.25)	8943 (6.98)	8.62
	- GSCB	32804 (68.84)	30202 (65.59)	78922 (61.56)	140.58
	- State Government	929 (1.94)	893 (1.99)	657 (0.52)	- 28.82
	- Others	3525 (7.40)	1473 (3.17)	39673 (30.94)	1025
<b>2</b>	<b>Total Investment</b>	<b>40564</b>	<b>38128</b>	<b>72463</b>	<b>78.63</b>
	of which;				
	- Government Security	3833 (9.45)	5680 (14.89)	30062 (41.48)	684.29
	- Other Trustee	15130 (37.29)	16008 (41.98)	20584 (28.41)	36.05
	- Share of Cooperatives	1008 (2.48)	1092 (2.86)	1004 (1.38)	- 0.39
	- Others	20593 (50.78)	15348 (40.27)	20813 (28.73)	1.07
<b>3</b>	<b>Total Loan Advances</b>	<b>22787</b>	<b>238801</b>	<b>423708</b>	<b>85.94</b>
	of which;				
	- Short Term	161138 (70.72)	166861 (69.87)	323360 (76.32)	100.67
	- Medium Term	31127 (13.65)	40750 (17.06)	75024 (17.71)	141.03
	- Long Term	10792 (4.74)	12530 (5.24)	20707 (4.88)	91.87
	- Others	24813 (10.89)	18660 (7.81)	4617 (1.08)	- 82
<b>4</b>	<b>Profit</b>	<b>1390</b>	<b>1793</b>	<b>3021</b>	<b>117.34</b>
<b>5</b>	<b>Loss</b>	<b>20709</b>	<b>23656</b>	<b>21116</b>	<b>1.96</b>

**Source:** Data compiled from Statistical data of the Gujarat State Cooperative Bank for the year 1996-97 onwards.

The above table indicates that the overall performance of the DCCBs in Gujarat is quite satisfactorily. The total borrowings increased by 168.99 percent during the period from 1996-97 to 2000-01. Out of the total borrowings the Gujarat State Cooperative Banks' borrowings has increased by the 140.58 percent during the same period. The total

investment increased by 78.63 percent during the period from 1996-97 to 2000-01. Out of the total investment made by District Central Cooperative Banks, the maximum amount goes to government securities and the percentage increase by 684.29 during the same period. The percentage increase in the case of total loan advances is 85.94 percent during the period from 1996-97 to 2000-01. Out of the total advances the highest amounts disbursed in short term and medium term category. The total profit of the district central banks during the period from 1996-97 to 2000-01 has increased by 117.34 percent. The following table shows the lending operation of all district central cooperative banks in Gujarat.

**Table:5.2.4**  
**Lending Operations of DCCBs in Gujarat**

		(Rs. in lacs)			
Sr. No	Particulars	1994-95	1995-96	1996-97	% age increase over 1997-95
01	Total disposable owned funds	43388	51669	55753	28.49
02	Total borrowings	46034	53992	47656	3.52
03	Total deposits (70%)	179535	198699	259298	44.43
04	Total Advanceable money (1+2+3)	268957	304360	362707	34.85
05	Total Advances	170876 (63.53)	205962 (67.67)	227577 (62.74)	33.18
06	Total Investments	122454	33722	40564	- 66.87
07	Total Demand	92190	95085	122041	32.38
08	Total Recovery of which;	62390	63519	89127	42.85
	* Short Term	54336 (87.09)	56697 (89.26)	82428 (92.48)	51.70
	* Medium Term	7473 (11.97)	6021 (9.48)	5512 (6.18)	- 26.24
	* Long Term	581 (0.94)	801 (1.26)	1187 (1.34)	104.31
09	Percentage of Recovery to Demand	67.67	66.80	73.03	--
10	Total No. of Employees	7018	7237	7191	2.46
11	Per Employee Recovery	8.89	8.77	12.39	39.37

**Note** : i) Figures given in parentheses indicates the percentage of total recovery.

ii) All the data related as on end of the year.

**Source:** Statistical information Booklet, GSCB Ltd., Ahmedabad.

Table indicates that the overall performance in term of lending operations in DCCBs is satisfactorily. Out of total Advanceable money, only 62 to 65 percent have been utilized for various type of advances. Remaining money has been invested elsewhere to earn higher rate of interest. The table also indicate that on an average the total recovery is 67 to 73 percent. The highest recovery seems from short term agricultural lending. On the whole, it is observed from the table under reference that the lending operations of DCCBs is not upto the market as per required level of business. The DCCBs have to mobilize low cost deposit and increase the advances in non-farm sector and other Small Scale Industries. To attract more and more customers, the DCCBs have to think to diversity the business portfolio and banking services. The following table indicates the short-term agricultural demand and recovery of all District Central Cooperative Banks in Gujarat.

**Table:5.2.5**  
**ST Agri. Demand and Recovery of all DCCBs in Gujarat (Rs. in lacs)**

Sr. No	Particulars	1996-97	1997-98	2000-2001	% age increase over 01-97
1	<b>Total demand of ST Loan(Agricultural) of which;</b>	<b>103249</b>	<b>116028</b>	<b>185965</b>	<b>80.12</b>
	- Previous Year	22662 (21.94)	25683 (22.14)	34999 (18.83)	54.43
	- Current Year	80587 (78.06)	90345 (77.86)	150966 (81.17)	87.34
2	<b>Total Recovery of ST Loan (Agri.) of which;</b>	<b>76315</b>	<b>85747</b>	<b>144747</b>	<b>89.67</b>
	- Against Previous Yr.	11476 (15.03)	11142 (12.99)	15495 (10.70)	35.02
	- Actual Recovery of Current Year	60362 (79.09)	73809 (86.07)	117499 (81.17)	94.65
	- By Transfer of Accounts	4477 (5.88)	796 (0.94)	11753 (8.13)	162.52
3	Overdue at the end of the year	26934	30281	41218	53.03

**Note :** Figures given in parentheses indicate the percentage of total demand and recovery.

**Source:** Data compiled from Statistical data of GSCB & DCCB in Gujarat, GSCB Ltd., Ahmedabad 1996-97 onwards.

The above table revealed that the overall performance on the demand and recovery in respect of all the DCCBs in Gujarat is quite satisfactorily. The total demand of short term agricultural loan has increased by 80.12 percent during the period from 1996-97 to 2000-01. Out of the total demand of short term loan on an average 22 percent is previous overdue and remaining is current years. The recovery of short term agricultural loan increased by 89.67 percent during the period from 1996-97 to 2000-01. It is also observed from the table that over the period on an average 84 percent recovery comes from current year overdues . One important indicator is also reveals from the table that the volume of recovery in the case of transfer of accounts is on an average about 5 percent but the percentage increased over the period by 162.52 percent. The following table indicates the medium term non-agriculture demand and recovery of all district central cooperative banks in Gujarat.



**Table:5.2.6**  
**Medium Term Non-Agriculture Demand and Recovery**  
**of all DCCBs in Gujarat**

(Rs. in lacs)					
Sr. No	Particulars	1996-1997	1997-1998	2000-2001	% age increase over 97-01
1	<b>Total demand of MT (Non-Agricultural)</b>	<b>21528</b>	<b>19317</b>	<b>40396</b>	<b>87.64</b>
	<b>Of which:</b>				
	- Previous Year	10224 (47.49)	13062 (67.62)	20565 (50.91)	101.14
	- Current Year	11304 (52.51)	6255 (32.38)	19831 (49.09)	75.43
2	<b>Total Recovery of MT (Non-Agri.), of which;</b>	<b>8053</b>	<b>5985</b>	<b>12030</b>	<b>49.38</b>
	- Against Previous Year	1465 (18.19)	1459 (24.38)	987 (8.21)	- 32.63
	- Actual Recovery of Current Year	6588 (81.81)	4526 (75.62)	10959 (91.09)	66.35
	- By Transfer of Accounts	--	--	84 (0.70)	--
3	Overdue at the end of the year	13474	13332	28366	110.53

**Note :** Figures given in parentheses indicate the percentage of total demand and recovery.

**Source:** Data compiled from Statistical data of GSCB & DCCB in Gujarat, GSCB Ltd., Ahmedabad 1996-97 onwards.

The above table indicates that overall performance of the district central cooperatives banks in-terms of non-agriculture demand and recovery is quite satisfactorily. The total demand of medium term non-agricultural advances has increased by 87.64 percent during the period from 1996-97 to 2000-01. Out of the total demand of medium term advances about 52 percent is for current year and the percentage of current year demand of medium term advances in the case of previous

year and current year has increased by 101.14 and 75.43 percent respectively during the same period.

The total recovery of medium term non-agriculture has increased by 49.38 percent during the period from 1996-97 to 2000-01. Out of the total recovery , about 85 percent recovery is from current year and remaining is from previous years outstanding. The table also reveals that the overdue at the end of the year increased by 110.53 percent during the same period.

The following table shows the long term demand and recovery of all district central cooperative banks in Gujarat.

**Table:5.2.7**  
**Long Term Demand and Recovery of all DCCBs in Gujarat**

(Rs. in lacs)					
Sr. No	Particulars	1996-97	1997-98	2000-2001	% age increase over 2001-1997
1	Total demand of LT of which;	<b>20738</b>	<b>13657</b>	<b>18893</b>	- 8.89
	- Previous Year	5805 (27.99)	6392 (46.80)	7262 (38.43)	25.09
	- Current Year	14932 (72.01)	7265 (53.20)	11631 (61.57)	- 22.11
2	Total Recovery of LT, of which;	<b>14569</b>	<b>6759</b>	<b>11562</b>	- 20.63
	- Against Previous Year	1890 (12.97)	1475 (21.83)	1572 (13.59)	- 16.83
	- Actual Recovery of Current Year	12444 (85.42)	5210 (77.08)	9491 (82.08)	- 23.73
	- By Transfer of Accounts	235 (1.61)	74 (1.09)	499 (4.33)	112.34
3	Overdue at the end of the year	6168	6896	7331	18.85

**Note :** Figures given in parentheses indicate the percentage of total demand and recovery.

**Source:** Data compiled from Statistical data of GSCB & DCCB in Gujarat, GSCB Ltd., Ahmedabad 1996-97 onwards.

It is observed from the above table that the overall progress of district central cooperative banks in term of long term demand and recovery is steady. The total demand of long term demand has decreased by 8.89 percent , while the demand of previous year long term non-agriculture demand has increased by 25.09 percent during the period from 1996-97 to 2000-01. Out of the total demand of long term demand, the current year demand of long term non-agriculture lending is about 70 percent. The percentage of total recovery of long term non-agriculture lending has decreased in all the segments except in the case of transfer of accounts which workout about 112.34 percent during the period from 1996-97 to 2000-01. The following table indicates that total demand, recovery and overdue in all district central cooperative banks.

**Table:5.2.8**  
**Total Demand and Recovery of all DCCBs in Gujarat**  
**(Rs. in lacs)**

Sr. No	Particulars	1996-97	1997-98	2000-2001	% age increase over 2001-1997
1	Total demand of DCCBs of which;	<b>145514</b>	<b>149002</b>	<b>245254</b>	68.54
	- Previous Year	38691 (26.58)	45137 (30.29)	62826 (25.62)	62.37
	- Current Year	106823 (73.42)	103865 (69.71)	182428 (74.38)	70.74
2	Total Recovery of DCCBs, of which;	<b>98937</b>	<b>98491</b>	<b>168339</b>	70.14
	- Against Previous Year	14831 (14.99)	14076 (14.29)	18054 (10.73)	21.73
	- Actual Recovery of Current Year	79394 (80.24)	83545 (84.83)	137949 (81.94)	73.75
	- By Transfer of Accounts	4712 (4.77)	870 (0.88)	12336 (7.33)	161.79
3	Overdue at the end of the year	46577	50511	76915	65.14

**Note :** Figures given in parentheses indicate the percentage of total demand and recovery.

**Source:** Data compiled from Statistical data of GSCB & DCCB in Gujarat, GSCB Ltd, Ahmedabad 1996-97 onwards.

The above table indicates that the overall performance of the district central cooperative banks in Gujarat in term of total demand and recovery is quite satisfactorily. The total demand of district central cooperative banks is increased by 68.74 percent during the period from 1996-97 to 2000-01. Out of the total demand of all types of loans the percentage of current years demand comes by 73.42 percent and the percentage increase by 70.77 percent during the period from 1996-97 to 2000-01. The total

recovery of all district central cooperative banks in Gujarat has increased by 70.14 percent during the same period. The maximum composition of recovery works out by 82 percent in the case of current year recovery. The percentage increase in the case of recovery by transfer of accounts at the end of the year is 161.79 during the period from 1996-97 to 2000-01.

To conclude it can be said that the overall performance of district central cooperative banks in Gujarat has quite satisfactorily. The total recovery comes in between 70 to 82 percent in all the segment which is a vary good sign for the development of cooperative banks. It may be because of the new competition in the market and efforts has been made by the district central cooperative banks to satisfy the basic need of the customer and sanction the productive lending.

### **5.3 Business Performance of Selected DCCBs:**

This part of the study has discussed the overall all business performance of district central cooperative banks in Gujarat in general and the secondary data have been used to satisfy the basic requirement of the objective. The sub-chapter of the thesis indicates that the business performance of selected district central cooperative banks. To study the business performance of individual district central cooperative bank four banks namely ; DCCB Ahmedabad, DCCB Banaskantha, DCCB Rajkot and DCCB Surat have been chosen for in-depth study . the detail analysis is as follows;

### 5.3.1 Business Performance of DCCB, Ahmedabad:

The performance of district central cooperative banks in Ahmedabad has shown by the following table.

**Table:5.3.1.1**  
**General Performance of ADC Bank , Ahmedabad (Rs. In Lacs)**

S #	Particulars	1996-1997	1997-1998	2000-2001	% age Increased over 97-01
1.	No. of Branches	116	118	122	5.17
02.	Share Capital	2028	2433	3609	77.79
03.	Reserve & Other Fund	20531	18848	24609	19.86
04.	Deposit	83365	95220	148166	77.73
05.	Borrowings	393	1105	36856	9378.81
06.	Advances	32012	33990	74595	133.02
07.	Working Capital	103474	116764	218836	111.49
08.	Profit	-	-	660	-
09.	Loss	2952	102.66		

**Source** : Data Compiled from Annual Report of ADC Bank, Ahmedabad

The above table indicates that the overall performance of the bank is quite satisfactorily. The number of branches increased by 5.17 percent during the period from 1996-97 to 2000-01. the share capital, reserves and deposits have increased by 77.89, 19.86 and 77.73 percent respectively during the same period. The highest increase registered in the case of borrowings by 9378.81 percent during the period from 1996-97 to 2000-01. The main reason could be observed from the table that the bank has borrowed maximum amount (Rs.148166 lakhs) during 2000-01 from higher institutions. The advances and working capital have also increased by 133.02 and 111.49 percent respectively during the period from 1996-97 to 2000-01. The following table shows the composition of membership , share

capital and membership in respect of Ahmedabad District Central Cooperative Banks.

**Table-5.3.1.2**  
**Composition of Membership, Share Capital**  
**and Reserve Funds of ADC Bank (Rs. In Lacs)**

<b>S#</b>	<b>Particulars</b>	<b>1996-1997</b>	<b>1997-1998</b>	<b>2000-2001</b>	<b>% age Increased over 97-01</b>
<b>1.</b>	<b>- Total Membership</b>	<b>4807</b>	<b>4935</b>	<b>5159</b>	<b>7.33</b>
	- Of Which Institutional	4807 (100)	4935 (100)	5159 (100)	7.33
	- Individual	-	-	-	-
<b>2</b>	<b>Total Share Capital</b>	<b>2028</b>	<b>2432</b>	<b>3609</b>	<b>77.95</b>
	- Of Which State Govt.	-	-	-	-
	- Institutional	2028 (100)	2432 (100)	3609 (100)	77.95
	- Individual	-	-	-	-
	- Others	-	-	-	-
<b>3</b>	<b>Total Reserve Funds</b>	<b>9252</b>	<b>8208</b>	<b>10499</b>	<b>13.48</b>
	- Of Which Statutory Funds	711 ( 7.68)	716 (8.73)	612 (5.83)	- 13.92
	- Agri Credit Stabilization Fund	611 ( 6.60)	629 (7.66)	687 (6.54)	12.44
	- Building Funds	320 (3.46)	320 (3.89)	420 (4.00)	31.25
	- Special Bad Debt Fund	7 (0.07)	7 (0.08)	7 (0.06)	-
	- Bad & Doubtful Reserve	7212 (77.95)	5986 (72.93)	8077 (76.93)	11.99
	- Other	391 (4.24)	550 (6.71)	696 (6.64)	78.01

**Source :** Data Compiled from Annual Report of ADC Bank.

**Note :** Figures given in Parenthesis indicate percentage of total variable.

The above table indicates that the overall performance of the Ahmedabad district central cooperative banks is quite satisfactorily. The total membership increased by 7.33 percent during the period from 1996-97 to 2000-01. The share capital has also increased by 77.95 percent during the same period. The interesting indicator is seen from the table that

the increase in the total share capital is only because of increase in the Institutional share capital during the same period. The table also revealed that the overall reserve funds increased by 13.48 percent during the same period. The following table shows the business performance of Ahmedabad district central cooperative banks Ltd Ahmedabad.

**Table-5.3.1.3**  
**Business Performance of ADC Bank (Rs. In Lacs)**

<b>S #</b>	<b>Particulars</b>	<b>1996-1997</b>	<b>1997-1998</b>	<b>2000-2001</b>	<b>% age Increased over 97-01</b>
<b>1</b>	<b>- Total Deposit</b>	<b>83365</b>	<b>95220</b>	<b>148166</b>	
	- of which fixed	54178 (64.98)	68629 (72.07)	119765 (80.83)	121.05
	- Saving	15081 (18.09)	16994 (17.84)	20126 (13.58)	33.45
	- Current	4399 (5.27)	5448 (5.72)	6099 (4.12)	38.65
	- Other	9707 (11.66)	4149 (4.37)	2176 (1.47)	- 77.58
<b>2.</b>	<b>Total Borrowing</b>	<b>393</b>	<b>1105</b>	<b>36856</b>	<b>927.80</b>
	- of which from NABARD	357 (90.83)	1010 (91.40)	2583 (7.01)	623.40
	- GSEB	12 (3.05)	7 (0.63)	152 (0.42)	1167.15
	- State Govt.	23 (5.85)	87 (7.07)	-	-
	- Other	1 (0.27)	1 (0.01)	34121 (92.57)	-
<b>3.</b>	<b>Total Investment</b>	<b>9303</b>	<b>11378</b>	<b>37225</b>	<b>300.19</b>
	- of Which In Govt. Securities	67 (0.72)	172 (1.52)	21770 (58.48)	-
	- Other Trustee Securities	9133 (98.17)	11103 (97.58)	10065 (27.03)	10.25
	-Share of Cooperative Institutions	103 (1.11)	103 (0.90)	165 (0.44)	60.19
	- Other	-	-	5225 (14.05)	-
<b>4.</b>	<b>Total Loan Advances</b>	<b>32013</b>	<b>33990</b>	<b>74595</b>	<b>133.02</b>
	- of which S.T.	16956 (52.96)	16751 (49.20)	64426 (86.37)	279.95
	- ,, M.T	3177 (9.93)	5856 (17.230)	9164 (12.28)	188.45
	- ,, L.T	11880 (37.11)	11383 (33.57)	1005 (1.35)	8.45

**Source :** Data Compiled from Annual Report of ADC Bank

**Note :** Figures given in Parenthesis indicate percentage of total variable.



The above table revealed that the overall business performance of the Ahmedabad district central cooperative banks is quite satisfactorily. The total deposit increased by 77.51 percent during the period from 1996-97 to 2000-01. Out of the total increase the highest increase registered in the case of fixed deposit i.e. 121.05 percent during the same period. The main reason observed that being a cooperative bank it has one percent higher rate of interest and most of the depositors switching their deposits towards long duration. The table also revealed that the percentage increase in the case of saving and current deposits is 33.45 and 38.65 during the period from 1996-97 to 2000-01. Out of the total deposit the maximum portion about 70 percent goes to fixed deposit and remaining has distributed among saving and current deposits.

The total borrowings of the banks has also increased by 927.80 during the period from 1996-97 to 2000-01. Out of the total borrowing the maximum is from NABARD through state cooperative bank. The percent increased in borrowings from NABARD and GSCB is 623.48 and 1167.15 percent respectively during the same period. The total investment has increased by 300.19 percent during the period from 1996-97 to 2000-01. It is also revealed from that table that total loan advances has increased by 133.02 percent during the period from 1996-97 to 2000-01. Out of the total advances the short term and medium term advances increased by 279.95 and 188.45 percent respectively during the same period.

To conclude it can be said that the credit deposit ratio of the bank is ranging from 38.40 percent in 1996-97 to 50.34 percent in 2000-01. The

overall progress of the bank in terms of overall business performance is quite satisfactorily over the period from 1996-97 to 2000-01. The following table indicate the short term agricultural demand, recovery and overdue position of Ahmedabad district cooperative bank.

**Table-5.3.1.4**  
**Short Term Agricultural Demand, Recovery and**  
**Overdue Position of ADC Bank (Rs. In Lacs)**

<b>S #</b>	<b>Particulars</b>	<b>1996-1997</b>	<b>1997-1998</b>	<b>2000-2001</b>	<b>% age Increased over 97-01</b>
<b>1</b>	<b>Total Demand of ST Loan</b>	<b>10645</b>	<b>11873</b>	<b>19907</b>	<b>87</b>
	- of which previous Overdue	5672 (53.28)	4886 (41.15)	6021 (30.25)	6.15
	- Current Overdue	4973 (46.72)	6987 (58.85)	13886 (69.75)	179.23
<b>2</b>	<b>- Total Recovery of ST Loan</b>	<b>5758</b>	<b>7022</b>	<b>13450</b>	<b>133.58</b>
	- of which against previous overdue	1830 (31.78)	1404 (19.99)	2511 (18.67)	37.21
	- Actual against transfer of account	3928 (68.22)	5618 (80.01)	8527 (63.39)	117.08
	- Recovery overdue at the end of the year	-	-	2412 (17.94)	-
<b>3</b>	<b>Actual overdue at the end of the year</b>	<b>4886</b>	<b>4852</b>	<b>6456</b>	<b>32.13</b>

**Source :** Data Compiled from Annual Report of ADC Bank

**Note :** Figures given in Parenthesis indicate percentage of total variable.

The above table indicates that there is a steady progress of overall performance of Ahmedabad district central cooperative bank in terms of short term agricultural demand, recovery and overdue position . Out of the total demand of short term loan about 46.72 in 1996-97 to 69.75 percent in 2000-01 from current overdue. The percentage increase in short term loan is by 87.00 percent during the period from 1996-97 to 2000-01. The

percentage increase of demand of short term loan during current year is also increased by 179.23 percent during the same period. It is also revealed from the table that total recovery of the short term loan is increased by 133.58 percent during the same period. The percent of overdue to demand of short terms is ranging from 45.89 percent in 1996-97 to 32.43 percent during the period from 2000-01. The following table shows that medium term non-agricultural demand & recovery of Ahmedabad district central cooperative banks.

**Table-5.3.1.5  
Medium Term ( Non-Agricultural )  
Demand & Recovery of ADC Bank**

<b>(Rs. In Lacs)</b>					
S#	Particulars	1996-1997	1997-1998	2000-2001	% age Increased over 97-01
<b>1.</b>	<b>Total Demand of medium Term (Non Agri) Loan</b>	<b>12386</b>	<b>11180</b>	<b>24283</b>	<b>96.05</b>
	- of which previous Overdue	7459 (38.43)	9961 (89.09)	13306 (54.79)	78.39
	- of which Current Overdue	4927(6 1.57)	1219 (10.19)	10977 (42.21)	122.79
<b>2.</b>	<b>- Total Recovery of Medium term Loan</b>	<b>2425</b>	<b>1820</b>	<b>4507</b>	<b>85.85</b>
	- of which against previous overdue	582 (24)	651 (35.76)	66 (1.46)	-88.65
	- Actual current dues	1843 (76)	1169 (64.24)	4441 (98.54)	140.96
	- By Transfer of accounts	-	-	-	-
03.	Over due at the end of the year	9961	9360	19756	98.34

**Source** :Data Compiled from Annual Report of ADC Bank, Ahmedabad

**Note** : Figures given in Parenthesis indicate percentage of total variable.

The above table indicates that the progress of the Ahmedabad district central cooperative banks is quite satisfactorily. The percentage increase in terms of total demand of medium term (non-Agricultural loan) is 96.05 during the period from 1996-97 to 2000-01. Out of the total demand of medium term non-agricultural loan about 62 percent to was the current year over due during the period 1996-97, which has comedown by 42 percent during 2000-01. The total recovery of medium term loan increased by 85.85 percent during 1996-97 to 2000-01. the percentage of overdue to demand is ranging from 80.42 in 1996-97 to 81.35 percent during 2000-01. the percentage increase in overdue at the end of the year is by 98.34 percent during the same period. The following table shows the overall demand, recovery and overdue position of Ahmedabad district central bank.

**Table-5.3.1.6**  
**Over all Demand, Recovery and Overdue Position of ADC Bank**  
(Rs. In Lacs)

S #	Particulars	1996-1997	1997-1998	2000-2001	% age Increased over97-01
1.	<b>Total Demand of the Year</b>	<b>23915</b>	<b>23874</b>	<b>45184</b>	<b>88.93</b>
	- of which previous Overdue	13604 (56.88)	15269 (63.95)	19657 (43.50)	44.49
	- Current Demand	10311 (43.12)	8650 (36.05)	25527 (56.50)	147.57
2.	<b>- Total Recovery of the Year</b>	<b>8646</b>	<b>9302</b>	<b>18622</b>	<b>115.8</b>
	- of which previous Overdue	2540 (29.37)	2143 (23.04)	2655 (14.25)	4.53
	- Current Recovery	6106 (70.63)	7159(76.96)	15967 (85.75)	161.49
03.	- Overdue at the end of the year	15269	14572	26562	73.96

**Source** : Data Compiled from Annual Report of ADC Bank, Ahmedabad

**Note** : Figures given in Parenthesis indicate percentage of total variable.

The above table indicates that overall progress of the Ahmedabad district central cooperative banks is quite satisfactorily. The percentage increase in terms of total demand of the year increased by 88.93 during the period from 1996-97 to 2000-01. Out of the total demand of the year about 43 to 56 percent respectively during the period from 1996-97 to 2000-01 from current year overdue . The total recovery of medium term loan increased by 115.38 percent during 1996-97 to 2000-01. The percentage of overdue to demand is ranging from 63.84 in 1996-97 to 58.78 percent during 2000-01. the percentage increase in overdue at the end of the year is by 73.96 percent during the same period.

### **5.3.2 Business Performance of DCCB Banaskantha:**

The business performance of Banaskantha District Central Cooperative Bank has been discussed below:

**Table-5.3.2.1**  
**General Performance of DCCB, Banaskantha**  
**(Rs. In Lakhs)**

Sr #	Particulars	1996-1997	1997-1998	2000-2001	% age Increased over 97-01
1.	No. of Branches	112	115	112	-
02.	Share Capital	752	881	1616	114.89
03.	Reserve & Other Fund	2571	2750	4433	72.43
04.	Deposit	13909	15726	26603	91.26
05.	Borrowings	2022	4438	6211	207.17
06.	Advances	10388	12162	23998	131.02
07.	Working Capital	19519	24335	40900	109.95
08.	Profit	120	128	290	141.67
09.	Loss	-	-	-	-

Source : Data Compiled from Annual Report of DCCB, Banaskantha.

The above table indicates that there is a steady growth on overall performance of district central cooperative bank Banaskantha. The share capital and reserve funds increased by 114.89 and 72.43 percent respectively during the period from 1996-97 to 2000-01. The deposits of the bank also increased by 91.26 percent during the same period. It is also revealed from the table the borrowings of the bank has increased by 207.17 percent during the period from 1996-91 to 2000-01 which just double as compared with advanced. The percent increase with the all types of advances is 131.02 percent during the same period. It is also revealed from the table that the working capital and profit increased by 109.95 and 141.67 percent during the period from 1996-97 to 2000-01. It is revealed from the table that the profitability of district central cooperative bank has considered number three in the Gujarat State as the bank never incurred losses since inception. The following table shows the composition of Membership , share capital and reserve funds of district central cooperative bank for the period from 1996-97 to 2000-01.

**Table-5.3.2.2**  
**Composition of Membership Share Capital and**  
**Reserve Funds of DCCB Banaskantha**

**(Rs. In Lacs)**

S#	Particulars	1996-1997	1997-1998	2000-2001	% age Increased over 97-01
<b>1.</b>	<b>- Total Membership</b>	<b>2873</b>	<b>2945</b>	<b>3167</b>	<b>10.23</b>
	- Of Which Institutional	1699 (59.14)	1772 (60.16)	1996 (63.03)	17.49
	- Individual	1174 (40.86)	1173 (39.84)	1171 (36.97)	- 0.25
<b>2</b>	<b>Total Share Capital</b>	<b>752</b>	<b>881</b>	<b>1616</b>	<b>114.89</b>
	- Of Which State Govt.	-	-	-	-
	- Institutional	751 (99.86)	880 (99.88)	1615 (99.93)	115.05
	- Individual	-	-	-	-
	- Others	1 (0.14)	1 (0.12)	1 (0.07)	-
<b>3.</b>	<b>- Total Reserve funds</b>	<b>910</b>	<b>934</b>	<b>1409</b>	<b>54.83</b>
	- Of Which Statutory Funds	187 (20.55)	221 (23.66)	351 (24.92)	87.71
	- Agri.- Credit Stabilization Fund	158 (17.36)	182 (19.48)	287 (20.37)	81.65
	- Building Funds	58 (6.37)	58 (6.21)	186 (13.20)	220.68
	- Special Bad Debt Fund	-	-	-	-
	- Bad & Doubtful Reserve	447 (49.12)	456 (48.83)	512 (36.34)	14.54
	- Other	60 (6.60)	17 (1.82)	73 (5.17)	21.67

**Source** : Data Compiled from Annual Report of DCCB, Banaskantha

**Note** : Figures given in Parenthesis indicate percentage of total variable.

The above table indicates the steady growth in all respect . The total membership increased by 10.23 percent during the period from 1996-97 to 2000-01. Out of the total membership maximum covers by institutions. The individual membership is creasing year to year. The table also indicates that the percent increase in terms of total share capital is 114.89 percent during the period from 1996-97 to 2000-01. Out of the total share capital the maximum amount goes to institutional share and a nominal amount is covered under the other types of share capital.

The total reserve funds increased by 54.83 during the period from 1996-97 to 2000-01. The statutory funds, credit stabilization funds and building funds increased by 87.71,81.65 and 220.68 percent respectively during the period from 1996-97 to 2000-01. The following table indicates the overall business performance of Banaskantha district central cooperative bank.



**Table-5.3.2.3**  
**Business Performance of DCCB, Banaskantha**

(Rs. In Lacs)

S#	Particulars	1996-1997	1997-1998	2000-2001	% age Increase over 97-01
1	- Total Deposit	<b>13909</b>	<b>15727</b>	<b>26603</b>	<b>91.26</b>
	- of which fixed	3791 (27.25)	9141 (58.12)	14915 (56.06)	293.43
	- Saving	4849 (34.86)	5072 (32.25)	7593 (28.54)	56.58
	- Current	1457 (10.47)	1514 (9.63)	4095 (15.40)	181.05
	- Other	3812 (27.42)	-	-	-
2.	Total Borrowing	<b>2022</b>	<b>4438</b>	<b>6211</b>	<b>207.18</b>
	- of which from NABARD	1756 (86.85)	-	-	
	- GSEB	200 (9.89)	4433 (99.88)	6211 (100)	3005
	- State Government	66 (3.26)	-	-	-
	- Other	-	5 (0.12)	-	-
3.	Total Investment	<b>2241</b>	<b>2067</b>	<b>4913</b>	<b>119.23</b>
	- of Which In Govt. Securities	266 (11.87)	766 (37.06)	1929 (39.26)	625
	- Other Trustee Securities	-	-	-	-
	- Share of Cooperative Institutions	45 (2.00)	51 (2.46)	83 (1.69)	84.45
	- Other	<b>1930</b> <b>(86.13)</b>	<b>1250</b> <b>(60.40)</b>	<b>2901</b> <b>(59.05)</b>	<b>50.31</b>
4.	Total Loan Advances	10389	12162	23998	130.99
	- of which S.T.	2743 (26.40)	3159 (25.97)	9439 (39.33)	244.12
	- ,, M.T	5190 (49.95)	6352 (52.23)	12700 (52.92)	144.71
	- ,, L.T	2455(23 .65)	2651 (21.00)	1859 (7.75)	-24.27

**Source** : Data Compiled from Annual Report of DCCB, Banaskantha

**Note** : Figures given in Parenthesis indicate percentage of total variable.

The above table indicates that the total deposit of DCCB Banaskantha increase by 91.26 percent during the period from 1996-97 to 2000-01. Very interesting indicators is coming from the table that out of the total deposit a mix composition is coming for fixed, saving and current deposit. The percentage increase in terms of fixed deposit is 293.43 percent during the period from 1996-97 to 2000-01. the saving and current deposit are also increased by 56.58 and 181.05 percent respectively during the same period.

The total borrowings increased by 207.18 percent during the period from 1996-97 to 2000-01. Out of the total borrowings the maximum borrowings is from Gujarat State Cooperative Banks and the percent increased in terms of borrowings from Gujarat state cooperative banks is 3005 percent during the period from 1996-97 to 2000-01.

The total investment of the bank is increased by 119.23 percent during the period from 1996-97 to 2000-01. It is also revealed from the table that the maximum investment is made by the DCCB Banaskantha in government securities and cooperative institutions. The percentage increase in terms of government securities is 625 percent during the period from 1996-97 to 2000-01. the percent increase in terms of shares of cooperative institutions is 84.45 during the same period.

The total loan advances is increased by 130.99 percent during the period from 1996-97 to 2000-01. there is a mix percentage on accounts of short term medium term and long term loans . The percentage increase in terms of short terms and medium term loan is 244.12, 144.71 respectively

during the period from 1996-97 to 2000-01. The following table indicates the short term agricultural demand, recovery and overdue position in Banaskantha district central cooperative bank.

**Table-5.3.2.4**  
**Short -Term Agricultural Demand, Recovery and Overdue**  
**Position of DCCB Banaskantha(Rs. In Lacs)**

S#	Particulars	1996-1997	1997-1998	2000-2001	% age Increased over 97-01
<b>1.</b>	<b>Total Demand of ST Loan</b>	<b>3866</b>	<b>4393</b>	<b>7474</b>	<b>93.33</b>
	- of which previous Overdue	236 (6.11)	224 (5.09)	202 (2.71)	14.41
	- Current Overdue	3630 (93.89)	4169 (94.91)	7272 (97.29)	100.34
<b>2.</b>	<b>- Total Recovery of ST Loan</b>	<b>3644</b>	<b>4201</b>	<b>7283</b>	<b>99.86</b>
	- of which against previous overdue	-	-	-	-
	- Actual against - transfer of account	3484 (95.61)	4057 (96.57)	7180 (98.58)	106.08
	- Recovery overdue at the end of the year	222	192	191	-13.96
03	Actual overdue at the end of the year				

**Source :** Data Compiled from Annual Report of DCCB, Banaskantha

**Note :** Figures given in Parenthesis indicate percentage of total variable.

The above table indicates that there is a steady growth in term of overall performance of short term agricultural demand, recovery and overdues of Banaskantha district central cooperative bank. The total demand of the short term loan increased by 93.33 percent during the period from 1996-97 to 2000-01. Out of the total short term demand the maxim is from current overdue and the percentage increase in term of demand of previous overdue and current overdue is 14.41 and 100.34 percent respectively during the period from 1996-97 to 2000-01. The total

recovery of short term loan is increased by 99.86 percent during the same period. The following table shows the medium term (non-agricultural) demand and recovery of Banaskantha district central cooperative bank.

**Table-5.3.2.5**  
**Medium Term ( Non-Agricultural ) Demand & Recovery of DCCB Banaskantha**

(Rs. In Lacs)

S#	Particulars	1996-1997	1997-1998	2000-2001	% age Increased over 1997 to 2001
1.	Total Demand of medium Term (Non –Agri. )Loan	1989	595	599	-69.88
	- of which previous Overdue	271 (13.63)	153 (25.72)	200 (33.30)	-26.19
	- of which Current overdue	1718 (86.37)	442 (74.28)	339 (66.62)	- 76.77
2.	- Total Recovery of medium term Loan	1836	433	369	-79.17
	- of which against previous overdue	187 (10.19)	49 (11.32)	62 (16.81)	-66.84
	- Actual current dues	1649 (89.81)	384 (88.68)	307 (83.19)	- 81.38
	- By Transfer of accounts	-	-	-	-
3.	Over due at the end of the year	153	162	230	50.33

**Source** : Data Compiled from Annual Report of DCCB, Banaskantha

**Note** : Figures given in Parenthesis indicate percentage of total variable.

It is indicated from the table that the percentage growth of medium term non- agricultural demand and recovery of Banaskantha district central cooperative banks is not quite satisfactorily. It is also indicated from the table that the percentage increase in term of demand and recovery of medium term non-agricultural loan of Banaskantha district central cooperative banks is negligible. Out of total demand of medium term non-agricultural loan the maximum portion is from current overdue. Similarly the

recovery of the current overdues is about 75 percent. It is also revealed from the table that the recovery of medium terms loan is quite satisfactory in term of current dues during the period from 1996-97 to 2000-01. The table shows the positive indication that the overdue increased by 50.33 percent during the period from 1996-97 to 2000-01.

The following table shows the overall performance of demand, recovery and overdue position of Banaskantha district central cooperative banks.

**Table-5.3.2.6**  
**Over all Demand, Recovery and Overdue**  
**Position of DCCB Banaskantha (Rs. In Lacs)**

S #	Particulars	1996-1997	1997-1998	2000-2001	% age Increased over 97-01
<b>1.</b>	<b>Total Demand of the Year</b>	<b>6759</b>	<b>6055</b>	<b>10343</b>	<b>53.02</b>
	- of which previous Overdue	742	581 (9.60)	610 (5.90)	- 17.78
	- Current Demand	6017	5474 (90.40)	9733 (94.10)	61.75
<b>2.</b>	<b>- Total Recovery of the Year</b>	<b>6222</b>	<b>5539</b>	<b>9727</b>	<b>56.33</b>
	- of which previous Overdue	466	262 (4.73)	260 (2.68)	-44.21
	- Current Recovery	5656	5277 (95.27)	9467 (97.32)	67.37
03.	- Overdue at the end of the year	537	516	616	14.72

**Source :** Data Compiled from Annual Report of DCCB, Banaskantha

**Note :** Figures given in Parenthesis indicate percentage of total variable.

It is seen from the above table that the overall performance of the Banaskantha district central cooperative banks in term of demand recovery and overdue position during the period from 1996-97 to 2000-01 is quite satisfactorily. The percentage increase in terms of total demand of the year

is 53.02 percent during the same period. The total recovery is also increased by 56.33 percent during the period from 1996-97 to 2000-01.

To conclude it can be said that the overall performance of Banaskantha district central cooperative banks is quite satisfactorily. The banks earned profit since inception and stood number three in overall performance. The recovery position is quite satisfactorily. The banks has less than 35 percent high cost recovery. The working capital is quite sound and it reached upto Rs.409000 lacs during 2000-01.

### 5.3.3 **Business Performance of DCCB Rajkot:**

The analysis of business performance of Rajkot district central cooperative banks has shown by the following tables.

**Table-5.23.3.1**  
**General Performance of DCCB Rajkot(Rs. In Lacs)**

<b>Sr #</b>	<b>Particulars</b>	<b>1996-1997</b>	<b>1997-1998</b>	<b>2000-2001</b>	<b>% age increased over 97-01</b>
1.	No. of Branches	102	114	115	12.57
02.	Share Capital	970	969	1199	23.16
03.	Reserve & Other Fund	6099	6864	11133	82.53
04.	Deposit	34062	36625	54606	60.32
05.	Borrowings	2035	2186	12553	516.85
06.	Advances	9739	12105	41379	324.87
07.	Working Capital	41189	44747	75589	83.52
08.	Profit	350	635	665	90.00
09.	Loss	-	-	-	-

**Source :** Data Compiled from Annual Report of DCCB Rajkot.

The above table indicated that the overall performance of Rajkot district central cooperative banks is quite satisfactorily. The percentage increase in term of number of branches is 12.75 percent during the period from 1996-97 to 2000-01. the share capital& reserve funds increased by 23.16 and

82.53 percent during the same period. The total deposit is also increased by 60.32 percent during the same period. It is also indicated from the table that the borrowings increased by 516.85 percent during the period from 1996-97 to 2000-01. the total advances and working capital is increased by 324.87 and 83.52 percent respectively during the same period. The total profit is also increased by 90.00 percent during the same period.

The following table shows the composition of membership, share capital and total reserve funds of Rajkot district central cooperative bank.

**Table-5.3.3.2  
Composition of Membership, Share Capital and  
Reserve funds of DCCB Rajkot (Rs. In Lacks)**

S #	Particulars	1996-1997	1997-1998	2000-2001	% age Increased over 97-01
<b>1.</b>	<b>- Total Membership</b>	<b>893</b>	<b>653</b>	<b>718</b>	<b>-19.59</b>
	- Of Which Institutional	893 (100%)	653 (100%)	718 (100%)	-19.59
	- Individual	-	-	-	-
<b>2</b>	<b>Total Share Capital</b>	<b>969</b>	<b>969</b>	<b>1199</b>	<b>23.73</b>
	- Of Which State Govt.	-	-	-	-
	- Institutional	969 (100%)	969 (100%)	1199 (100%)	23.73
	- Individual	-	-	-	-
	- Others	-	-	-	-
<b>03.</b>	<b>- Total Reserve Funds</b>	<b>2565</b>	<b>2948</b>	<b>4967</b>	<b>93.65</b>
	- Of Which Statutory Funds	898 (35.01)	993 (33.69)	1928 (38.82)	114.69
	- Agri Credit Stabilization Fund	424 (16.53)	490 (16.62)	848 (17.07)	100.00
	- Building Funds	292 (11.38)	292 (9.91)	364 (7.33)	24.65
	- Special Bad Debt Fund	-	-	-	-
	- Bad & Doubtful Reserve	650 (25.34)	800 (27.13)	1083 (21.85)	66.93
	- Other	301 (11.74)	373 (12.65)	742 (14.93)	146.52

**Source :** Data Compiled from Annual Report of DCCB Rajkot

**Note :** Figures given in Parenthesis indicate percentage of total variable.

The above table indicates that steady growth of Rajkot district central cooperative banks in terms of composition of total membership,

share capital and reserve funds. The membership of the banks decreased by 19.59 percent because the banks has only institutional membership. During the period from 1996-97 onwards there was a heavy draught in the Saurashtra Region as a result farmers were unable to repay agricultural loans and the primary cooperative agricultural societies and primary oilseed cooperative societies were making losses and most of them were closedown by the cooperative department of Gujarat and the number of total membership declined from 893 in 1996-97 to 718 in 2000-01.

The table also revealed that the total share capital increased by 23.73 percent during the period from 1996-97 to 2000-01 because the banks increased the prices of institutional shares . The total reserve funds also increased by 93.65 percent during the same period. Out of the total reserve funds, the statutory funds and credit stabilization fund increased by 114.69 and 100.00 percent respectively during the same period. The table also indicated that the bad and doubtful reserve increased by 66.93 percent during the period from 1996-97 to 2000-01.

The following table indicates the overall performance of Rajkot district central cooperative bank ltd.



**Table-5.3.3.3**  
**Business Performance of DCCB Rajkot (Rs. In Lacs)**

<b>S#</b>	<b>Particulars</b>	<b>1996-1997</b>	<b>1997-1998</b>	<b>2000-2001</b>	<b>% age Increased over 97-01</b>
<b>1</b>	<b>- Total Deposit</b>	<b>34062</b>	<b>36625</b>	<b>54606</b>	<b>60.33</b>
	- of which fixed	20427 (59.97)	23928 (65.33)	37557	83.86
	- Saving	7416 (21.77)	8839 (124.14)	13237	78.49
	- Current	2118 (6.22)	2841 (7.76)	3478	64.22
	- Other	4101 (12.04)	1017 (2.77)	334	-91.85
<b>2.</b>	<b>Total Borrowing</b>	<b>2035</b>	<b>2186</b>	<b>12553</b>	<b>516.85</b>
	- of which from NABARD	-	-	-	-
	- GSEB	2035 (100%)	2186 (100%)	12553 (100%)	516.85
	- State Govt.	-	-	-	-
	- Other	-	-	-	-
<b>3.</b>	<b>Total Investment</b>	<b>8523</b>	<b>8730</b>	<b>8123</b>	<b>- 4.69</b>
	- of Which In Govt. Securities	500 (5.86)	1400 (16.03)	2300 (28.32)	360
	- Other Trustee Securities	2640 (30.97)	1540 (17.64)	2024 (24.92)	- 23.34
	-Share of Cooperative Institutions	47 (0.56)	59 (0.67)	61 (0.75)	29.78
	- Other	5336 (62.61)	5731 (65.66)	3738 (46.01)	- 29.94
<b>4.</b>	<b>Total Loan Advances</b>	<b>9739</b>	<b>1215</b>	<b>41379</b>	<b>324.87</b>
	- of which S.T.	5209 (53.47)	5842 (48.26)	28883 (69.80)	454.48
	- ,, M.T	3203 (32.88)	4456 (36.81)	9282 (22.43)	189.79
	- ,, L.T	1327 (13.65)	1807 (14.93)	3214 (7.77)	142.20

**Source** : Data Compiled from Annual Report of DCCB Rajkot.

**Note** : Figures given in Parenthesis indicate percentage of total variables.

The above table indicates the steady growth in terms of all the variables on overall business performance of Rajkot district central cooperative bank. The total deposit increased by 60.33 percent during the period from 1996-97 to 2000-01. Out of the total deposit the maximum is covered through fixed deposit and the percentage increase on fixed deposit is 83.86 percent during the period from 1996-97 to 2000-01. The saving and current deposit has also increased by 78.49 and 64.22 percent during the same period.

The borrowing of the bank has also increased by 516 percent during the period from 1996-97 to 2000-01. It is revealed from the table that the bank has borrowed entire money from Gujarat state cooperative bank . Very interesting scenario has been seen from the table that the total investment is decreasing by 4.69 percent during the period from 1996-97 to 2000-01. The main reason could be because of show down in call market and lowering the rate of interest in all deposits. With the introduction of non-performing assets in the banking industry by the Reserve Bank of India all banks has to make provisions under the RBI directives therefore the banks has not a surplus funds for further investments.

The table also reveals that the percentage increase in terms of total loan advances during the period from 1996-97 to 2000-01 is 324.87. Out of the total loan advanced by the bank about 55 percent goes to short term and rest of the amount distributed among medium and long term

advances. The following table shows the short term agricultural demand, recovery and overdues position of Rajkot district central cooperative bank.

**Table-5.3.3.4**  
**Short Term Agricultural Demand, Recovery and**  
**Overdue Position of DCCB Rajkot**  
**(Rs. In Lacs)**

S#	Particulars	1996-1997	1997-1998	2000-2001	% age Increased over 97-01
1.	<b>Total Demand of ST Loan</b>	<b>11355</b>	<b>12059</b>	<b>27829</b>	<b>145.06</b>
	- of which previous Overdue	60 ( 0.53)	50	18	- 70
	- Current Overdue	11295 (99.47)			
2.	<b>- Total Recovery of ST Loan</b>	<b>11305</b>	<b>12037</b>	<b>27810</b>	<b>145.99</b>
	- of which against previous overdue	40 (0.36)	29	-	-
	- Actual against current dues	11265 (99.64)	12008	27648	145.43
	- By transfer of accounts	-	-	-	-
03	Actual overdue at the end of the year	50	22	19	- 62

**Source:** Data Compiled from Annual Report of DCCB Rajkot

**Note :** Figures given in Parenthesis indicate percentage of total variable.

The above table indicates that the overall performance of Rajkot district central cooperative banks is quite satisfactorily in term of total demand recovery and overdues during the period from 1996-97 to 2000-01. The total demand of short terms loan increased by 145.08 percent during the same period. Out of the total demand of short term loan about 99 percent is from current overdue and remaining is previous year overdue.

The total recovery of short term loan is also increased by 145.99 percent during the period from 1996-97 to 2000-01. It is also indicated from the table that the entire recovery comes from current dues and the percentage increase during the period is same. The following table shows the medium term non-agricultural demand & recovery of Rajkot district central cooperative bank during period from 1996-97 to 2000-01.

**Table-5.3.3.5**  
**Medium Term ( Non-Agricultural ) Demand & Recovery of DCCB Rajkot**

(Rs. In Lacks)

S #	Particulars	1996-1997	1997-1998	2000-2001	% age Increased over 97-01
1.	Total Demand of medium Term (Non Agri )Loan	493	542	1398	183.56
	- of which previous Overdue	79	17	247	212.65
	- of which Current Overdue	414	525	1151	178.02
2.	- Total Recovery of medium term Loan	478	503	980	105.02
	- of which against previous overdue	74	8	106	43.24
	- Actual current dues	404	495	874	116.34
	- By Transfer of accounts	-	-	-	-
03.	Over due at the end of the year	15	39	418	2686.67

**Source :** Data Compiled from Annual Report of DCCB Rajkot

Note : Figures given in Parenthesis indicate percentage of total

The above table indicates the steady growth in term of all variable of Rajkot district central cooperative bank. The total demand of medium term non-agricultural loan is increased by 183.56 percent during the period from

1996-97 to 2000-01. Out of the total loan the percentage increase in terms of demand of medium term non-agricultural loan of previous overdues and current overdues is 212.65 and 178.02 percent respectively during the same period. The total recovery of medium term loan is also increased by 43.24 percent during the period from 1996-97 to 2000-01 percent. The percentage increase in terms of current dues is by 116.34 percent during the same period. The following table indicate the overall demand, recovery and overdue position of Rajkot district central cooperative bank during the period from 1996-97 to 2000-01.

**Table-5.3.3.6**  
**Over all Demand, Recovery and**  
**Overdue Position of DCCB Rajkot (Rs. In Lacs)**

S#	Particulars	1996-1997	1997-1998	2000-2001	% age Increased over 97-01
1	<b>Total Demand of the Year</b>	<b>12432</b>	<b>13014</b>	<b>29822</b>	<b>139.89</b>
	- of which previous Overdue	219 ( 1.76)	130 (0.99)	316 (1.06)	44.29
	- Current Demand	12313 (98.24)	12884 (99.01)	29506 (98.94)	139.64
2	<b>-Total Recovery of the Year</b>	<b>12310</b>	<b>12904</b>	<b>29347</b>	<b>139.39</b>
	-of which previous Overdue	155 (1.26)	52 (0.40)	29066 (99.05)	18652.25
	- Current Recovery	12155 (98.74)	12852 (99.60)	281 (0.95)	- 97.68
03	- Overdue at the end of the year	122	110	475	289.35

**Source :** Data Compiled from Annual Report of DCCB Rajkot

**Note :** Figures given in Parenthesis indicate percentage of total variable.

The above table indicates that there is a steady progress on overall working of the bank in term of overall demand, recovery and overdues position during the period from 1996-97 to 2000-01. The overall percentage of total demand of the year increased by 139.89 percent during the period

from 1996-97 to 2000-01. Out of the total demand of the all kinds of overdue about 98 percent are the current demand and remaining are for previous years. The percentage of current demand increased by 139.64 during the period from 1996-97 to 2000-01. The total recovery of the year is also increased by 138.39 percent during the same period.

To conclude it can be said that the overall all progress of DCCB Rajkot is quite satisfactorily. Its deposit and credit deposit ration is remarkable . The recovery of the loan is also satisfactorily and viable. It is also observed at the time of data collection that the bank has ranked number one by the NABARD in terms of overall position and profitability.

### **5.3.4 Business Performance of DCCB Surat:**

The business performance of DCCB Surat has been discussed in detail below:

**Table-5.3.4.1  
General Performance of DCCB Surat (Rs. In Lacks)**

<b>S#</b>	<b>Particulars</b>	<b>1996-1997</b>	<b>1997-1998</b>	<b>2000-2001</b>	<b>% age Increased over 1997-2001</b>
1.	No. of Branches	58	58	58	-
2.	Share Capital	299	317	448	49.83
3.	Reserve & Other Fund	9357	10966	13421	43.43
4.	Deposit	58591	70787	99825	70.37
5.	Borrowings	4618	2019	1795	- 61.13
6.	Advances	37782	29301	35389	- 6.34
7.	Working Capital	71590	81093	112509	57.15
8.	Profit	275	375	386	40.36
9.	Loss	-	-	-	-

**Source :** Data Compiled from Annual Report of DCCB Surat

The above table indicates that there is a steady progress of the society in terms of overall general performance during the period from 1996-97 to 2000-01. The share capital and reserve & other funds increased by 49.83 percent and 43.43 percent respectively during the same period. The deposit also increased by 70.37 percent during the same period. It is also revealed from the table that the borrowing and advances have declined from the period from 1996-97 to 2000-01. However, the working capital and profit of the bank has increased by 57.15 percent and 40.36 percent respectively during the same period.

The following table shows the composition of membership, share capital and reserve of Surat District Central Cooperative Bank.

**Table-5.3.4.2**  
**Composition of Membership Share Capital &**  
**Reserve Funds of DCCB Surat (Rs. In Lacs)**

S #	Particulars	1996-1997	1997-1998	2000-2001	% age Increase over 97-01
<b>1.</b>	<b>- Total Membership</b>	<b>2752</b>	<b>2779</b>	<b>2890</b>	<b>5.02</b>
	- Of Which Individual	1663 (60.43)	1693 (60.92)	1808 (62.56)	8.72
	- Individual	1089 (39.57)	1086 (39.08)	1082 (37.44)	- 0.64
<b>2</b>	<b>Total Share Capital</b>	<b>299</b>	<b>968</b>	<b>447</b>	<b>49.49</b>
	- Of Which State Govt.	54 (18.06)	-	149 (33.34)	175.93
	- Institutional	-	968 (100)	294 (65.77)	-
	- Individual	245 (81.94)	-	4 (0.89)	-
	- Others	-	-	-	-
<b>03.</b>	<b>- Total Reserve Fund</b>	<b>4529</b>	<b>5325</b>	<b>6487</b>	<b>43.23</b>
	- Of Which Statutory Funds	704 (15.54)	770 (14.46)	968 (14.93)	37.50
	- Agri Credit Stabilization Fund	518 (11.44)	518 (9.73)	776 (11.96)	49.81
	- Building Funds	960 (21.19)	973 (18.27)	996 (15.35)	3.75
	- Special Bad Debt Fund	-	67 (1.26)	-	-
	- Bad & Doubtful Reserve	1292 (28.53)	1691 (31.75)	2112 (32.56)	63.47
	- Other	1055 (23.30)	1306 (24.53)	1635 (25.20)	54.97

**Source :** Data Compiled from Annual Report of DCCB Surat

**Note :** Figures given in Parenthesis indicate percentage of total variable.

The above table indicates that there is a steady progress on overall performance of composition of membership, share capital and reserve of

district central cooperative banks Surat from the period from 1996-97 to 2000-01. The total membership increased by 5.02 percent during the same period. The total share capital has also increased by 49.49 percent. The table also revealed that the total reserve fund increase by 43.23 percent during the period from 1996-97 to 2000-01. The following table indicates that overall business performance of Surat District Central Cooperative Bank.

**Table-5.3.4.3  
Business Performance of DCCB Surat (Rs. In Lakhs)**

S#	Particulars	1996-1997	1997-1998	2000-2001	% age Increased over 97-01
<b>1</b>	<b>- Total Deposit</b>	<b>58591</b>	<b>70781</b>	<b>99825</b>	<b>70.37</b>
	- of which fixed	22700 (38.74)	35012 (49.46)	51349 (51.45)	126.21
	- Saving	9322 (15.92)	11115 (15.70)	17173 (17.20)	84.22
	- Current	3890 (6.64)	4651 (3.73)	5065 (5.07)	30.21
	- Other	22679 (38.70)	20009 (28.26)	26238 (26.28)	15.69
<b>2.</b>	<b>Total Borrowing</b>	<b>4618</b>	<b>2019</b>	<b>1794</b>	<b>- 61.15</b>
	- of which from NABARD	-	-	695 (38.74)	-
	- GSEB	1175 (25.44)	1114 (55.17)	-	-
	- State Govt.	-	-	-	-
	- Other	3443 (74.56)	905 (44.83)	1099 ( 61.26)	- 68.008
<b>3</b>	<b>Total Invest.</b>	<b>2037</b>	<b>2038</b>	<b>5772</b>	<b>183.35</b>
	- of Which In Govt. Securities	110 (5.40)	110 (5.41)	211 (3.65)	91.82
	- Other Trustee Securities	1850 (90.82)	1850 (90.77)	5486 (95.05)	196.54
	-Share of Coop. Institutions	76 (3.78)	78 (3.82)	75 (1.30)	- 2.59
	- Other	-	-	-	-
<b>4</b>	<b>Total Loan Adv.</b>	<b>37782</b>	<b>29301</b>	<b>35388</b>	<b>- 6.34</b>
	- of which S.T.	34534 (91.40)	27562 (94.07)	30188 (85.31)	
	- ,, M.T	929 (2.46)	984 (3.36)	2586 (7.31)	178.36
	- ,, L.T	2319 (6.14)	755 (2.57)	2614 (7.38)	12.73

**Source :** Data Compiled from Annual Report of DCCB Surat .

**Note :** Figures given in Parenthesis indicate percentage of total variable.



The above table indicates that there is a steady progress on the overall business performance of the Surat district central cooperative bank during the period from 1996-97 to 2000-01. The total deposit of the society increased by 70.37 percent during the period from 1996-97 to 2000-01. Out of the total deposit the maximum is from fixed deposit and the percentage increase by 126.21 during the same period. The saving, current and other deposits are also increased by 84.22, 30.21 and 15.69 percent respectively during the same period. It is also revealed from the table that the total borrowings of the bank during the period from 1996-97 has declined by 61.76 percent. The total investment of the bank has increased by 183.35 percent during the period from 1996-97 to 2000-01. Out of the total investment, the maximum comes from trustee securities and the percentage increased by 196.54 during the period from 1996-97. Since the borrowing percentage gone by negative growth therefore the total advances also decreased by 6.34 percent during the same period.

The following table shows short-term agricultural demand, recovery and overdue position of Surat district central cooperative bank.

**Table-5.3.4.4**  
**Short Term Agricultural Demand, Recovery and**  
**Overdue Position of DCCB Surat**

(Rs. In Lacs)

S #	Particulars	1996-1997	1997-1998	2000-2001	% age Increased over 97-01
<b>1.</b>	<b>Total Demand of ST Loan</b>	<b>2008</b>	<b>7820</b>	<b>6623</b>	<b>229.83</b>
	- of which previous Overdue	515 ( 25.64)	760 (9.72)	654 (9.87)	26.99
	- Current Overdue	1493 (74.36)	7060 (90.28)	5969 (90.13)	299.79
<b>2.</b>	<b>- Total Recovery of ST Loan</b>	<b>1255</b>	<b>7005</b>	<b>6032</b>	<b>380.64</b>
	- of which against previous overdue	300 (23.90)	295 (4.22)	221 (3.66)	- 26.34
	- Actual against current dues	955 (76.09)	6710 (95.78)	5811 (96.34)	508.48
	- Recovery overdue at the end of the year	-	-	-	-
03.	Actual overdue at the end of the year	753	815	591	- 21.52

**Source :** Data Compiled from Annual Report of DCCB Surat.

**Note :** Figures given in Parenthesis indicate percentage of total variable.

The above table indicates that the overall progress of the Surat district central cooperative bank in terms of short term agricultural demand, recovery and overdues position during the period from 1996-97 to 2000-01 is quite satisfactorily. The percentage increase on total demand of short term loan is 229.83 percent during the period from 1996-97 to 2000-01. Out of the total demand of short term loan the maximum portion comes from current overdue and the percentage increased on current overdue is 299.79 percent during the same period. The table also revealed that total

recovery of short term loan has increased by 380.64 percent during the period from 1996-97 to 2000-01. Out of the total recovery of short term loan maximum comes from current dues i.e. 76.09 to 96.34 percent during the period 1996-97 and 2000-01 respectively. The percentage of current recovery of short term loan increased by 508.48 percent during the period from 1996-97 to 2000-01.

The following table indicates the Medium Term (Non-Agricultural) Demand & Recovery of DCCB Surat

**Table-5.3.4.5**  
**Medium Term (Non-Agricultural)**  
**Demand & Recovery of DCCB Surat**  
**(Rs. In Lacs)**

S#	Particulars	1996-1997	1997-1998	2000-2001	% age Increased over 97 -01
<b>1.</b>	<b>Total Demand of medium Term (Non Agri. )Loan</b>	<b>1434</b>	<b>1074</b>	<b>3083</b>	<b>114.99</b>
	-of which previous Overdue	181 ( 12.63)	344 (32.03)	831 (26.95)	359.12
	-of which Current Overdue	1253 (87.37)	730 (67.97)	2252 (73.05)	79.79
<b>2.</b>	<b>-Total Recovery of medium term Loan</b>	<b>1090</b>	<b>316</b>	<b>1824</b>	<b>67.34</b>
	-of which against previous overdue	51 (4.68)	142 (44.94)	2 (0.11)	-
	-Actual current dues	1039 (95.32)	174 (55.06)	1822 (99.89)	75.36
	-By Transfer of accounts	-	-	-	-
03.	Over due at the end of the year	344	758	1259	265.98

**Source** : Data Compiled from Annual Report of DCCB Surat

**Note** : Figures given in Parenthesis indicate percentage of total variable.

The above table indicated that there is a steady progress on medium term demand, recovery and overdue of DCCB Surat during the period from 1996-97 to 2000-01. The percentage increased by 114.99 percent during the period from 1996-97 to 2000-01. Out of the total demand of the medium term non-agricultural loan about 87.37 in 1996-97 to 79.73 percent in 2000-01 comes from current overdues and the overall percentage increase on current overdue is 79.73 percent during the same period. The total recovery of medium term loan has also increased by 67.34 percent during the period from 1996-97 to 2000-01. Out of the total recovery of medium term loan, maximum portion comes from actual current dues and the percentage increased by 75.36 percent during the same period.

The following table shows the overall demand, recovery and overdue position of Surat DCCB.

**Table-5.3.2.6**  
**Over all Demand, Recovery and Overdue Position of DCCB Surat**  
**(Rs. In Lacs)**

S#	Particulars	1996-1997	1997-1998	2000-2001	% age Increased over 97-01
<b>1</b>	<b>Total Demand of the Year</b>	<b>11614</b>	<b>9095</b>	<b>10441</b>	<b>- 10.09</b>
	- of which previous Overdue	775	1178 (12.95)	1551 (14.85)	100.13
	- Current Demand	10839	7917 (87.05)	8890 (85.15)	- 17.98
<b>2</b>	<b>- Total Recovery of the Year</b>	<b>10178</b>	<b>7446</b>	<b>8541</b>	<b>- 16.08</b>
	- of which previous Overdue	370	455 ( 6.12)	248 (2.91)	- 32.97
	- Current Recovery	9808	6991 (93.88)	8293 (97.09)	- 15.45
<b>3</b>	<b>- Overdue at the end of the year</b>	<b>1436</b>	<b>1649</b>	<b>1900</b>	<b>32.32</b>

**Source** : Data Compiled from Annual Report of DCCB Surat

**Note** : Figures given in Parenthesis indicate percentage of total variable.

The above table indicates the mixed growth on overall development of the demand, recovery and overdue position of DCCB, Surat during the period from 1996-97 to 2000-01. The growth of total demand, recovery has declined by 10.09 and 16.08 percent during the same period. The overdue percentage has increase by 32.32 percent during the same period.

\*\*\*\*\*XX\*\*\*\*\*

## **CHAPTER-VI**

### **CUSTOMER VIEWS ON THE WORKING OF COOPERATIVE BANKS**

To study the views from different types of customers those are getting facility/services from cooperative banks was one of the objective of the study. To analyse the entire situation an interview of about 250 individuals customers (50 customers from each sampled DCCB and GSCB) have been interviewed through self structured questionnaire. A simple Random Sampling method was used to identify the respondents from the area of selected banks. The entire questionnaire was divided into five main sections such as customers satisfaction through motivational factor, customer relationship system, customer opinion about banks, commitment of the customers, work culture, work behaviour and social relations in the bank. The data have been analysed with the help of Micro soft Excel programme and various statistical tools like **Factor Analysis, Correlation, Regression** Methods, to get the findings of the primary data . In addition to above, various **Pie Charts, Bar Charts** have also been prepared to understand the real situation of the bank through customer views. The detail analysis and finding of the chapter has been discussed below:

#### **6.1 FACTOR ANALYSIS:**

##### **6.1.1 Customer satisfaction through motivational factor:**

To satisfy the customer is the basic need of the bank in today's competitive environment. Customer satisfaction may be as a sub-system of the day to functioning of the bank. It is concerned with the business, it gives monetary gain

to the bank, it helps banks for expansion of business maintenance and development of the business in the bank., Motivational factor among the customers will strive to increase the number of accounts and business. The factor analysis of all the factors studied in the questionnaires are shown by the following tables.

**Table 6.1.1**  
**FACTOR ANALYSIS OF MOTIVATION VARIABLES**  
**Factor Pattern**

<b>Variables</b>	<b>1</b>	<b>2</b>	<b>3</b>
1	0.134	-0.734	-0.374
2	0.336	0.030	-0.691
3	0.698	0.231	-0.216
4	0.342	-0.682	-0.056
5	0.739	-0.393	0.341
6	0.734	0.022	0.165
7	0.458	0.487	0.050
8	0.575	-0.137	0.420
9	0.338	0.270	-0.486
10	0.421	0.033	-0.325
11	0.369	0.184	0.278
12	0.349	0.338	0.036

**VARIANCE EXPLAINED BY FACTORS**

1	2	3	4	5	6
2.911	1.691	1.408	1.014	0.767	0.428
7	8	9	10	11	
0.288	0.222	0.070	0.051	0.003	

**PERCENT OF TOTAL VARIANCE EXPLAINED**

1	2	3	4	5	6
24.254	14.089	11.734	8.453	6.392	0.426
7	8	9	10	11	
3.564	2.400	1.852	0.581	0.023	

As seen from Table 6.1.1, Factor 1 is highly loaded on all the motivation variable except Mot.1, Mot.2, Mot.4, Mot.9, Mot.11, and Mot.12. Even on these six variables loading of first factor is good. This indicates that the questions to measure motivation are highly correlated and jointly represent faith in the banks through factor 1& Factor 2 in the above table is positively loaded on Mot.7. At the

same time, this factor is negatively loaded on Mot.1 and Mot.7. This factor seems to represent independence at work in the bank. Factor 3 is positively loaded on Mot.8 and negatively loaded on Mot.9 and Mot.2. The third factor seems to represent working environment in the bank is very good . All the three factors jointly explain 50% of variance. Hence it can be concluded that customers of the cooperative banks are more concerned with the working and behaviour of the employee in the bank. The implication for the branch manager are quite significant. For the bank it is important that management provides a proper climate to increase mutual confidence and trust among employee so that they can render better customer services.

### 6.1.2 Customer relationship system

The detail analysis of data related to customer relationship is shown by the following table.

**Table 6.1.2**  
**FACTOR ANALYSIS OF CUSTOMER RELATIONS VARIABLES**

Variables	FACTOR PATTERN			
	1	2	3	
1	0.219	0.207	0.159	
2	-0.262	0.950	0.052	
3	-0.264	0.911	0.058	
4	0.566	0.098	0.282	
5	0.615	0.265	-0.446	
6	0.440	0.187	-0.587	
7	0.510	0.160	0.279	
8	0.574	0.041	0.103	
<b>PERCENT OF TOTAL VARIANCE EXPLAINED</b>				
	1	2	3	4
	23.059	21.330	9.011	7.632
	5	6	7	8
	2.536	1.442	0.741	0.158
<b>VARIANCE EXPLAINED BY FACTORS</b>				
	1	2	3	4
	2.075	1.920	0.811	0.687
	5	6	7	8
	0.228	0.130	0.067	0.014



From Table 6.1.2 factor 1 is highly loaded on all the customer relations variables except Cus.1, Cus.2 and Cus.3. Even on these three variables, loading of the first factor is significant. This indicates that all the questions to measure customer relations are highly related and jointly represent the customer relations level of employees in the banks through factor 1. Factor 2 in the above table is positively loaded on Cus.2 and Cus.3. This factor seems to represent utilization of employees potentiality. Factor 3 seems to represent collective responsibility towards satisfaction of customers' demand. All the three factors jointly explain 53% of variance. Therefore, it can be concluded safely that employees in cooperative banks are more conscious about customer relation related factors which is directly boosting the business of the bank. It is very important to motivate employee for better customer relation system.

### **6.1.3 Customer opinion about bank:**

It is very important variable for the banking industry. It has direct relation with the business and positive opinion helps to the bank for high business. The detail analysis of the customer opinion is as follows:

**Table 6.1.3  
FACTOR ANALYSIS OF CUSTOMER OPENION VARIABLES**

<b>Variables</b>	<b>FACTOR PATTERN</b>		
	<b>1</b>	<b>2</b>	<b>3</b>
1	0.333	-0.782	0.334
2	0.411	0.054	0.439
3	-0.008	0.007	0.427
4	0.709	0.277	0.100
5	0.789	0.280	0.051
6	-0.059	-0.391	-0.281
7	0.051	-0.266	0.402
8	0.609	0.088	-0.149
9	0.449	-0.627	-0.415

### PERCENT OF TOTAL VARIANCE EXPLAINED BY FACTORS

1	2	3	4	5
2.093	1.409	1.171	0.891	0.509
6	7	8	9	
0.469	0.241	0.186	0.070	

### PERCENT OF TOTAL VARIANCE EXPLAINED

1	2	3	4	5
20.925	14.088	11.715	8.910	5.088
6	7	8	9	
4.688	2.407	1.855	0.701	

From the above table, factor is highly loaded on all variables except Motivation 1,2,3,6,7, and 9. Even on these eight variables loading of the factor is significant. This indicates that the all questions to measure customer opinion about the working of the bank and behaviour of the employee are highly correlated and jointly represent concern for work in the organization through factor 1. Factor 2 is negatively loaded on opinion 1 and 9. This factor seems to represent alienation. Factor 3 is positively loaded on opinion 2 and 7. At the same time, this factor is negatively loaded on opinion 9 and 10. This factor seems to represent a high degree interest on the behaviour part of the employee, services rendered by the bank to the customers and behaviour of the employee with the customer. All the three factors jointly explain 47% of variance. It can be concluded that employees in this organization are concerned about their work, alienation, and high degree interest in the day to day working of the bank.

#### **6.1.4 Commitment of the customer:**

It is said that one can not do anything alone, we is better than I . Similarly the commitment of the customer is depend upon the joint work and group work among

employees, The analysis of the data collected related to commitment of the customer is shown by the following table.

**Table 6.1.4**  
**FACTOR ANALYSIS OF COMMITMENT OF CUSTOMERS' VARIABLES**

**Initial Statistics:**

Variable	Communality	*	Factor	Eigen value	Pct of Var	Cum Pct
COM_01	1.00000	*	1	2.64277	29.4	29.4
COM_02	1.00000	*	2	1.90885	21.2	50.6
COM_03	1.00000	*	3	1.29533	14.4	65.0
COM_04	1.00000	*	4	0.98425	10.9	75.9
COM_05	1.00000	*	5	0.77491	8.6	84.5
COM_06	1.00000	*	6	0.61334	6.8	91.3
COM_07	1.00000	*	7	0.34176	3.8	95.1
COM_08	1.00000	*	8	0.29478	3.3	98.4
COM_09	1.00000	*	9	0.14401	1.6	100.0

**Factor Matrix:**

	FACTOR 1	FACTOR 2	FACTOR 3
COM_01	.50754	-.53778	.14548
COM_02	.79601	-.09028	-.22346
COM_03	.52277	.53420	-.46163
COM_04	.68351	-.27702	-.37559
COM_05	.57159	-.64426	.06050
COM_06	.56716	.64086	.43713
COM_07	.31784	.20717	.05081
COM_08	.17426	-.32875	.73464
COM_09	.48092	.52213	.36474

As seen from the table, factor 1 is highly loaded on all the commitment variables except on COM\_7 and COM\_8. Even on these two variables, loading of the first factor is significant. This indicates that all the questions to measure commitment is highly correlated and they jointly represent the commitment level of the employees in the bank. Factor two in the above table is positively loaded on COM\_3, COM\_6 and COM\_9. At the same time, this factor is negatively loaded on COM\_1 and COM\_5. This factor seems to represent emotional attachment of the employees with the bank and customer services. Factor 3 seems to represent the responsibility of the employees towards organizational outcomes. All the three

factors jointly explain 65% of variance. Hence, it can be concluded that employee in this banks are more concerned about three commitment related factors namely overall commitment towards work, emotional attachment with the bank, and responsibility towards organizational outcomes and customer satisfaction. In the banking industry it is very important to link branch performance with rewards to increase overall commitment. This needs reframing of the appraisal system of the employee to achieve such a linkage.

### 6.1.5 Work culture of the bank:

work culture is one of the important variable in the banking industry which motivates the customer satisfaction among employee. The detail analysis of the data collected for this purpose is as under.

**Table 6.1.5**  
**FACTOR ANALYSIS OF WORK CULTURE VARIABLES.**

**Initial Statistics:**

Variable	Communality	*	Factor	Eigen value	Pct of Var	Cum Pct
WCL_01	1.00000	*	1	1.85889	26.6	26.6
WCL_02	1.00000	*	2	1.28325	18.3	44.9
WCL_03	1.00000	*	3	1.16746	16.7	61.6
WCL_04	1.00000	*	4	0.93457	13.4	74.9
WCL_05	1.00000	*	5	0.77853	11.1	86.0
WCL_06	1.00000	*	6	0.51314	7.3	93.4
WCL_07	1.00000	*	7	0.46415	6.6	100.0

**Factor Matrix**

	FACTOR 1	FACTOR 2	FACTOR 3
WCL_01	.46259	.60034	.04387
WCL_02	.68661	.42577	.06672
WCL_03	.27694	.07560	-.60645
WCL_04	.62656	.10971	-.22515
WCL_05	.57586	-.63697	.18248
WCL_06	.60848	-.50180	.16100
WCL_07	.04822	.25744	.82667

As seen from the above table, Factor 1 is highly loaded on all the work culture variable except WCL3 and WCL7. Even on these two variables loading of the first factor is significant. This indicates that all the questions to measure work culture are highly correlated and jointly represent the level of work culture in the banks. Factor 2 in the above table is positively loaded on WCL1 and WCL2. At the same time, this factor negatively loaded on WCL5 and WCL6. This factor shows that employees are helpful to each customer. The third factor is loaded positively on WCL1 and negatively loaded on WCL3 and WCL4. This factor represents delegation of authority for the development of employees. All the three factors jointly explain 61.6% of variance. Hence it can be concluded that employees in these banks are more concerned about their responsibility, team spirit and delegation of authority to their subordinates leads to higher customer satisfaction in the day to day working of the bank. It is also very important that the helping attitude of employees will create a right atmosphere for work culture.

#### **6.1.6 Work behaviour:**

Behaviour of the employee is dependent upon the motivational factor of the organization. The motivation of the employee will indirectly help in satisfying the need of the customers. The analysis related to work behaviour variables is shown in the following table:

**Table 6.1.6**  
**FACTOR ANALYSIS OF WORK BEHAVIOUR VARIABLES**

**Initial Statistics:**

Variable	Communality	*	Factor	Eigen value	Pct of Var	Cum Pct
WBV_01	1.00000	*	1	2.74218	30.5	30.5
WBV_02	1.00000	*	2	2.22502	24.7	55.2
WBV_03	1.00000	*	3	1.36207	15.1	70.3
WBV_04	1.00000	*	4	.79933	8.9	79.2
WBV_05	1.00000	*	5	.70750	7.9	87.1
WBV_06	1.00000	*	6	.54844	6.1	93.2
WBV_07	1.00000	*	7	.33404	3.7	96.9
WBV_08	1.00000	*	8	.18379	2.0	98.9
WBV_09	1.00000	*	9	.09764	1.1	100.0

**Factor Matrix:**

	FACTOR 1	FACTOR 2	FACTOR 3
WBV_01	-.41627	-.06443	.75208
WBV_02	.16184	.90286	.16763
WBV_03	.33426	.02848	-.74786
WBV_04	.22116	.61427	-.17171
WBV_05	.24234	.88026	.17324
WBV_06	.81904	.04022	.08266
WBV_07	.77788	-.29549	.21347
WBV_08	.67209	-.03502	.27493
WBV_09	.77182	-.40319	.14690

From the table above, Factor 1 is highly loaded on all the variables except WBV2, WBV5 and WBV3. Even on these three variables loading of the factor is significant. This indicates that all the questions to measure work behaviour of employees in the bank is answered through Factor 1. Factor 2 is positively loaded on WBV2, WBV4 and WBV5. At the same time, it negatively loaded on WBV1 and WBV9. This factor shows that work environment always motivates to perform well in the bank. The third factor is loaded positively WBV1 and negatively on WBV3. It means this factor seems to represent sincerity of duty of the employees in the bank. All the three factors jointly explain 70.3% of variance. Hence it can be

concluded that the employees in the banks are more concerned about their duty, and positive work environment. It is also very important to motivate a healthy work environment for employees productivity.

### **6.1.7 Social relations:**

Social responsibility is one of the important factor of the cooperative banks. Normally the constitution of the cooperative banks is based on the democratic management and welfare implication of the poor mass. The analysis of the data pertaining to the social relations are shown in the following table.

**Table 6.1.7**

#### **FACTOR ANALYSIS OF SOCIAL RELATIONS VARIABLES**

##### **Initial Statistics:**

Variable	Communality	*	Factor	Eigenvalue	Pct of Var	Cum Pct
SRL_01	1.00000	*	1	4.65564	58.2	58.2
SRL_02	1.00000	*	2	1.08154	13.5	71.7
SRL_03	1.00000	*	3	.84685	10.6	82.3
SRL_04	1.00000	*	4	.60020	7.5	89.8
SRL_05	1.00000	*	5	.39133	4.9	94.7
SRL_06	1.00000	*	6	.21718	2.7	97.4
SRL_07	1.00000	*	7	.15329	1.9	99.3
SRL_08	1.00000	*	8	.05397	.7	100.0

##### **Factor Matrix:**

	<b>FACTOR 1</b>	<b>FACTOR 2</b>
SRL_01	.84531	-.30644
SRL_02	.89490	-.18513
SRL_03	.48026	.63525
SRL_04	.88154	-.20366
SRL_05	.46425	.69638
SRL_06	.81750	.13243
SRL_07	.83059	.06508
SRL_08	.74750	.04023

From the above table, Factor 1 is highly loaded on all the social relations variables. It is a very significant factor. This indicates that all the questions to measure social relations are highly correlated and jointly represent the social relations level of employees in the banks through Factor 1. Factor 2 is positively

loaded on SRL3 and SRL5. At the same time, it is negatively loaded on SRL1 and SRL4. This factor seems to represent social relations with management, colleagues, customers and other members in the banks. The two factors jointly explain 71.7% of variance. Hence it can be concluded that the employees are conscious of social relations with management, superiors, colleagues, subordinates, customers, borrowers and others. In this situation, it is very important that to maintain social relations, the organizational climate should be motivated.

## 6.2 Regression Analysis

An attempt has been made to explore an appropriate model to link all the variables through multiple regression. In the first attempt motivational variable was taken as a dependent variable and was regressed with independent variables such as customers relations systems, customers' opinion about bank, commitment of the customers and work culture in the bank. The result of this regression is shown by the following tables.

**Table 6.2.1**  
**Regression Analysis of Motivational Variable**

DEP VAR:						
VAR(1)						
N: 250						
MULTIPLE R: .649						
SQUARED MULTIPLE R: .421						
ADJUSTED SQUARED MULTIPLE R: .370						
STANDARD ERROR OF ESTIMATE: 0.299						
<b>VARIABLE</b>	<b>COEFF</b>	<b>STD</b>	<b>STD</b>	<b>TOLERANCE</b>	<b>TP(2</b>	
	<b>CIENT</b>	<b>ERROR</b>	<b>COEF</b>		<b>TAIL)</b>	
CONSTANT	1.189	0.859	0.000	1.385	0.175	
VAR(2)	0.035	0.115	0.047	0.7104888	0.304	0.763
VAR(3)	0.460	0.197	0.345	0.7846225	2.341	0.025
VAR(7)	0.240	0.063	0.533	0.8696116	3.807	0.001
<b>ANALYSIS OF VARIANCE</b>						
<b>SOURCE</b>	<b>SUM-OF-SQUARES</b>	<b>DF</b>	<b>MEAN-SQUARE</b>	<b>F-RATIO</b>	<b>P</b>	
REGRESSION	2.210	3	0.737	8.246	0.000	
RESIDUAL	3.038	34	0.089			



The results are given in the above table 6.2.1 shows that the model is not strong enough to explain the interdependence of the variable as R square value is quite low. However, the F-ratio indicates that the significance level of the findings is high. Also the T value for all the independent variables is high except that for customer Relations. Selection of independent variables for this result is based on the regression result in which all other six variables were treated as independent variables in the first attempt. In the second attempt three variables were dropped for which the results were not significant. This indicates that to increase the motivation level of the customers, it is also important to increase the motivational level of the employees in the banks so that they can provide better customer service. Beta for this linkage is 0.460. In the banks and the morale level of employees is indicated at a mean of 4.64 from a possible maximum of 5.00 which is very high. As a result the motivational level of employees is also very high at a mean of 4.51 out of a maximum possible 5.00. This indicates the working environment in the banks is quite satisfactory which results higher customer satisfaction.

The second model for the study was chosen by treating customer Relations as a dependent variable. The same exercise was done as explained earlier. Here it was not found suitable to drop any variable from the list of six independent variables. The result of the analysis is presented in the table 6.2.2.

**Table 6..2.2**  
**Regression Analysis of Customer Relations**

DEP VAR:  
 VAR(2)  
 N: 250  
 MULTIPLE R: .624  
 SQUARED MULTIPLE R: .390  
 ADJUSTED SQUARED MULTIPLE R: .271  
 STANDARD ERROR OF ESTIMATE: 0.431

VARIABLE	COEF.	STD ERROR	STD COEF	TOLERANCE	TP(2 TAIL)
CONSTANT	0.149	1.342	0.000	0.111	0.912
VAR(1)	0.109	0.248	0.082	0.5773319	0.442 0.662
VAR(3)	0.114	0.417	0.064	0.3627143	0.274 0.786
VAR(4)	0.383	0.299	0.314	0.3293714	1.282 0.209
VAR(5)	0.045	0.254	0.039	0.4092323	0.177 0.861
VAR(6)	0.182	0.188	0.214	0.4023231	0.969 0.340
VAR(7)	0.047	0.133	0.077	0.4066220	0.351 0.728

**ANALYSIS OF VARIANCE**

SOURCE	SUM-OF-SQUARES	DF	MEAN-SQUARE	F-RATIO	P
REGRESSION	3.674	6	0.612	3.297	0.013
RESIDUAL	5.757	31	0.186		

From above table 6.2.2, the causal model can written as  $cus = 0.149 + 0.109 Mot + 0.114 MOR + 0.383 COM + 0.045 WCL + 0.182 WBV + 0.047 SRL$  ( $R^2 = .390$ ). In this result the F-ratio is 3.297 which is lower than that in the previous result. T values are low for most of the coefficients. In the result the beta value for Commitment as independent is shown to be 0.383. This indicates that to have better customer relations in the banks , it is important to have high commitment and involvement of employees. High commitment makes the employees to be more responsive to the banks rules and regulations . As a result there is **little mistrust and indiscipline** in the banks as a result customers have started reduce the faith on the working of cooperative banks.

In the third attempt we treated customers opinion as a dependent variable. The result of the analysis is presented in table 6.2.3

**Table 6.2.3**  
**Regression Analysis of Morale Variable**

DEP VAR:  
VAR(3)  
N: 250  
MULTIPLE R: .799  
SQUARED MULTIPLE R: .638  
ADJUSTED SQUARED MULTIPLE R: .581  
STANDARD ERROR OF ESTIMATE: 0.183

VARIABLE	COEFFICIENT	STD ERROR	STD COEF	TOLERANCE	T	P (2 TAIL)
CONSTANT	1.890	0.444	0.000	4.256		0.000
VAR(1)	0.184	0.100	0.246	0.6376881	1.847	0.074
VAR(2)	0.024	0.075	0.042	0.6308910	0.314	0.756
VAR(4)	0.443	0.095	0.649	0.5872118	4.672	0.000
VAR(5)	0.094	0.097	0.145	0.5098694	0.976	0.336
VAR(7)	-0.143	0.050	-0.424	0.5112407	-2.849	0.008

**ANALYSIS OF VARIANCE**

SOURCE	SUM-OF-SQUARES	DF	MEAN-SQUARE	F-RATIO	P
REGRESSION	1.880	5	0.376	11.269	0.000
RESIDUAL	1.068	32	0.033		

In this table customers' opinion is treated as a dependent variable while Motivation, customer Relations, Commitment, Work Culture, and Social Relations are treated as independent variables. The causal model is  $MOR = 1.89 + 0.184 MOT + 0.024 IND + 0.443 COM + 0.094 WCL + -0.143 SRL$  ( $R^2 = .638$ ) with F-ratio at 11.269. This result indicates that this model could finally explain the interlink age between different variables. The beta coefficient for commitment is high at 0.443. This indicates that to have high morale of employees in the banks, it is important to have very high commitment towards customer services. This coupled with the first attempted model indicates that to high motivation of employees, it is important to have high morale of employees which in turn can be achieved through high commitment which also improves the customer relations in the banks. Mean

values for all these three variables are more than four out of possible 5. This indicates the success of the bank is basically depends higher customer satisfaction.

To further improve the analysis, an attempt was made by taking Commitment of the customers as a dependent variable while customer Relations, customers' opinion, Work Behaviour, and Social Relations were treated as independent variables. The result of this analysis is represented in table 6.2.4.

**Table-6.2.4**  
**Regression Analysis of Commitment Variable**

DEP VAR: VAR(4)  
N: 250  
MULTIPLE R: .829  
SQUARED MULTIPLE R: .687  
ADJUSTED SQUARED MULTIPLE R: .649  
STANDARD ERROR OF ESTIMATE: 0.245

VARIABLE	COEFT	STD ERROR	STD COEF.	TOLERANCE	T P (2 TAIL)
<b>CONSTANT</b>	-0.597	0.723	0.000	-0.826	0.415
VAR(2)	0.130	0.099	0.159	0.6470452	1.314 0.198
VAR(3)	0.794	0.175	0.542	0.6636622	4.531 0.000
VAR(6)	0.191	0.092	0.275	0.5379914	2.072 0.046
VAR(7)	0.044	0.057	0.089	0.7198192	0.774 0.444

**ANALYSIS OF VARIANCE**

SOURCE	SUM-OF-SQUARES	DF	MEAN-SQUARE	F-RATIO	P
<b>REGRESSION</b>	4.345	4	1.086	18.079	0.00
<b>RESIDUAL</b>	1.983	33	0.060		

From the above 6.2.4, the equation can be written as  $COM = -0.597 + 0.130 CUS. + 0.794 MOR + 0.191 WBV + 0.044 SRL$  ( $R^2 = 0.687$ ). In this model the multiple R square value is still better at 0.687 with the F-Ratio at 18.079. The beta coefficient for Morale is very high at 0.794. This result is similar to the result in the

previous findings. The findings of the regression analysis of work culture in the bank has shown by the following table 6.2.5.

**Table 6.2.5**  
**Regression analysis of work culture variable**

DEP VAR: VAR(5)  
N:250 MULTIPLE R: .769  
SQUARED MULTIPLE R: .591  
ADJUSTED SQUARED MULTIPLE R: .512  
STANDARD ERROR OF ESTIMATE: 0.304

VARIABLE	COEF.	STD ERROR	STD COEF	TOLERANCE	TP (2 TAIL)	
<b>CONSTANT</b>	1.133	0.925	0.000	1.225	0.230	
VAR(1)	-0.017	0.175	-0.015	0.5738924	0.096	0.924
VAR(2)	0.022	0.127	0.026	0.6110730	0.177	0.861
VAR(3)	0.231	0.291	0.150	0.3691919	0.794	0.433
VAR(4)	-0.048	0.216	-0.045	0.3132750	-0.222	0.826
VAR(6)	0.313	0.122	0.427	0.4729337	2.558	0.016
VAR(7)	0.233	0.084	0.448	0.5056844	2.776	0.009

**ANALYSIS OF VARIANCE**

SOURCE	SUM-OF-SQUARES	DF	MEAN-SQUARE	F-RATIO	P
<b>REGRESSION</b>	4.144	6	0.691	7.471	0.000
<b>RESIDUAL</b>	2.866	31	0.092		

The fifth model for the study was chosen by treating work culture in the bank as a dependent variable and regressed with independent variables namely customer Relations, Customers' opinion, work behaviour and social relations. The result of this regression is represented in table 6.2.5. The equation is  $WCL = 1.133 - 0.017 MOT + 0.022 CUS + 0.231 CUSOP + 0.048 COM + 0.313 WBV + 0.233 SRL$  ( $R^2 = .591$ ) with the F Ratio at 7.471. T which is lower than that in the previous result. This result indicates that the model could provide the final explanation of the interlink age between different variables. The beta coefficient for work behaviour is good at 0.305. This indicates that to have good work behaviour of employees in the banks . It is important to have a good work culture so that they can perform better customer services. The previous model indicated that high commitment of

employees towards the banks was important. It means that commitment of the employee will improve work culture in the banks. As a result of work culture level of employees is also high at a mean of 4.31 out of maximum possible 5.00. It indicates that customers services in the banks are quite satisfactory.

**Table 6.2.6**

**REGRESSION ANALYSIS OF WORK BEHAVIOUR VARIABLE**

DEP VAR:  
 VAR(6)  
 N:250  
 MULTIPLE R: .781  
 SQUARED MULTIPLE R: .610  
 ADJUSTED SQUARED MULTIPLE R: .534  
 STANDARD ERROR OF ESTIMATE: 0.406

VARIABLE	COEF.	STD ERROR	STD	COEF	TOLERANCE	T P (2 TAIL)
CONSTANT	-1.505	1.235	0.000	-1.218	0.232	
VAR(1)	-0.086	0.233	-0.055	0.5762552	-0.370	0.714
VAR(2)	0.162	0.167	0.137	0.6289535	0.969	0.340
VAR(3)	0.070	0.393	0.033	0.3622064	0.177	0.860
VAR(4)	0.518	0.273	0.360	0.3490937	1.897	0.067
VAR(5)	0.557	0.218	0.408	0.4951316	2.558	0.016
VAR(7)	0.058	0.125	0.081	0.4078201	0.464	0.646

**ANALYSIS OF VARIANCE**

SOURCE	SUM-OF-SQUARES	DF	MEAN-SQUARE	F-RATIO	P
REGRESSION	7.976	6	1.329	8.065	0.000
RESIDUAL	5.110	31	0.165		

In the sixth attempt, work behaviour was treated as a dependent variable while customer relations, commitment work culture were treated as independent variables. The result of this analysis is given below.

The equation is  $WBV = 1.505 + -0.086 MOT + 0.162 CUS + 0.070 CUSOP + 0.518 COM + 0.557 WCL + 0.058 SRL$  ( $R^2 = .610$ ) with F Ratio at 8.065 which is higher than the previous attempt. The T values are shown to be high for most of the

coefficients. The beta value for work culture is .603. This indicate that there is a good work behaviour of employees in the banks . It is also important to have healthy value for work culture. It means to that work culture and work behaviour are highly correlated. Commitment improves work behaviour of the employees in the banks which boosted the higher customer satisfaction. Mean value for all these six variables is more than four. This indicates the success of the banks is based on the higher customer satisfaction in cooperative banks.

**Table 6.2.7**  
**REGRESSION ANALYSIS OF SOCIAL RELATIONS VARIABLE**

DEP VAR:  
VAR(7)  
N:250  
MULTIPLE R: .771  
SQUARED MULTIPLE R: .595  
ADJUSTED SQUARED MULTIPLE R: .517  
STANDARD ERROR OF ESTIMATE: 0.582

VARIABLE	COEFF.	STD ERROR	STD COEF	TOLERANCE	T	P
					(2TAIL)	
CONSTANT	0.978	1.803	0.000	0.542	0.592	
VAR(1)	0.906	0.293	0.408	0.7503410	3.089	0.004
VAR(2)	0.085	0.242	0.051	0.6128820	0.351	0.728
VAR(3)	-1.413	0.503	-0.477	0.4540420	-2.811	0.008
VAR(4)	0.290	0.410	0.143	0.3178230	0.707	0.485
VAR(5)	0.854	0.308	0.444	0.5104372	2.776	0.009
VAR(6)	0.119	0.256	0.085	0.3931977	0.464	0.646

**ANALYSIS OF VARIANCE**

SOURCE	SUM-OF-SQUARES	DF	MEAN-SQUARE	F-RATIO	P
REGRESSION	15.413	6	2.569	7.590	0.000
RESIDUAL	10.492	31	0.338		

In the last attempt, social relations was treated as a dependent variable and other shows as independent variables. The result of this analysis is presented in table 6.2.7. The equation is  $SRL = 0.978 + 0.906 MOT + 0.055 CUS + -1.413 CUSOP + 0.290 COM + 0.854 WCL + 0.119 WBV$  ( $R^2 = .595$ ). While the F ratio is 7.590. This model is far superior to the first model and well explains the

interdependence of the variables. However, the high F-ratio indicates that the significance level of the findings is high. The T value is high for all the independent variables is high except commitment. This indicates that social relations are high in the banking industry. It is also important to increase the motivation level of the employees in the banks so that they can concentrate towards improvement of customer services. Beta for this linkage is .91. In the banks the motivation level of the employees is very high. As a result social relations of the employees are also very good The mean is 4.51 out of maximum possible of 5.00. This indicates that the success of the banks is based on the higher customer service.

To conclude it can be said that customer services is a newly emerging field in the area of banking industry. Although it has been in existence in some form or the other since the beginning of nationalization of public sector banks in 1969 and today customer service has been considered one of the important variables for the success of the banking business in the competitive global market.

The objective of the study is also based on the outcome of the customer opinion about the day to day working of the cooperative banks. It is revealed from the analysis of the primary data collected from 250 individuals that the cooperative banks have focused their activities to increased customer services. They have started to implement the guidelines given by the Reserve Bank of India on 24<sup>th</sup> October, 1994 which is based on the recommendations of Committee on Financial Reforms under the Chairmanship of M Narsinham then RBI Dy. Governor. It is also seen from the analysis that customer service is basically depends upon the commitment and work culture of the bank. Most of the cooperative banks have achieved the same. The main reason could be find that the cooperative banks are



given micro touch whereas nationalized banks is framing their policy on macro base which sometime not fit for an individual customer.

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## CHAPTER-VII

### MARKETING OF BANKING SERVICES

Marketing of banking services is one of the important aspects in Indian banking Industry. In the case of cooperative banks it has emerged after introduction of new economic policy when other banks have also started functioning in the area of cooperative banks. New private banks have also started functioning in the same pattern and the banking industry has started functioning in the global market. The Indian economy has started move from manufacturing economy to service economy in some of the area where banking industry is one of them where the concept of service area approach has been focussed to compete the market scenario and the customers have been targeted in this aspect where the need to identify the concept of marketing of banking services emerged so that maximum customer could be tapped to fulfil the target. This chapter deal with the overall scenario of banking services and mainly divided into five parts. Efforts have been make to review some of the case studies on banking services in cooperative sector. In addition to that case studies on existing HR practices in sampled DCCBs have also been analysed. The detail outcome of the chapter is as follows:

#### **7.1 Banking Services**

Banking Industry is the backbone of Indian economy it is one of the burning area where better service to the customers have been focused. The banking services of some of the DCCBs has reviewed as under:

##### **(i) South Arcot Central Cooperative Bank:**

Deposits have a vital role in banking organisations. Hence it is necessary to know how the deposits are raised and what are the important terms and conditions.(RBI,1979)<sup>1</sup> The Committee of Urban Cooperative Banks, RBI, Bombay has rightly pointed out in April, 1979 in its report that "One of the major objective of cooperative banks is the mobilize the surplus

resources in the hands of the community they serve with the ultimate goal of canalisation of funds in productive investment."

Deposits serve as a cushion in absorbing the shocks of Overdues enabling the bank to stabilise an uninterrupted flow of credit. "In the three-tier short term credit structure, the central cooperative banks are considered the best suited for deposit mobilisation as compared to the primary societies and the apex bank.". "While primary credit societies are not well equipped to take up the risky task, the State Cooperative Bank is not generally expected to open branches except in the metropolitan city where it is located. But, generally the central cooperative banks operate both in urban and rural areas of the district and is an advantage which is not available to the other cooperative societies.(AIRCRC,1969)<sup>2</sup> The South Arcot Central Cooperative Bank Ltd collecting three types of deposit namely, current ,saving and fixed deposit from the depositors. In addition to various deposit schemes, the banks provides other services also. The details is as follows:

**(i) Cash Certificates:**

This is one form of deposit and it resembles almost the fixed deposit. The certificates are issued at different denominations as Rs. 100, 200, 500 and 1000 for fixed periods as 1 year, 2 years, and 3 years. On expiry of the specified period the investor/depositor gets back the principal amount plus interest. Cash certificate does not appear to be popular in the South Arcot Central Cooperative Bank. Since the Bank showed more interest in fixed deposit it did not bother much to popularise the cash certificates.

**Call Deposits:**

Call deposit is a short term deposit accepted from individuals and institutions for a period of 15 to 45 days. The rates of interest ranged from 3 per cent to 4.5 percent. Since 90-91 there is a restriction in accepting call deposits from individuals. Central Cooperative Banks accept call deposits from other banks and invest the same with State Bank of India.

## **Recurring Deposit**

In this area a depositor is expected to pay a fixed amount every month for a period of one year to five years or for a period convenient for him. The monthly instalments are usually in multiples of Rs. Five. The customers must regularly pay them. At the end of the contracted period the Bank will pay the principal amount plus interest. As in the case of term deposit 85 per cent loan is available for small savers and salary earners. On the whole under other deposits in the first six years there has been an appreciable increase of 39.27 per cent in 1980-81 to 167.66 per cent in 1985-86. But, thereafter it is showing a declining trend and the decline was about 50 per cent in 1986-87 and 1987-88 and only 25 per cent in 1988-89. In 1989-90 it was 32.08 per cent.

## **Special Schemes**

One way of increasing deposits is to have some special schemes suiting to the specific requirements of a professional group, age-group, economic income group; or to meet a particular need as- higher education, medical, marriage or house construction, in such schemes, the investors are to save for a certain period and then get an amount in addition to principal and interest. The Tamil Nadu State Cooperative Bank in Tamil Nadu had been a prime mover in this respect and as back as in 1978 it formulated 888 schemes and took a device to formulate deposit schemes on behalf of the central banks also and helped? implementing the scheme in the area of operation of the Bank. It had even gone to the extent of designing the advertisements, holders, publicity media etc. For a period of one year this was done. Subsequently with the Philip given by the Apex Bank, the central banks started maintaining the trend of innovating new deposit schemes at regular intervals; as and when they could feel that the bank should name new scheme they did in the midst of claims from competing banks. South Arcol Central Cooperative Bank also formulated certain special , schemes for attracting deposits.

## **Other Services**

A modern banker has to perform a variety of functions for his customers. From 'class banking' they have reached a stage of 'mass banking'. When we say mass banking they have to cater to the requirements of the needy people who are even below the poverty line. Number of schemes are implemented to uplift their standard of living. This is a major function, especially for the cooperative banks. These are;

- (i) Discounting of Bills
- (ii) Safe Vault and Safe Custody
- (iii) Issue of Draft

### **(ii) Kanpur Central Cooperative Bank**

The banking services of District Central Cooperative Banks is quite similar through out the Country. The Kanpur Central Cooperative Banks collect saving, current and fixed deposits from its depositors from time to time as the rules regulation framed by the Reserve Bank of India. In addition of various types of deposit it also render other services. The detail is as follows:

#### **(i) Cash Certificate:**

This is another form of deposit with the Kanpur Central Cooperative Bank. The main difference is that the certificates are issued to the depositor at certain denominations as Rs. 100, 500 or 1,000 for a fixed period. On expiry, the certificate holder (depositor) will get back the principal with interest. The amount invested with the cash certificate by the customers reveals that it is very unpopular with them.

#### **(ii) Recurring Deposit:**

There has been a steady increase from 33.93 per cent in 1980-81 over the base year 1979-80 to 75.03 per cent in 1981- 82, 109.28 per cent in 1982-83 and 155.96 per cent in 1983-84. In the next four years the increase ranged between 200 and 300 per cent in 1987-88; it crossed 300 per cent and in 1988-89 it crossed 400 percent which means this type of deposit is finding more favour with the customers. 1989-90 the increase

was 487.69 per cent over the base year. About 500 per cent increase in a decade is a good fete indeed.

**(iii) Call Deposit:**

Generally Central Cooperative Banks do not have this type of deposit though this is equally good and important as other deposits. Kanpur Central Cooperative Banking shaving this deposits. The Bank accepts call deposit account for short periods. This helps the Bank to maintain their Cash Reserve Ratio and Statutory Liquidity Reserve ratios. As these deposit are repayable at call or on demand, they are accepted from individuals and institutions who want to invest for a shorter periods.

**Special Schemes**

Unfortunately the Kanpur Central Cooperative Bank is not having any special type of deposit schemes.

**Other Services Discounting of Bills**

Kanpur Central Cooperative Bank does not provide this service. There is lot of scope and need for this service in Kanpur Nagar and Kanpur Dehat district because of heavy volume of commercial activities. It is unfortunat the Bank has not been discounting Bills. Atleast to a limited extent at bead office and city branches it must start providing this service.

- (i) Safe Vault and Safe Custody
- (ii) Issue of Drafts
- (iii) Collection of Cheques
- (iv) Availability of other Banks in the District:

Kanpur Central Cooperative Bank has 28 branches of which 21 are in Kanpur Rural district, Kanpur Kshetriya Grams Bank (RRB) has 88 branches and six nationalised banks have 46 branches in the Rural district. Since they render all banking services including issue of drafts and discounting of bills which Kanpur Central Cooperative Bank is not doing. naturally Kanpur Central Cooperative Bank is not fully satisfying its customers in this respect.

## **7.2 Need of Bank Marketing**

Banking circles in India are today abuzz with the talk of marketing. Every bank, big or small, closely-held, widely-held or even government-held, is marketing its services to customers by evolving new financial instruments and adopting new strategies. **(Venkatarao B, 1972)<sup>3</sup>** But was it so even two decades ago? Perhaps not. The banks in India were not as enamoured of the term "marketing" then, as they are now. Or, for that matter, marketing was not a subject of discussion among bankers on such a mass scale then, as it is now. **(Banking Commission Report)<sup>4</sup>**

### **Evolution of bank marketing in India**

For the present discussion, the evolution of bank marketing in post-independence India can be broadly classified in three phases, namely pre-nationalisation period (preceding 1969), post nationalisation period (after 1969 and up to the mid-eighties) and the Modern period (after the mid-eighties). Reflecting the marketing stance of Indian banks during these three phases, they have been named the "traditional banking period", the "development banking period" and the "bank marketing period" respectively. These names are reflective of only the major trends in the marketing orientation of Indian banks. **(AIRCRC, 1969)<sup>5</sup>**

### **Traditional Banking Period (pre-nationalisation era up to 1969) :**

The hallmark of this period was a strong "accounting" orientation of bankers down the line, as distinct from a "marketing" orientation. In other words, meticulous maintenance of accounts books and an inward-looking approach in transacting business with the customers, which emphasised strict adherence to laid down rules and regulations. Be it deposit business or loaning activity, the foremost point of emphasis was the bank. In loaning, how much funds the prospective borrower needed to run his business was less important than how much security he could provide to safeguard bank's

financial interest **(RBI,1972)**<sup>6</sup> The customer was presented with a set of pre-determined options of banking products with an air which implied, "take it or leave it". Given the limited banking network then available, perhaps the customer too had little choice. So the banking business kept prospering even with a limited clientele base and a set of inflexible rules and regulations meticulously observed both in letter and spirit. Another interesting aspect of this period was the building up of strong bonds of banker-customer relationship. Of course, this was confined to a select band of customers. This aspect is interesting inasmuch as it had seeds of the modern concept of Relationship Marketing (please see Chapter 6 for details). This period is also popular as the "Class Banking" era of Indian banking as against the era of "Mass Banking" which dawned as a sequel to the nationalisation of 14 major banks in 1969. **(Banking Commission,1973)**<sup>7</sup>

### **Bank Marketing Period (the modern period—after the mid-1980s)**

The frantic pace of branch expansion and credit disbursement during the development banking period was bound to tell on the health of the public sector banks. And so it did. The sheer strain of undertaking this task of mammoth magnitude was reflected in a proliferation of loss-making branches, problems of communication with far flung branches in the face of a woefully inadequate communication and transport network in the countryside, rising customer dissatisfaction with banking services and the resultant apathy of the bank staff towards developmental work. The RBI urged commercial banks to take stock of the state of affairs, consolidate their gains and go slow on branch expansion, thus ushering in the period of consolidation. But these are not the reasons for calling this the 'bank marketing period'. **(AIRCRC,1969)**<sup>8</sup> This name may also be a misnomer if it gives an impression that during this period (i.e. during the last decade or so) commercial banks in the country adopted marketing orientation. In fact they did not. But they did experience an acute need of doing so. The bank managements and to some extent the rank and file in banks could visualise



the risks inherent in continuing to do business as before. So there was a growing awareness that marketing was an essential tool in the kitty of a banker, an inescapable necessity without which perhaps survival itself might become difficult even in the foreseeable future. To that extent this period is marked by a quantum jump in the evolution of the discipline of bank marketing in India. (AIRCRC,1990)<sup>9</sup>

### **Evolution of Bank Marketing- Facilitating Factors:**

Some of the more important factors which have given an impetus to the bank marketing movement *in* the country are discussed below. (Parthasarathi B,N,V,1994)<sup>10</sup>

#### **Financial Dis-intermediation**

The basic job of a banker is to accept deposits from investors/ depositors and, after earmarking funds toward statutory pre-emption (like in SLR and CRR), to extend loans to borrowers for meeting their production and consumption needs. The differential between the deposit interest rate and the loan interest rate is the banker's "spread" (or his income or gross profit). This is the process of financial intermediation in which the banker is the centre-piece,

#### **Depositor —” Banker —»•. Borrower**

Looking at the above process from another angle, the depositor has surplus funds which he wants to invest and earn a high income. The borrower needs funds for production or consumption for which he is prepared to pay a price. Since it would ordinarily be difficult for a depositor to search for a borrower directly, the banker intervenes as an intermediary. If the desire of the depositor for a high, safe income and that of the borrower for a low cost, hassle-free loan can be satisfied without the intervention of the banker, both would certainly be quite happy. This is exactly what has been increasingly happening in India for over a decade. The typical depositor and borrower, who were meeting in the banking hall (figuratively speaking), are now increasingly meeting each other outside the banking hall.

To conclude it can be said that the critical importance of bank marketing in today's scenario of Indian banking is undeniable. Still, as mentioned earlier, it would be incorrect to assume that the age of bank marketing has arrived. While its importance is appreciated at the top levels in banks, at the operating grass-root levels the critical importance of marketing is yet to make an impact. Bank marketing is perceived only as a strategic planning tool in the hands of policy makers in banks. It is quite unfortunate because unless and until bank marketing strikes roots in an organisation, any policy-making initiative will remain just that. There could be many reasons why the significance of bank marketing has not percolated down to operating levels in banks. One main reason could be the perception that it is just another policy initiative launched by the bank. And if the job security and career progression of bank employees and officials have been assured over the years despite various ups and downs in the banking industry, perhaps it would continue to be so. The major flaw in this line of reasoning is that this time around Indian banks are to operate in a free market situation without support of the government. Unless banks can stand up to the market forces and sustain themselves, they would be in severe financial straits. And it would affect the bankers too. This realisation may persuade the grass-root level bank operators to practise bank marketing.

### **7.3 Overview and Function of Bank Marketing**

Indeed it is a strategic tool for survival and growth. Not only at the macro-level of the banking industry as a whole, but even at the micro-level of each employee working in this industry. If bank marketing is so critical for bankers at large, it is necessary to have an exact understanding of what it is all about. But this subject is so common-place that most people have well-entrenched views about it. Many a time these views are based on regular advertisements in newspapers, magazines, radio and television. Frequently, these advertisements are perceived as irritants or at least irrelevant by the audience. This leads to the formation of negative stereotypes about

marketing in the minds of the common people, bankers included. For bankers there is an additional problem. For decades they have been used to transacting banking business efficiently and profitably without having to bother much about marketing. After all, he has been transacting this business quite competently all these years even without much of marketing. **(Chidambaram R.M,1994)<sup>11</sup>**

### **What is Bank Marketing?**

Whenever this question has been raised to bank managers in training sessions on bank marketing, the response has been instant and varied. Here is a sample **(Smith Daniel R, 1994)<sup>12</sup>**

- ❖ Marketing is selling of bank schemes.
- ❖ Marketing is creating demand for our products
- ❖ Persuading the prospective customer to bank with us is marketing
- ❖ Marketing is finding out customer needs
- ❖ Deposit mobilisation is marketing
- ❖ Talking nicely and politely to the customer is marketing
- ❖ Marketing aims at customer satisfaction
- ❖ Marketing is highlighting positive features of our products and negative features of the products of our competitors going out of the branch to contact customers is marketing **(Patil, R.H,1994)<sup>13</sup>**

### **Bank Marketing Context:**

Now let us turn to the banking context. Ideally speaking, the bank marketer (read branch level operator in a bank) should first determine the needs and expectations of the target group of customers. Then he should evolve a product tailor-made to satisfy these needs. But in Indian banks, at present at least, the branch operators do not have the discretion to design a product. In future, perhaps, they may have this opportunity. But as of now, what the branch operators can do is to match the features of existing bank products with needs and expectations of the customers (both, existing and prospective) in their area of operation. Their meeting point is our target market. Now the marketing efforts can be directed at this target market. Thus we identify, let us say, 100 prospective customers for our product. The next step would be to approach these people and explain the features of the

product. Since some groundwork has already been done in identifying likely customers of the product, chances are that a fair number (let us say, 60) of them would agree to subscribe to it. Now what happens when one of these willing customers is invited to open his account at our branch. It is possible that we may be unable to open his account on his first visit itself due to any of the following reasons **(George C.T,1994)**<sup>14</sup>

- ❖ The branch does not have the necessary application forms, registers or other stationery,
- ❖ The concerned counter clerk is not aware of the accounting procedure of the product which may be a new one, or
- ❖ The clerk or the officer is not too enthusiastic about doing the needful immediately due to a variety of reasons, like excessive workload or strained relations with his superiors.
- ❖ The reason for the failure to deliver as promised is irrelevant. Irrespective of the cause, the impact on the customer would be negative and perhaps very damaging for the branch. This leads us to the second critical aspect of the marketing concept the delivery aspect "the marketer must ensure beforehand that he has all the inputs available at his command for completing the transaction to the satisfaction of the customer." There is no point in marketing our products and then leaving the customer disappointed at the point of delivery. Such a situation can be very counterproductive.

The third, and the last, crucial aspect of the marketing concept deals with customer satisfaction. It may be stating the obvious that achieving customer satisfaction is the ultimate aim of all marketing effort. But then, there have been legitimate queries, do we do marketing just for customer satisfaction. Or, is it for achieving our targets of profits, deposits, advances, etc. No doubt our ultimate aim is profitability, but profits automatically flow out of customer satisfaction. In fact, profitability, customer satisfaction and marketing are not mutually exclusive or contradictory. They complement each other beautifully. We will discuss this aspect in a later chapter, "Profitability and Marketing." **(Meidan Arthur,1984)**<sup>15</sup>

The differences between marketing and selling concepts come out sharply in the two ways as discussed below:

### **Marketing Concept**

1. The starting point is the identification of customer needs before products are designed.
2. Customer is the focal point of attention of the marketer in all the three stages of the flowchart.
3. Marketing concept is outward looking.
4. Marketing seeks to maximise customer satisfaction.
5. Marketing is a holistic concept covering all the stages of business activity.

### **Selling Concept**

- Products are designed on the basis of perceptions of the seller.
- Product is the focal point of attention of the seller in all the three stages of the flowchart.
- Selling concept is inward looking.
- Selling seeks to maximise profits.
- Selling is basically a part of marketing.

The actual business activity starts. Indeed marketing is instrumental in taking some of the most basic business decisions like, what to market and where. As against this, selling is an inalienable part of the overall marketing activity. We discuss selling in this context in greater detail when we talk of personal selling in a later chapter on "Bank Marketing Strategy." **(Mciver C & Naylor G,1980)<sup>16</sup>**

### **Marketing Orientation**

Now we turn to another basic concept in bank marketing (or for that matter in product marketing as well)—marketing orientation. Whenever the subject of bank marketing is broached amongst operating bankers, a frequent refrain is "Where is the time for marketing?" The implied message is, "I am so busy completing my heavy routine activities like posting/passing cheques, balancing books of accounts, etc. that I do not get any time for

marketing." The assumption underlying this message is quite interesting. It is that any meaningful marketing involves considerable investment of time, energy and perhaps even money. It would be worthwhile to examine the validity of this assumption. Unless even the routine banking activities in a branch come to have a marketing content, the practice of bank marketing would remain peripheral in nature. It is in this context that we propose to examine the concept of marketing orientation with the help of a branch case. **(Vittas Dimitri, 1988)** <sup>17</sup>

### **Marketing Orientation in Branch Banking—A Case:**

The case to be discussed here has intentionally assumed a highly simplified situation—much unlike the hectic activity we witness today in a typical bank branch. At the end of this case discussion, we would extend the inferences from it to the actual situation of a typical branch and see how these inferences still remain valid. **(Marsh J.R, 1988)** <sup>18</sup>

The factory management maintains a current account at the branch and the salary is paid to these 300 industrial workers through their savings bank accounts at the same branch. So now we have two substantially homogeneous sub-groups of savings bank account holders pensioners and industrial workers covering respectively 40 per cent and 30 per cent of the branch accounts. The branch manager wishes to apply the marketing concept on these two groups initially. To do this he goes back to the basic marketing principle which says that identification of customer needs is the first step in implementation of the marketing concept. How does one find out the needs of these 400 pensioners and 300 industrial workers. Not only is the task a difficult one in itself there is no guarantee that these needs would not undergo a change tomorrow.

To resolve this dilemma we take help of the theory of human needs as propounded by Abraham Maslow in his seminal work on this subject. Maslow suggested a "hierarchy of human needs". Basically, he said that all normal human beings have five fundamental needs **(Zenoff D.B., 1989)** <sup>19</sup>

- Physiological needs, i.e. the need to have food, water, fresh air and other similar basics for sustenance of life.
- Safety needs, i.e. the need to be safe from all dangers to human life physical, financial or emotional in nature.
- Social needs, i.e. the need to have other fellow human beings to interact with. This can be traced back to the famous saying of Aristotle, "Man is a social animal."
- Status needs, i.e. the need to carve out a special place, an important position in the social group or groups with which a person interacts.
- Self-actualisation needs, i.e. the need to actualise oneself or in other words to try and achieve one's burning desire or ambition.

**Few inferences of relevance (for our present discussion) can be drawn from Maslow's theory.**

- (i) Human needs come in a sequence or, as Maslow said, hierarchy. For example, until the physiological needs are satisfied, other higher order needs like safety and social needs will remain dormant in the human mind.
- (ii) (ii) Once a need is satisfied, it becomes dormant and the next higher order need becomes active. For example, once physiological needs are met, safety needs become predominant in the human mind, while social and other higher order needs still remain dormant. Similarly, once safety needs are also satisfied, social needs take over the human mind and then both physiological and safety needs on one side and status, self-actualisation needs on the other side become less important or dormant.
- (iii) (iii) The most important inference to be derived is that, at any one point of time any normal human being has only one "single most important need." It does not mean that other needs cease to exist. It only means that the other needs at that given point of time are less important in the human mind.

- (iv) (iv) An additional inference drawn is that if we can identify and satisfy the "single most important need" of a person at a given point of time, that person would be substantially, if not fully, satisfied at that point of time. The reason for this inference is simple. If the need which is predominant in the human mind is met, satisfaction is bound to be there.

### **Marketing Orientation**

A *Definition* We can now attempt our own definition of marketing orientation. Marketing orientation is basically an attitudinal disposition of a banker which enables him to anticipate customer need(s) and also inspires him to satisfy that need." Two main ingredients of Marketing Orientation that stand out are:

- (a) an ability to anticipate customer needs, and
- (b) a willingness to satisfy them.

Now, where is the question of any specific investment of time, money or energy for practising this kind of marketing at the branch level? This is basically an issue of attitudinal orientation, a way of looking at whatever we do in our work situation.

### **Special Features of Services Marketing:**

Marketing concepts that we have discussed till now are valid irrespective of whether one is in the business of marketing soaps, machinery or services (like banking and insurance). In other words, these concepts hold good for both product and services marketing situations. But services marketing (of which bank marketing is a part) do have some special characteristics of its own. They distinguish it from product marketing. For a bank marketer it is necessary to understand these special features of services marketing which are discussed here.**(Davidow W.H.,1990)**<sup>20</sup>



## **Intangibility Principle**

A typical bank normally has a large number of branches spread far and wide. One reason could be government policy, especially in the post-nationalisation era. But even in the pre-nationalisation era a typical bank had a much larger network of branches (or, in other words, marketing outlets) than a product manufacturing company of comparable size in terms of resources, assets, profits, etc. Putting the same issue in a different manner, banks normally do not have a chain of stockists—wholesalers—retailers to market their products. In the way, for example, a toothpaste manufacturing company does. This is so despite the fact that maintaining branches is far costlier a proposition than having a distribution and selling chain of outside traders. It would be interesting to find reasons for this. The reasons could be many. But the idea here is not to explore all of them. Instead, the objective is to drive home the basic principle of bank marketing (or, for that matter services marketing). And from the marketing standpoint, there is only one reason—the Intangibility principle. In other words, one may say that a special feature of bank marketing as distinct from product marketing is that banking 'products' are intangible in nature. For example, a savings bank-scheme, which is a product in marketing terminology, is not something, which can be seen, touched and felt in the same manner in which a tin of instant coffee can be seen, touched and felt.

### **Tangible vs. intangible products: a marketing situation:**

Let us see how the intangibility principle works. Let us assume that we want to market a new brand of toothpaste. One of the ways of marketing could be that we assemble a group of prospective users and explain the virtues of our brand to them. At the end of our presentation, we can even request the prospective users to pick up a sample of our toothpaste and actually use it. The idea is that by actually seeing and using a tube of toothpaste, the prospective users would be in a position to satisfy

themselves, whether they want to purchase our brand or not. **(Berry Leonard L & Capaldini LA,1975)<sup>21</sup>**

### **Implications of Intangibility:**

In the case of toothpaste example, the product is a tangible, visible commodity. It can be seen and used by the prospective customer even prior to actual purchase. In the process of pro-purchase seeing and using, the prospective customer can draw a clear picture of the product and its features in his mind. Thus, on a psychological plane, the customer becomes comfortable with the product, because he "knows" the product, even before purchase. This cannot be so in the example of a bank deposit scheme. The customer does not have an opportunity of "seeing" the product and actually using it prior to making a purchase decision and thus finds it difficult to construct a mental picture of this banking product and its features. This may result in the customer not being very comfortable with the product on psychological plane. A purchase decision may become difficult for him under these circumstances. However, the presence of a banker can change all this. The banker, with his expert knowledge about the product and the needs/expectations of the customer, can help him construct a clear mental picture of the product. And thus, put him at ease on a psychological plane. This function is called Personal Selling. We would discuss it in greater detail in a later chapter on "Bank Marketing Strategy." Incidentally, this line of reasoning also explains why a typical bank must have a large network of branches it is a way of making the banker available wherever the customer is for doing personal selling.

### **Intangibility: An advantage or a disadvantage:**

From the cost angle, perhaps initially intangibility would appear to be a disadvantage. A bank marketer has to have a network of branches on a much larger scale than a product marketer. And maintaining so many branch offices is, no doubt, a costly proposition. But if we probe a little deeper, we

quickly realise that this disadvantage is more than offset by the advantages, which flow out of the intangibility principle. The biggest advantage is the proximity to the customer and an on-going interaction with him on almost a day-to-day basis. There is another way of looking at this issue. It is impossible to think of a bank customer who has never met a banker. But, at the same time, it is perfectly possible and normal to think of a Colgate toothpaste customer who has never seen the face of a Colgate-Palmolive staffers. Thus, intangibility of his products places the bank marketer in a vantage position. As we know, understanding customer needs is by far the most critical marketing concept. Due to his continuous proximity to the customer, the bank marketer is well- placed to understand the finer aspects of customer needs and their changing complexion. He is also in a position to influence the final purchase decision of the customer much more effectively than a product marketer can. From the marketing standpoint, therefore, the position of a bank marketer is far stronger than that of a product marketer.

### **Inseparability Principle:**

A second special feature of services marketing is the Inseparability principle. As in case of the principle of Intangibility, let us discuss this principle too with the help of an example.(Crosby L.A.,1993)<sup>22</sup>

### **Special Features of Bank Marketing**

The special features of bank marketing, discussed in the preceding pages, have some interesting implications for bank marketers in India. Firstly, the critical importance of the "human" element in banking business is repeatedly emphasised. A bank marketer can afford to ignore this aspect only at a great cost. In later parts of the book, this aspect will again come under scrutiny, but nowhere more pointedly and comprehensively than in the chapter on "Internal Marketing." Secondly, because of the strong presence of the human element in banking products, the human mind is always in full charge of the situation. And since the sky is the limit for human innovation, it

is also the limit with regard to quality of banking products. This kind of tremendous opportunity, which is automatically available to a bank marketer, is never available to a product marketer. In the today's context of Indian banking, with rising competition and customer expectations, perhaps this opportunity needs to be grabbed with both hands to heighten customer satisfaction. And as a consequence, growth and profitability of Indian banks. Thirdly, since bank marketing is substantially different in nature' from product marketing, initiating marketing strategies from product marketing context could prove counter-productive. The discipline of product marketing is fairly well developed in India, both in terms of marketing practices as well as marketing literature (in fact, the latter only follows the former). For the reasons discussed in Chapter I, the discipline of bank marketing in India is still in a nascent stage both in terms of marketing practices and related literature. We can rightfully claim to be operating in a period when the subject of bank marketing is on the threshold of rapid growth. The field is wide open. The only limit is our own ability to innovate and grab marketing opportunities.

### **Competitive Advantage:**

The brief discussion on competitive advantage has been discussed below:

- (a) In the present-day context, Indian banking is all set to become a competitive field with the entry of a large number of players in the market. Hence meeting competition, and gaining competitive advantage, is fast becoming a central concept in the evolution of bank marketing in India.
- (b) The exhaustive work of Michael Porter on the theory of competitive advantage has given this subject the status of a discipline in its own right. Porter has propounded an elaborate framework for competitive advantage at various levels—be it the level of a firm or even that of a whole nation.

Arising out of the foregoing considerations, a brief discussion on some competitive advantage concepts is quite relevant at this stage. The idea here is not to discuss the complete theory of competitive advantage (which is the subject matter of a separate book in itself). It is only to highlight some basic aspects which are considered to be relevant for bank marketing, specially branch-level marketing. Porter has propounded three conditions for differentiation (or competitive advantage) in the market place. These are, Uniqueness, Value for buyers, and Price premium. **(Iyer, Rajesh,1994)<sup>23</sup>**

### **Psychological Ownership**

A fourth dimension can be added to the Porter's proposition. If the customer gets a perception that the product is meant for him, and him alone, a feeling of psychological ownership may get developed. On a psychological plane, the customer may come to "own" the product. Once a perception of psychological ownership of the product can be cultivated in the mind of customer, perhaps competitive advantage becomes fairly assured.

These four conditions for gaining competitive advantage are as central to practice of bank marketing as the special features of services marketing discussed earlier. So they will keep appearing in our subsequent discussion in this book. For example, in the chapter on Internal Marketing, the concept of psychological ownership reappears. The issue would be, how our frontlines can come to have a feeling of involvement in bank's products and strategies. And the involvement we talk about would be on a different plane. That is, the stage where the frontlines can perceive the bank's products as their "own". This perception can propel them to turn out more than a mere subsistence level of job performance. The concept of psychological ownership would also come up when we discuss strategies for achieving customer satisfaction in the chapter, "Bank Marketing Strategy." Similarly, other conditions for gaining competitive advantage (uniqueness, value to buyers and price premium) too would be referred in relevant contexts in later parts of this book. The discussion of these conditions in

their specific contexts would bring to the fore their vital importance for us in today's marketing situation. **(Clancy, K.J, 1994)**<sup>24</sup>

### **Marketing a way of Life:**

As we come to the close of this chapter, one inference is inescapable. And it is that marketing is a way of doing things. Indeed, it is a philosophy of life. Behavioural scientists call it "looking into things from the eyes of the other person." In other words, marketing is an attitudinal disposition which enables us to examine, whatever we do, from the angle of others. After all, whatever we do has an impact on the people around us. This holds good for our professional as well as personal life. In our personal life, we frequently pause to think how others are going to receive what we say or do. These others could be, our own family members, friends, acquaintances or even total strangers. The attitudinal disposition necessary for this type of thought, perhaps, comes naturally to all of us. Or, at least, each one of us strives towards this end. Practice of marketing in a work situation only requires that we transport this attitudinal disposition of our personal life to our professional life. The banking profession in our country is under close scrutiny. And at least some of what is being talked about it (by public at large) is not very palatable. Indeed it is an occupational hazard of a banker as we saw while discussing the Inseparability principle of bank marketing. A single bad experience of the customer can condemn the entire banking industry. Or, by the same token, a single pleasant experience can produce very favourable comments. We, in the banking industry, really walk on a razor's edge. Every single interaction with the customer (what Jan Carizon calls) "moment of truth.") has direct bearing on the entire industry. Each banker needs to ponder over this matter. **(Mehta S.K.,1993)**<sup>25</sup>

## **7.4 - Understanding the Customer**

While discussing the marketing concept in Chapter 2, it was observed that understanding customer needs and expectations is the essence of marketing. It is the main fountainhead from which emerge all other marketing activities e.g. strategy formulation, product development, customer service, etc. But understanding even one person is so difficult, because of the complexities of human behaviour and its changing pattern. How would a person behave in a given situation, what would he need and expect these things can be predicted only with a limited degree of accuracy. Hence, any claim that one completely understands customers would be off the mark. Instead of completely understanding the customer, a more modest target would be reducing the area of ignorance about him. The more we know about the customer, the closer we are to our goal.

In the emerging market-place (of shrinking interest spreads and profitability, strong winds of financial dis-intermediation and ever-growing competition) getting closer to the customer, understanding what he wants, and providing it to him in the manner he wants (rather than what one can comfortably provide) have become necessary. In fact one may go a step further and say that degree of success (as reflected in business turnover and profits) would henceforth be in direct proportion to the degree of understanding the customer. And in the area of understanding the customer, the sky is the limit. We never know, and will never know, enough about him. There are wide disparities in likes, dislikes, lifestyle, and profile of the bank customers. More so, in a large and diverse country like ours. One way to make our task less daunting, and more manageable, could be to divide the bank customers into groups on the basis of similarity in their banking-related behaviour and expectations. This is what market segmentation is all about.

## **The need of Market Segmentation**

Market segmentation differentiates customers with similar banking needs from those with dissimilar needs. The greater the homogeneity (or lesser the heterogeneity) in needs and behaviour of a group of customers (called a market segment), the easier it becomes to understand them. Besides this, another logic of segmentation is that it provides a solid basis on which the marketing strategy of a bank can be designed. What products to market, where to market and at what price, how to persuade a prospective customer to do business with us—these are some of the basic decisions a marketer has to take in designing his marketing strategy. In a non-segmented market, the marketer ends up marketing everything to everybody and everywhere at that. This is a recipe for mediocre marketing. Many banks have been doing just this. Though, it must be said to their credit that there is a move to go over to concepts like specialised products and branches. **(Albrecht K & Zemke R,1990)<sup>26</sup>**

Segmenting the market also helps us evolve -a distinctive marketing package for each segment based on characteristic needs of different customer segments. This in turn helps the marketer to cultivate in the customer's mind a perception of "psychological ownership" of bank's offerings. The customer is more likely to have a feeling of exclusiveness and importance when he realizes that the given marketing package has been specially designed for persons like him only, and not for everybody at large. We would expand this theme further in the next chapter.

There is talk of Niche Marketing these days. The marketer must first identify market niches and this is possible only through segmentation. Cost-effectiveness of marketing is another reason why market segmentation is frequently resorted to. In a non-segmented market, with products targeted at all customers, the probability of striking a business deal is much lower than what it is in a segmented market. This is because after market segmentation the product package, and indeed the entire marketing effort,



is better geared to satisfy customer needs. Hence for every rupee spent on marketing effort, the return is much higher.(Payne A,1993)<sup>27</sup>

### **Segmentation Practices in banks—Their limitations**

Realising the tremendous advantage that a segmentation scheme offers, banks have been segmenting their market for quite some time now. Some of the popular segments are personal, agriculture, small-scale industry, traders, large industry, etc. But these segmentation practices suffer from certain limitations, more so in the changing market-place.

Many a time the banks have segmented their market, and stopped at that. Segmentation in itself is not a panacea. It has to be followed by distinctive marketing strategies for different segments. But in reality most of the bank branches market most products in the belief that this strategy would maximise business and profits. Many products are marketed to all customers across various segments without even any cosmetic changes. There is not much in the name of differentiated marketing promotion. In a nutshell, distinctive marketing packages do not appear to have been designed specifically for different market segments. No doubt, this is a sweeping statement but the reality is that it remains substantially true even in the present-day context. What the customer really wants is a distinctive, exclusive marketing package which he can perceive as his "own" or something meant specifically for him. This is hardly so in the present-day bank marketing, not at least on a scale large enough to make an impact.

Another limitation of market segmentation in banks is that it does not go deep enough. For example, there is a personal banking segment, which in today's context is hardly a sharply defined homogeneous entity. It is made up of such disparate customer- groups (with substantially different needs and expectations) as professionals, housewives, students, teachers, workers, etc. Clubbing them all in one market segment, and marketing all products to all of them cannot ensure success.

## **Conditions for Market Segmentation**

Market segmentation practices in banks need to be reviewed in order to remove these infirmities. As mentioned earlier, segmentation in itself is no panacea. After all, it is resorted to not for its own sake, but for increasing customer satisfaction, and with it, business and profits. Therefore, any scheme of segmentation must answer to some basic conditions. These are, according to Kotler, measurability, accessibility and profitability. As regards measurability, any market segment is useful only if the demand potential emanating from it (in terms of business and profits) can actually be estimated and quantified with a reasonable degree of accuracy. There is no point in carving out a segment based purely on perceptions about its potential. What quantum of business is it likely to generate for the bank is the first issue to be addressed and answered in quantitative terms. Next is the issue of profitability. What amount of gross income would the estimated business potential generate, and equally important, what would be the cost involved. Only then can we arrive at the estimated net profits a market segment can generate. The third condition of successful segmentation is that the segment should be accessible. The issue to be addressed here would be, "Is it possible to access this segment with a distinctive marketing package at an acceptable cost to the bank?" And the cost acceptability criterion would be whether the segment generates the desired rate of return after deducting the cost of accessing it.

Now all this naturally entails a lot of groundwork and analysis before embarking upon any segmentation scheme—something which, is not much in evidence. Measuring the business potential of a market segment, assessing its profit generation capacity in quantitative terms and gauging its accessibility with a distinctive marketing strategy—all these call for internal discussion, data collection and analysis. Some banks go through all these at the whole-bank macro level, but when it comes to segmentation at the unit level of a branch, this kind of analytical approach is not in evidence. It is so

mainly because of inadequate profit-orientation at the branch level. It is only through building up profit-consciousness and orientation at this level that one can do a rigorous and scientific job of market segmentation. How to bring about this consciousness and orientation while keeping in view the marketing ethos—this is the subject of Chapter 8, "Profitability and Marketing".(Verma H V,1983)<sup>28</sup>

## **Basis of Segmentation**

Marketing literature is replete with information about the different bases on which market segmentation may be attempted. Some of the popular bases of segmentation are. Geographic, Demographic, Psychographies, Volume, Benefits, etc. Geographic Segmentation In Geographic segmentation in the banking context, one may have variations like metropolitan-urban-rural, North-South-East- West, large city-small city (in terms of population), hill area- tribal area-desert area, etc. The assumption in all these segmentation criteria is that customers in a given geographic region would show a high degree of homogeneity in their banking needs as against those in other regions. This assumption may not necessarily be true all the time. Still geographic segmentation is the easiest to attempt because geographic regions are already demarcated.

## **Demographic Segmentation:**

Frequently, geographic segmentation could be further extended on the basis of the demographic segmentation of customers. Typical demographic parameters in use are age, sex, income, occupation, education, social class, etc. In the Indian context, geographic and demographic bases of segmentation combined together are likely to yield far more homogeneous, yet substantially large, segments than either of them individually. For example combining geographic basis of metro-urban-rural with demographic bases of sex, age and education can yield important

market segments such as working women and students. Similarly, factoring in demographic parameters like income and occupation in the geographic criterion can yield useful segments like land-owning agriculturists, professionals in metropolitan centres, etc.(Ballantyne D,1990)<sup>29</sup>

### **Psychographic Segmentation:**

In times to come, banks may use relatively more sophisticated segmentation criteria like Psychographic or benefit parameters. Amongst Psychographic parameters one could use segmentation variables which reflect personality traits of customers, e.g. leader- follower types, extrovert-introvert types, conservative-liberal types. Admittedly, segmentation along these personality traits requires a very deep understanding of customer psychology. Even then, it may remain uncertain to what extent these personality traits actually determine customer needs and behaviour. Because of these reasons, a Psychographic basis of segmentation, though very attractive at first sight, may be very difficult to implement in banks, for the time being at least.

Benefit Segmentation Similar is the case with benefit segmentation. Here the rationale is the benefit that a customer seeks from "purchasing" a given banking product. For example, a customer going in for a Citicard i.e. credit card of Citibank) might be seeking the benefit of "status" in his peer group. Similarly, another customer going in for a consumer loan from an Indian bank (as against a foreign bank in India or a finance company) might be seeking the benefit of "economy". Likewise, a third customer might be looking for the benefit of "convenience" and be prepared to pay the price for prompt, efficient and courteous service.

Thus benefits like status, economy and convenience, could be bases for segmenting the market. But then the problems in such segmentation schemes are quite similar to those in market segmentation on Psychographic parameters. It is difficult for the marketer to be sure that spelt out customer motives are the real ones. Any behavioural scientist will say

that frequently there is a gap between stated and real motives. This gap is capable of nullifying the entire effort towards segmenting the market on scientific lines. The very sophistication of segmentation bases like Psychographic and benefit parameters make them inappropriate for the present stage of development of marketing in Indian banks.

## **Cross Segmentation**

In a nutshell, one may say that geographic and demographic bases of segmentation, applied in tandem, appear perfectly capable of yielding useful, specific and fairly homogeneous market segments for banks. Some specific market segments, based on these parameters, have emerged out of wide-ranging discussion with a large number of bankers and customers. Some of the leading ones amongst these are enumerated below. These segments need to be tested on the three parameters of measurability, profitability and accessibility by each bank before being adopted. None of these segments is totally new to bankers. But the degree of marketing effort they require is of a high order.

### **Senior Citizens:**

Though they already constitute an important segment for banks, in coming times their importance will go up steeply. The reason is not far to seek. With advancing industrialisation and economic development, the nuclear family concept will become more and more operational leaving senior citizens to fend for themselves. At the same time economic growth will also increase the financial resources of senior citizens. The combination of substantial financial resources and total dependence on themselves—this appears to be a perfect ground for banks to step in with a well researched marketing package for tapping this lucrative market segment.

## **Students:**

Another outcome of the current economic reform process would be greater emphasis on education. Education, including higher professional education, is the foundation on which the edifice of economic growth is to be built up. And with increasing deregulation *and* withdrawal of government support, educational institutions will have to stand on their own feet. State subsidized education (specially professional education in engineering, medicine, management, etc.) will gradually become a thing of the past. This will directly result in a steep hike in the cost of education. The recent increase in the fee-structure at the I.I.Ms. is a pointer in this direction. Students and their parents will increasingly find it more and more difficult to meet the cost of education entirely on their own. In this scenario banks can get a potentially lucrative market. Banks already have education loan schemes.

## **Domestic Tourists:**

Under the influence of TV, cultural awareness and interaction among different parts of India is on the rise. In fact people are becoming more mobile now than earlier. This has led to a change in holidaying patterns. Not only are more and more people planning holiday outings, but the traditional concept of holidaying with relatives is fast giving way to holidaying in remote, unknown parts of the country about which one would have learnt from TV. Both young and old are now more keen on pursuing their special interests be it for pilgrimage, for sport, or just for fun. The needs of domestic tourists need to be researched and a package offered to them for tapping this market segment.

### **Working Women:**

The phenomenon of middle and upper class women going out to work started about two decades ago in metropolitan towns; it has now spread to other cities and towns as well. The rising cost of living, and what is more important, rising expectations of the upwardly mobile middle class, will ensure that the number of working women will continue to increase in coming times. The needs and expectations of these working women and substantial financial resources that they command offer a lucrative market for the banks to step in.

### **Niche Marketing:**

It is possible that resources at the command of a bank may not be sufficient to operate in all (or even a majority) of the market segments carved out. Then it becomes a question of selecting one or a few market segments for what is known as Concentrated Marketing. In the current parlance all of us are familiar with Niche Marketing, which is based on the concept of concentrated marketing. Under this strategy, the marketer identifies a few segments (called market niches) which are amenable to the core competencies of the bank-(what is the bank's main expertise, what it does best) and concentrates all his marketing efforts towards these niches.

### **Seven “O” of Customer Behaviour:**

Though household and corporate segments have different features, both of them can be approached with the same framework in our bid to understand the customers in these segments—the framework of seven 'O' suggested by Kotler. And why only these two segments, Kotler's framework is appropriate for understanding customers in a comprehensive manner in any segment or sub-segment of the market. The broad parameters of this framework are as follows.**(Meidan Arthus,1984)<sup>30</sup>**

## **Occupants**

The first question a marketer must raise, and answer, is that who are the occupants of a given market segment. The research at this stage would be for determining personality profiles of various types of customers in a given segment. For example, if we are researching the market segment of students, then the educational institutions they are in, family background, financial means, etc. would be the questions to be addressed.

## **Objects**

Here the question to ask would be what are the objects customers buy or are interested in buying, in other words, their needs and expectations. In the example of the "students" segment mentioned above, the banking-related needs and expectations of students would be the issue for research.

## **Objectives**

Why do customers buy what they buy—a rather difficult issue to address, but nonetheless crucial. Unless the marketer can have some idea of the buying motives, his marketing effort will not be fine-tuned towards satisfying these motives. In our example of the students segment, perhaps one may like to know why they deal with a particular bank (in other words what determines their choice of bank), what do they basically look for in a bank—low cost, convenience or expert advice and in what priority.

## **Organisation**

How do customers go about taking their banking related decisions? Who else participates, apart from the main customer himself, in this decision-making process? Are these decisions taken on the spur of the moment or thought out over a period of time? These are some of the questions a marketer must raise, and answer, in his bid to understand the



customer. This knowledge will help him direct his marketing efforts towards all other persons who also influence or determine the customer's banking related decisions.

### **Operations:**

How does the customer buy—the process part of it—that is the issue to be addressed here. This aspect may have limited utility while trying to understand the household segment customer, but while dealing with corporate segment customers, this aspect assumes great significance. The various stages of formulating a business proposal through which a typical corporate customer goes before coming to the banker would be important information to the marketer.

### **Occasions**

The issues here are those relating to timing and seasonality of customer needs. In banking, the needs of agriculturists and agro- based industries like sugar are some classical examples of seasonality of demand. But obviously aspects of timing and seasonality are not confined to these examples only. Gathering this information about the target market segment would surely deepen a banker's understanding of the customer.

### **Outlets:**

Where does the customer buy or would like to buy—data on these aspects would be useful in deciding "place" strategy. In other words, where should the branch be located, or perhaps an extension counter could be thought of, perhaps a computer terminal at a customer's residence or office might be the need so that he does not have to visit the bank branch every now and then, or an ATM for round-the-clock banking—these are some of the issues which can be addressed appropriately once data about "outlet" related needs of the customer is gathered.

Each banker in his normal course of activity raises these issues and tries to find answers to them. To that extent, this framework is about stating the obvious. Its main utility, however, lies in providing a comprehensive basis for finding out all that needs to be found out about the customer—something like a checklist for the operating banker to help him thoroughly understand his customers.

### **Special Characteristics of Indian Customers:**

Many of the above-discussed concepts and approaches for understanding the customer have universal validity. But when we are dealing with the Indian market, perhaps our discussion on understanding the customer would be incomplete till we discuss the special characteristics of Indian customers. But the problem one faces while attempting an exercise like this is the absence of a comprehensive database. No doubt there are agencies in India engaged in researching Indian consumers, but most of them produce data for in-house consumption of the organization they work for. Still, there are independent sources like the National Council of Applied Economic Research (NCAER) which conducts periodical surveys of household expenditure patterns. Beginning in 1985, NCAER has conducted four such all-India surveys till now and we had occasion to refer to some of their findings in the earlier chapter on Analysing Business Environment. Similarly, the Centre for Monitoring Indian Economy (CMIE) also gathers data about the Indian market (including corporate market segment) and they are expanding and upgrading their activities. Dun and Bradstreet, perhaps the largest information supermarket worldwide, have also established a foothold in India. There are other agencies like Commerce Research Bureau, Marketing and Research Group (MARG), Indian Marketing Research Bureau (IMRB), and of course the decennial census of India. Hopefully, in times to come the database about Indian customers would be comprehensive and up-to-date. When it comes to the banking industry, one of the most important sources is the national survey on "All India Savings

and Deposit Trends and Patterns" conducted by the National Institute of Bank Management (NIBM) in 1986 under the aegis of Indian Banks' Association. This survey has collected data about households and institutions separately on a host of parameters of interest to bank marketers. The major findings of this national survey cover the following areas. **(Mahfood P.E,1994)<sup>31</sup>**

### **Households:**

- ☛ Profile of bank and non-bank savers.
- ☛ Distribution of investment of bank and non-bank savers in physical and financial assets.
- ☛ Savings profile of bank savers and percentage distribution of total financial savings of bank and non-bank savers by savings ranges.
- ☛ Awareness of bank and non-bank savers about various schemes.
- ☛ Major reasons behind preferring investment in financial assets by bank savers.
- ☛ Motives for savings by bank savers.
- ☛ Most important reasons in preferring type of bank.
- ☛ Opinion of households regarding customer service.
- ☛ Urban bank savers' opinion about bank staff.
- ☛ Rural bank savers' opinion about bank staff.
- ☛ Bank savers' opinion about bank services.
- ☛ Bank savers' opinion about existing branch network in their area/locality, adequacy of space and general amenities at branches.
- ☛ Suggestions given by bank saver (urban).
- ☛ Suggestions given by bank saver (rural).
- ☛ Highlights about non-bank saver.
- ☛ Media planning.
- ☛ Medium of awareness of deposit/credit schemes of banks by rural bank savers.
- ☛ Exposure to media of non-bank savers.

### **Institutions:**

- ☛ Profile of institutional savers by constitution
- ☛ Profile of institutional savers by sales ranges
- ☛ Profile of institutional savers by investment ranges
- ☛ Mode of investment of institutional savers
- ☛ Awareness and usage of banking services by institutional savers
- ☛ Reasons for preference for type of banks by institutional savers
- ☛ Institutional savers' opinion regarding major deficiencies of the bank in bills business

- Institutional savers' opinion about the average time taken by branches in completing various transactions
- Some highlights regarding complaints of institutional savers and effectiveness of banks in attending to such complaints
- Institutional savers' opinion about bank staff
- Institutional savers' opinion about bank services

No doubt the findings of this All-India survey are a bit dated. But the ambit of this survey was so large, and issues addressed by it so basic to banking, that many of its findings continue to be relevant for operating bankers. It is, therefore, proposed to discuss some of the more important findings under three heads household segment, institutional (or corporate) segment and rural segment of banking market in India.

### **Concluding remarks**

Coming to the end of this chapter, one thing is quite clear. Understanding the customer is a painstaking and elaborate, yet exciting, proposition. As we said in the beginning, this is the fulcrum on which the entire gamut of marketing activities revolve. So, continuous generation of newer and newer ideas is called for to upgrade our understanding of the customer. Some of them may not be all that new either. Let us take the example of Database Marketing or Relationship Marketing which is the current rage. And this is exactly what Indian banks were doing way back in the per-nationalisation period of the fifties and sixties.

As mentioned earlier, during the Traditional Banking period (i.e. before 1969), one important feature in the working of many Indian banks was the emphasis on building up strong enduring relationships with select bands of customers. Broadly speaking, this is exactly what Relationship Marketing is all about. The difference is that this modern concept is being practiced with the extensive use of technology. Modern high-powered computers are making it possible to build up an exhaustive database about individual customers. All that needs to be known, can be known, about the likes, dislikes and behavioural patterns of individual customers is being

feverishly collected and analysed with the help of computers. This database, then, becomes the main basis for evolving distinctive marketing messages, not for a group of customers, but for individual customers. And for transmitting the distinctive message to individual customer, mass advertising is too costly and wasteful. So in relationship marketing emphasis is on direct mail marketing or even personal banker- customer interaction. While discussing market segmentation, it was stated that ideally speaking each individual customer is a distinct market segment in his own right. This is exactly the objective of relationship marketing, which is also popularly known as Database Marketing or One-to-One Marketing.

From undifferentiated marketing to segmentation based differentiated marketing, on to niche marketing, and now, relationship marketing—this perhaps sums up the development of ideas in a marketer's efforts to understand his customer better, and still better. As mentioned earlier, in our present stage of marketing development, the immediate target for Indian banks is to adopt differentiated and niche marketing in a big way. With technological up gradation in Indian banking in coming years, perhaps we may be in a position to practise database or relationship marketing sooner than later. Understanding the customer is crucial. But perhaps more crucial is what have do with this understanding—the formulation of marketing strategy, an aspect we turn to in the next chapter.

## **7.5 Human Resource Practices in Cooperative Banks**

One of the basic objectives of this research is to study the existing HR practices in the selected cooperative banks in Gujarat. For this purpose, four DCCBs and GSCB have been selected for in-depth study. This chapter deals with the existing HRD practices prevalent in the sampled cooperative banks. The chapter has been divided into parts. The first part is focusing the HRD Practices in Gujarat State Cooperative Banks, the Second part deals with the existing HRD practices in 4 selected DCCBs, the Third part emphasis on the overall HRD climate in sampled banks. This has been

prepared on the basis of personal interview of 125 employees from sampled bank. Lastly the fourth part deals with need for modification HRD practices in cooperative banks. The detail of each part is as follows:

### **7.5.1 HRD PRACTICES IN GSCB:**

As mentioned earlier, the Gujarat State Cooperative Bank (GSCB) came into existence on 1.5.1960 consequent upon the formation of separate State of Gujarat. An elected board of directors manages the bank since inception. The present board comprises of 27 members; 24 are elected and 3 are nominated. Presently Shri Jairambhai A. Patel a prominent co-operative leader heads the board. The Managing Director heads the Professional Management. He is assisted by two General Managers and two Managers at top level to look after day-to-day functions of the bank.

The personnel and administration department has been functioning in the bank since its inception, under control of General Manager (Finance and Development). After introduction of new economic policy and changing scenario in banking business in the open market, the management of the Bank thought to separate the personnel department and accordingly the post of Manager, Administration was created in the year of 1992. Since 1992 the Personnel and Administration Department is functioning under the control of Manager Administration who is working directly under the Managing Director of the Bank.

The Board of Management has constituted a Staff Committee, which deals all the matters pertaining to recruitment and promotions of employees and allied matters. Composition of the staff committee is as follows:

* Chairman of GSCB	-	Chairman
* Vice-Chairman of GSCB	-	Member
* Board of Directors (by rotation)	-	11 Members
* Managing Director	-	Member – Convener.

The bank has started implementing some of the Human Resource Management and Development practices. These are; (i) Manpower Planning, (ii) streamlining the recruitment and selection procedures (iii) training and development (iv) promotion and motivation (v) performance appraisal system and (vi) career planning.

**i) Manpower Planning:**

The bank has started implementing proper manpower planning only from the year 1992. The Management felt need for manpower planning for the following reasons:

- Manpower planning gives a correct estimation of manpower requirements.
- Manpower Management is done according to the needs of the Bank.
- Manpower Management will help employee development programmes.
- Manpower planning will reduce the labour cost.
- Manpower planning will reduce industrial unrest through correct estimation of planning.

To implement proper manpower planning in the bank the study found the following:

- Manpower planning has full support from top level management.
- The bank has introduced a separate personnel and administration department to implement HRD practices.
- The bank has started forecasting of future manpower requirements for smooth performance of all the banking operations in time.

It was also reported that the personnel department prepares the stock of existing manpower and per employee's turnover every year.

**ii) Recruitment and Selection Procedure :**

The recruitment and selection procedure is one of the main functions of Personnel and Administration Department of the bank. The GSCB has constituted a recruitment and selection committee which is called a "Staff Committee". There are 14 members in the selection committee, such as Chairman, Vice-Chairman, Managing Director and 11 other members of the

Board. The main function of this Staff Committee is to deal all the matters related with employees. The recruitment and selection policy has been framed by the Bank in consultation with employees trade union. The existing policy was revised on 24.12.92. This agreement was also revised on 1.1.97 the details of which is given in the proceeding paragraphs. The main issues of previous agreement are as follows:

**a) Recruitment for Clerks:**

For the post of clerk 100 percent recruitment will be made from outside on direct recruitment basis. The minimum qualification is B.Com with 55 percent marks or Master Degree in commerce. Advertisement for recruitment is published in reputed newspapers. Nature of job for the post and required qualifications are specifically mentioned in the advertisement so that the potential candidates have clear idea about the job.

After receiving the applications they are screened by personnel department and than the written examination is held, followed by personal interview. The written test is conducted by bank itself and successful candidates are interviewed. Lastly the selected candidates on probation for one year. Appointed candidates on successful completion of the probation, one is put on regular service by the Bank management. It was found that the bank to examine the efficiency of the employee during probation period had adopted no criteria.

**b) Procedure of recruitment for Officer and Executive level:**

For the recruitment of employees of officer grade, the bank has made the following criteria:

- For the post of officer 100 percent recruitment from existing manpower on the basis of promotion on seniority basis.
- For the post of Assistant Chief Officer, Dy. Chief Officer, Chief Officer and Manager, 60 percent on the basis of seniority from existing staff and 40 percent by direct recruitment either from existing manpower or from outside.
- For the post of General Manager 100 percent on the basis of direct recruitment either from existing employee or from open market/outside



the bank. Only the candidates of manager level are eligible to apply for the post of General Manager.

The recruitment and selection for the post of Officers and Executive Level employees is being made by the marks system by adopting the following criteria.

(i)	Experience (2 marks per one year service. Maximum mark should not be more than 40).	- 40 marks
(ii)	Educational Qualification	- 20 marks
	* Graduate	- 04
	* Post Graduate	- 04
	* Post Graduate & Double Graduate	- 06
	* CAIIB – I	- 01
	* CAIIB – II	- 01
	* HDCM/DUCBM	- 02
	* GDC&A	- 02
(iii)	Personal Interview	- 40 marks
	----- Total Marks...-	----- 100 marks -----

At the time of personal interview, all the members of Selection Committee give marks individually. Marks are added average for each candidate is calculated. Then all the marks earned by a candidate in different tests added and on the basis of total marks obtained, the merit list is prepared and the selection of the candidates is made. In case two or more candidates get same number of marks then their seniority will be considered at the time of appointment.

For the post of General Manager the Bank gives advertisement in reputed newspapers. Only managerial level candidate can apply for that post either from outside or from bank. The candidate has to appear in personal interview before the Staff Selection Committee. The selection of Managing Director is totally depends upon the Board of Directors. The existing practice reveal that the senior most General Manager is appointed as a Managing Director in the Bank. In January, 1997 the Bank has re-framed the recruitment policy. The agreement was signed between bank

and the employee's trade union, which is in effect from 1.1.1997. The present agreement says that;

- The recruitment of the employees in the cadre from Jr. Officer to Assistant Chief Officer would be made only on seniority basis promotion on the basis of 60 : 40 ratio respectively i.e. 60% promotion on seniority basis and 40 percent by seniority-cum-merit basis.
- The cadre of Dy. Chief Officer and Chief Officer can be filled in by selection on seniority-cum-merit from internal and external sources.
- The Managerial Level cadre should be filled by promotion from the Bank or/and selection from on outside.

### **iii) Training and Development:**

The bank is deputing its employees to various training programmes since long. It has framed a training policy for its employees to develop skill, to add knowledge and to change attitude of the employees so that they can develop the banking business. The existing practice reveal that the bank has established its own Institute namely "National Institute of Cooperative Management" (NICM). This Institute started functioning since 1995. So far the Institute has organised 28 need based programmes for the Personnel of GSCB & DCCBs in Gujarat under its "Reach out Model" programme.

In addition, the bank regularly deposes its personnel for various training programmes offered by reputed Institutions like RBI, CAB-Pune, VAMNICOM-Pune, NCCF-New Delhi, BIRD-Lucknow, NABARD-Bangalore, and URICM-Gandhinagar.

It was reported from the study that Bank has maintained a register of the employees those have attended various type of training programmes. It is also revealed from the training register that some of the employees particularly Managerial Cadre have attended training programme repeatedly. The bank ha a regular practice of giving incentives to the employee who attend long duration programme. In addition to professional training to its employees, the bank is deputing, the members of the board of directors for

various seminars to update their knowledge about the policy changes in the field of cooperative credit and innovative schemes.

**iv) Performance Appraisal System:**

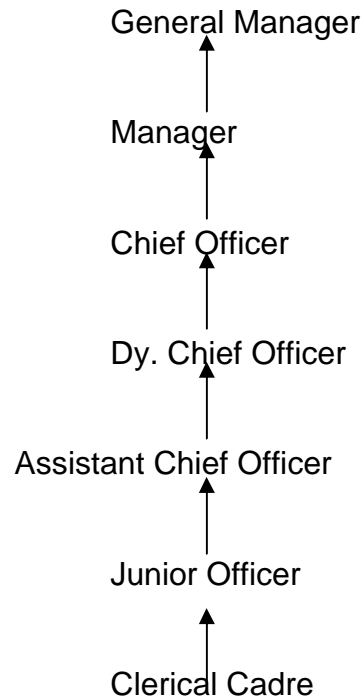
It was found that the systematic performance appraisal system of an employee in GSCB is not a regular practice. The bank has adopted the practice to fill up an annual confidential report adopted by the Bank includes 11 points namely; Discipline, Behaviour and Manner, Speed and Accuracy in work, Inclination in doing and learning the work, Interest or Desire in any specific work, Cooperation with colleagues, Capacity to undertake responsibility, Loyalty, Honesty and Overall evaluation etc. Immediate head under which the employee is working and submitted to General Manager for his perusal is filling up the CR form.

**v) Promotion and Motivation:**

Bank has a regular practice of giving promotion to its employees. Though there is no defined promotion policy as such but in the latest agreement signed between the bank and the staff union, (which is effective from 01.01.1997) there is a mention to promote employees on the basis of seniority upto assistant Chief Officers where as the cadre of Dy. Chief Officer and Chief Officer can be filled in by selection cum merits from internal and external sources. The Managerial position can be filled by promoting from within the bank or/and relaying an outside applicants. While promoting an employee, the following aspects are being taken into consideration.

- Confidential report of the employee from his/her immediate officer.
- Individual's sincerity, responsibility towards the bank.
- Educational and professional qualification.
- Work experience

The promotion channel of an employee is as follows



It was also reported at the time of data collection that the employees are getting 4-5 promotions during their span of service of 25 – 30 years. In addition to job promotion to the employees, bank has a regular practice to give Bonus, Ex-gratia payment of one month salary on closing of accounts at the end every half year, housing loan, consumer loan and vehicle loan at a reasonable rate of interest.

**vi) Career planning:**

Career planning of an employee in a business organisation like GSCB played a vital role. It can achieve the goal of an organisation by way of providing better services to its customers/members. Keeping this point in view, management has initiated systematic career planning of its employees. The existing system treated as career planning by GSCB are as follows:

- Merit and seniority promotion for competent and qualified employees.
- It gives good opportunity to the employees for appearing higher grade selection interview on the basis of qualification, work performance, experience and performance appraisal.
- The bank regularly deposes employees for various training programmes for developing their skill attitude and knowledge.
- The bank has a provision to give employment opportunities to the blood relations of employees.
- In addition the GSCB employees get following facilities.
  - \* Salary at par with that of other Nationalised Banks.
  - \* Two months salary for closing of account in lieu of overtime.
  - \* Loaning facility at reasonable rate of interest. etc.

The Gujarat State Cooperative Bank is an apex Bank started functioning since 1960. The Human Resource Management and Development practices have been introduced from 1992. Manpower planning, recruitment and selection, promotion and career planning are the main HRM&D practices in the bank. The performance appraisal system is not a regular practice : Only annual confidential report is being filled up by immediate officer of an employee and submitted for perusal and review of General Manager. There is ample scope to improve or modify all the HRM&D practices in more scientific way so that the organisational excellence of the bank could be developed towards changing scenario of banking industry.

### **7.5.2 EXISTING HRD PRACTICES IN SELECED DCCBs:**

As mentioned in Chapter 1, four DCCBs namely, Ahmedabad, Banaskantha, Surat and Rajkot have been selected for in-depth study. This chapter deals with the existing HR practices in selected four DCCBs. The detail analysis of existing HR practices in sampled DCCBs are discussed in the following pages.

## **i) DCCB Ahmedabad**

As mentioned earlier, the Manager heads the professional Management of this bank. The ADC Bank has constituted a staff sub-committee, which deals with all matters related to the employees of the bank. There is no separate personnel department or HRD section. Only one Senior Officer who deals with the matters pertaining to Board of Directors has been given the additional charge of personnel.

Management. As and when the Bank feels the need to discuss any matter related to employees with staff sub-committee that is being handled by Manager and Assistant Manager along with Senior Officer who is handling the charge as a Board Secretary. There are 951 employees working in 116 branches of the Bank. It was found from the data and information the bank has not introduced any HRD practice systematically. The detail of existing practices to handle the staff matters prevailing in the bank is as follows:

### **(a) Recruitment and Selection Procedure:**

Recruitment and Selection procedure in any organisation plays a vital role for growth and prosperity. There is no written recruitment policy as such in Ahmedabad District Cooperative Bank. The Bank Management has made a contract with employee's trade union in that all the recruitment would be made only at clerical grade. The minimum qualification for the recruitment of clerk would be graduate in any discipline. All the recruitment would be made on the recommendation of Board of Directors. There is no system to identify the vacant post for clerk. As and when Board of Directors feel they can direct the Management to appoint someone.

It was also observed that some time the Bank recruits employees from employment exchange. Three steps for recruitment procedures have been found in practice. Initially Bank recruits employees as an apprentice for 6 months. After completing apprentice period employee is placed on probation for one year. After completion of the probation period then he/she

will get confirmed appointment as a Clerk. There is no criteria to evaluate the working performance of an employee during apprenticeship and under probation period. It was also observed that the employee who once enters the bank will get only superannuation of service at the age of 58 years, meaning thereby full job security.

**(b) Training and Development:**

The Bank has not framed any training policy so far. Identification of training need is also not in regular practice and they have not maintained any record of the employees those have participated in different types of training programmes. It was observed at the time of data collection that about 10 percent of the employees have attended long duration co-operative management training from Institute of Cooperative Management, Gandhinagar and about 15 percent have participated in Short Term Programmes in different training institutes in India. Only recently the Bank has started from 1997-98 to give two weeks management training to their Branch Managers from Private Management Consulting Firm based at Ahmedabad.

The Bank has not prepared any job chart or forecast of future requirement of training on the basis of the current job work of employees. Whatever training the employees received from different training institute have no direct relation with their job. No incentive is being provided to the employees for their participation in long-duration training programmes.

So far as Development part is concerned, it was observed that the relationship of employees and management was not found cordial because in many cases trade Union interferes in the policy matter and they are not accepting the one-way decision taken by the management. Only the General Manager has the main responsibility for day to day affairs of the Bank. Moreover, the second line of management from the middle level has not been developed to handle day to day work in the Bank. Hence the development part of the employees also seems to be very weak.

**(c) Performance Appraisal System:**

The performance appraisal system is also not in practice in the Bank. The old system of filling the confidential report is in regular practice. The confidential report is being filled up by head of department and submitted to Manager. Finally Manager counter signs all the CRs and keeps the reports in personal files of the employees. Bank has prepared CR form at their own and fills up annually. Hierarchy wise CR perform have been prepared by the Bank which is filled up by head of the department.

**(d) Promotion and Motivation:**

As mentioned earlier, the Bank has constituted a staff committee which deals with the promotion policy also. Though, the Bank has not framed any systematic promotion policy for their employees but the agreement has been signed with the trade union of the Bank's employees regarding promotion policy in 1989. Normally, the recruitment has been made at clerical level and then promotion is made only according to seniority basis. It was found that while promoting the employees in future the following aspects are to be taken into consideration.

- (i) Findings of confidential report of the employees received from his immediate officer.
- (ii) Individual responsibility, sincerity towards work, good service record and employee's character observed by immediate officer under whom an employee is working.

Normally 2-3 promotions are being made to all the employees in their tenure of 20-25 years service in the Bank.

So far as motivational factor is concerned the bank has no regular practice to motivate their employees on better working performance. All the employees get the same type of facility as a right of their service. It includes two months additional salary per year. Housing loan facility, Vehicle loan and Consumer loan facility. These are provided by the bank to its employees on the basis of agreement signed between the employees trade union and the Management.



On the basis of the above information, it can be concluded that the ADC Bank has not implemented the Human Resource Development practices in systematic and scientific manner. The bank has constituted a Staff Committee to deal all the matters related to personnel working in the Bank. There is no written policy for proper recruitment and selection procedure as and when the Directors of the Bank feel to employ their man they directly approach the Management. Training and Development is also not functioning very systematically. Bank has not introduced the system for identification of training needs and forecasting of future training programmes. The performance appraisal system does not exist. Only old traditional confidential report system found in practice. All the promotions are being made on the basis of seniority basis. There is a urgent need to modify organizational hierarchy and implementation of HRD practices in more scientific manner so that on the basis of HRD the professional skill can be developed towards diversified business portfolio in the competitive economic environment.

## **(ii) DCCB Banaskantha**

The Banaskantha District Central Cooperative Bank started its functioning in 1955. The personnel Management department is headed by a Manager. He is supported by three Assistant Managers at top level. There are 285 employees in the Bank. The Bank has constituted a staff committee to deals all the matters of employees. Infact, there is no systematic HRD department which can properly implement all HRD practices. In 1991-92 the Bank felt need for recruitment of Clerks for new branches and the Bank started to implement some of the HRD practices. The detail of which is as follows:

**(a) Recruitment and Selection:**

As mentioned earlier the Bank has constituted a separate staff committee to deals all the personnel matters. The staff committee was re-constituted in 1992. The composition of present staff committee is as follows:

- |       |                           |   |                 |
|-------|---------------------------|---|-----------------|
| (i)   | Chairman of DCCB          | - | Chairman        |
| (ii)  | Vice-Chairman of DCCB     | - | Member          |
| (iii) | Managing Director of DCCB | - | Member          |
| (iv)  | Outside expert            | - | Member          |
| (v)   | Manager                   | - | Member Convenor |

Since 1992 the personnel and administration department, has been handled by an establishment officer. He is handling all the matters related to employees. The Bank has framed a recruitment policy for its employees in 1992. All the recruitments are made for clerical grade through direct recruitment method. The existing practice reveals that in the year 1992-93 the Bank has recruited 60 clerks from Banaskantha district. Proper advertisement was given in all news papers with BSRB qualifications. The applications received through advertisement were screened by the establishment officer as per the prescribed qualification. About 450 applications were found eligible for written test which was conducted by an outside expert. On the basis of performance in written examination and qualifications; Bank has prepared a merit list of all the candidates for interview. The manager has marked the cut-off list of those having scored more than 50 percent mark and the list was placed before staff committee for final interview. The committee appointed candidates on adhoc basis for one year probation.

**(c) Performance Appraisal System:**

The Panchamahal District Central Cooperative Bank has not implemented any performance appraisal system for its employees. Only

annual confidential report is filled up by his/her immediate officer and submitted to the manager for counter signature.

**(d) Promotion & Motivation:**

Hundred percents promotions are made by the Bank only on seniority basis. There is no fixed criteria while giving promotion on seniority basis. So far as motivation part is concerned it is revealed from the information that all the employees are getting financial benefits as per rules like housing loan, vehicle loan, festival loan and consumer loan at reasonable rate of interest. These facilities are given as per the agreement with trade union of the Bank. No extra monetary and non-monitory motivation is being provided by the Bank to those employees whose performance seems to be better than the their colleagues.

The Human Resource Development practices in Panchamahhal District Central Cooperative Bank were introduced only from 1992. Under these practices recruitment and selection procedure and training part has been covered. Neither a formal policy nor any criteria has been stipulated for promotion and motivation of the employees. No career planning for these employees has been planned so far. System of obtaining of annual confidential report is in practice in place of performance appraisal system. Though there is no direct relation between identification of training and the job work of the employees. However, there is ample scope to modify the organisational hierarchy and implementation of HRD practices in the Bank.

**iii) DCCB Rajkot:**

The Rajkot District Central Cooperative Bank was registered in the year of 1959. The Personnel and Administration department started functioning since 1990 to deal with matters related to personnel management. In the year 1990, the Board of Management thought to re-frame the organisational structure of DCCB according to changing scenario of the Banking business. The Board of Management has constituted a staff

committee to deal with all the matters related to personnel management. This staff committee consisting of 9 members of the Board of Directors, Manager, Personnel and administration handles all the matter related to this department under the control of General Manager. After re-framing the organisational structure of the bank, it has adopted some of the human resource management and development practices. These are (i) manpower planning, (ii) recruitment and selection procedure, (iii) training and development and (iv) promotion and motivation system in the Bank. The details of these practices is as follows:

### **a) Manpower Planning:**

The Bank has started implementing manpower planning since 1990 just after introduction of new economic policy and setting up its branches in the semi-urban areas of Rajkot district.

- Management felt need for manpower planning with the following reasons:
  - Manpower planning reduces the administrative expenditure.
  - Manpower planning gives a correct estimation of manpower requirements.
  - Manpower planning will make the employees' development programme effective.
  - Manpower planning will reduce industrial un-rest through correct estimation of planning.
  - There are two types of manpower planning is in practice.
  - Short-term manpower planning is done for managing temporary shortage of staff. The Bank shifts the workload of absentee to other employees or by making temporary internal transfer of the employees so that daily work does not suffer.
  - Medium term manpower planning is done for the period of one to three years. The Bank prepares a chart of those employees who are on the verge of retirement, promotion due long leave and voluntary retirement etc. Short and medium term manpower planning helps the bank to escape from over-employment and cost of management.

### **b) Recruitment and Selection Procedure:**

Though the bank has not framed a systematic recruitment and selection policy, the existing practice reveal that the recruitment is made directly as well as indirectly. Recruitment for the post of Clerks is made from

outside under the direct recruitment method. For officers Grade 1, 60 percent recruitment from the existing staff through internal promotions and 40 percent from outside. The Bank has set-up two recruitment committees. For the selection of Clerks, General Manager is empowered to select candidates in consultation with the Managing Director or the Chairman. For the recruitment of post above than Clerks, 60% posts are recruited through merit basis from internal and external sources and 40% through seniority basis of existing employees by the selection committee. This Committee is also called as Staff Committee.

The Bank has adopted the following methods of recruitment

- Advertisement in local newspapers.
- Internal/Branch notification
- Written test (only for technical and clerical posts)
- Personnel interview
- References and
- Physical verification.

The Bank has not fixed up any method to judge the efficiency of the employee during the probation period. The Bank confirms the appointment of the probationer employees on the recommendation of immediate officer under whom the employee is working.

The qualifications and experience for recruiting all categories of posts are according to the norms fixed by the Banking Service Recruitment Board.

### **c) Training and Development:**

The Bank deutes its employee for various training programmes. It has framed a training policy to develop skill, to update the knowledge and to change attitude of the employee so that they can give better service to customers and handle the banking operations correctly. Bank has decided to depute gradually all the employees starting from Jr. Officer to General Manager for various type of training programmes. Out of 654 employees only 143 (22%) have undergone various type of short duration training programmes. In addition to above, it has started in-house training programme at head office particularly for new employees. The Bank is giving

in-house training to its employees especially on RBI directives on various banking operations, DAP and non-performing assets. It was reported during the data collection that since 1990 bank regularly deputed its personnel for various training programmes offered by reputed institutions like RBI, CAB Pune, VAMNICOM Pune, BIRD Lucknow, NCCE New Delhi and URICM Gandhinagar. It was also found at the time of data collection that the HRD department of the Bank has not maintained any records for training needs, forecasting of future training needs, and frequency of training programme, attended by employees.

The Manager (Admn.) reported that the bank has a regular practice to receive training report from all the employees. The performance of the employees after training was also found satisfactory and the employees have great satisfaction and self confidence from the training.

**d) Performance appraisal system:**

The bank has a regular practice to fill up annual confidential report of all the employees. The annual confidential report is being filled in by their immediate officer and submitted to General Manager for review. There is no prescribed criteria to evaluate the working efficiency of an employee while filling up the confidential report.

**e) Promotion and Motivation:**

The bank has adopted two types of promotional policies i.e. promotion on the basis of seniority and also on the basis of merit. Sixty percent promotion is based on seniority while forty percent on the merit cum interview basis. While promoting an employee, the following aspects are being taken into consideration.

- Confidential report of the employee from his/her immediate officer.
- Individual responsibility, sincerity towards the bank.
- Educational and professional qualifications.
- Employees character.
- Service records with the Bank
- Personal interview.

The bank is motivating their employees by way of overtime incentives, distribution of prize/awards for better performance etc.

The Human Resource Management and Development (HRM&D) practices in Rajkot District Central Cooperative Bank is in a developing stage. It has started to implement HRM&D practices from 1990. So far almost all the main HRD practices have been implemented except performance appraisal system and career development. The bank has developed a separate HRD department which deals all the matters related to the employees under the guidance and control of General Manager. The organisational hierarchy has also re-designed as per need of the business of the bank and directions of NABARD. The bank gets full support from Board of Directors to adopt all the HRD practices, Coordination and team spirit approach was found very well among the employees. However, there is further scope for implementing remaining HRD practices like performance appraisal system and career planning of an employee.

#### **iv) DCCB Surat:**

The Surat District Central Cooperative Bank was established in 1909. Presently the Bank has constituted a staff committee to deal with all the matters related to personnel management. The Personnel Management Department is headed by Manager. There are 566 employees working in the bank. Development Officer handles the Human Resource Development portfolio under the direct control of Manager. The bank has started following HRD practices.

#### **a) Recruitment and Selection:**

The Bank has not framed a recruitment policy. The existing practice revealed that, it makes direct recruitment for the posts of Clerks only. The minimum prescribed qualification for the post of Clerk is graduate in any discipline or first class in SSC with Diploma in Cooperation. The Bank adopts the following procedure for selecting the employees:

- Open advertisement in local newspapers.
- Scrutiny of applications.

- Written test and
- Interview.

The selected candidate get appointment on 12 months' probation and posted in different departments. After getting satisfactory report from immediate officer, his appointment is confirmed. No criteria has been fixed to evaluate the working efficiency of an employee while on probation.

### **b) Training and Development:**

The Surat District Central Cooperative Bank regularly deutes its employees for various training programme. It has framed a training policy for its employees to develop their skill, to add knowledge and to change attitude so that they can handle the banking operations correctly and can give better service to customers. The existing practice reveal that the Bank conducts training programme in two ways i.e. in-house training and outside training. Every year 3-4 in-house training programmes on DAP, NPA and other areas have been conducted by the Bank. The Banks provides outside training to its employees through reputed institutions like BIRD – Lucknow, RBI, CAB – Pune, URICM – Gandhinagar and VAMNICM – Pune. Out of 566 employees only 174 (31%) have undergone various training programmes so far. In addition to professional training, the bank is deutes the members of its board of directors on various training programme to update their knowledge. Seminars, Workshops and Lectures are also organised regularly by the Bank.

The Bank has no regular practice to obtain training report from the employees. However, the performance of an employee after training was found satisfactory. It was also reported by the Jt. Manager of the bank that the employees who have attended training programme are found highly motivated, develop team spirit, update their knowledge and better attitude towards customers.

### **c) Performance Appraisal System:**

The Bank implements the traditional practice to fill up annual confidential report from all the employees. The annual confidential report



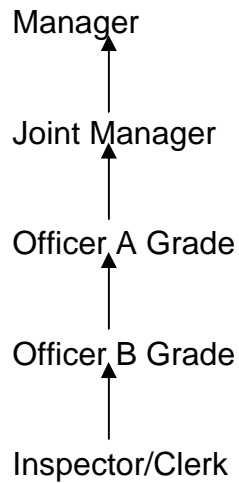
filled by immediate officer/supervisors. No systematic criteria has been adopted by the bank while filling annual confidential report.

**d) Promotion and Motivation:**

The bank has framed a promotion policy for employees. Only 20 percent promotions will be made on the basis of seniority and remaining 80 percent promotions are being made on the basis of merit. While promoting an employee, the following aspects are being taken into consideration.

- Confidential report of the employee from his/her immediate officer.
- Individual responsibility, sincerity towards work.
- Working experience.
- Employee character.
- Service records with the Bank.

Normally the employees get 3-4 promotions during their tenure of 20-25 years of service. However, some times promotions depend upon the place of posting because the employees who are working in city area are reluctant to shift to other places even on promotion. In such cases, senior most employee in the same cadre is promoted according to the seniority list. The employee's promotion stages are as follows:



To conclude it can be said that the HRD practices in DCCB Surat are in developing stage, recruitment and selection procedure, training and Development, and promotion and motivation has been implemented by the Bank. There is an ample scope to introduce other HRD practices like performance appraisal and career planning of an employee in the bank so that on the basis of HRD practices the professional skill would develop and bank can diversify its business in a competitive environment.

\*\*\*\*\*end\*\*\*\*\*

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## CHAPTER-VIII

### CONCLUSIONS AND SUGGESTIONS

The cooperative credit sector in India is the single largest institutional infrastructure for flow of farm finance. It has had witnessed vast changes since its advent as a credit cooperative. Today, the magnitude of credit support expected to be provided by the cooperative credit sector for agricultural development is considerable. Of the three types of credit, the long term credit has a distinctive characteristic feature over the other types of credit in effecting permanent improvement on land. Since, it is effecting improvement on land, it is called "**Development Credit**".

The Reserve Bank of India in its preliminary Note (1936) stated that the long term credit is important and, if any effective steps are to be taken to make the farmers credit-worthy, this is the first problem to be tackled. The twenty-seventh General Conference of the International Federation of Agricultural Producers (IFAP) held during April/May, 1986 devoted much of its attention to the plight of farmers and of agricultural cooperatives. In the sphere of long-term credit for agricultural development, the Cooperative Agricultural Development Banking has made a headway. It made a beginning in the debt redemption loans. Now it provides credit assistance to farmers for a variety of economic activities in the field of agriculture. The volume of credit made available by it was Rs. 1.30 crores in 1950-51, which increased to Rs. 650 crores in 1987, and during 1999 it was a tune of Rs. 2130 crores. The credit performance between 1950-2001 registered a rise of 500 times which is due to the cooperative banks' long experience and expertise in the field of farm sector.

The Cooperative credit structure for meeting the short -term, medium-term and long term credit needs of cultivators in Gujarat consists of (i)State Cooperative bank at the apex level (ii)Central Cooperative Banks at the district level & (iii)Primary Agriculture Credit Societies at the grass root level covering a single / group of villages at the base level. Short -term credit is providing mainly for financing current expenditure necessary for the raising of crops during

different seasons. Medium term credit policy (generally repayable within 3 to 5 years) is provided for purposes such as deepening of wells, purchase of agricultural implements, bullocks, milk cattle etc. and for conversion facilities in case of crop failure.

The State Cooperative Agricultural and Rural Development Bank fulfill long-term credit needs through its branches. Generally repayable from over 5 to 15 years has been worked out on priority basis. It is given for capital investments in agriculture, which includes the construction of tube-wells land levelling, bonding and other land development purposes, purchase tractors, power tillers and other costly machinery.

As of 31<sup>st</sup> march 2001, besides the apex bank, there are 17 District Central Cooperative Banks and 1 taluka Cooperative Banking Union operation through 1026 branches and 7262 primary agricultural credit societies which includes 31 FSS and 229 LAMPS functioning in the field of short and medium -term and long-term credit. Thus, the cooperative credit structure has a statewide branch network with retail outlets numbering more than 8500.

Up to 1990 the DCCBs has a **monopoly business** and they were covering about 70 percent of the population particularly in rural area through their business. After introduction of New Economic Policy (NEP) the business of the DCCBs has become very competitive and they are facing stiff competition in their area of operation where they have to flourish their business before Nationalized bank, Commercial Bank, Private Bank, Foreign Banks, Non-Banking Financing Agencies, and others. The overall profitability of the DCCBs is also going down year to Year. Out of 18 DCCBs in Gujarat only 10 are earning profit and 8 are in loss. The percentage of NPA of the DCCB is also exceeding from 35 to 40 percent in most of the DCCBs. Looking to the present situation prevailing in the area of DCCBs it is revealed that DCCBs have to make themselves more effective and efficient in the area of operation so that they can face the stiff competition and justify their objective of the existence. The present research study has analysed the overall all working of the DCCBs and examined the operational efficiency with the help of the following objectives.

- To study the overall working of DCCBs and GSCB in terms of deposit, lending, recovery and profitability.
- To study the marketing of banking product and customer services provided by the cooperative banks.
- To locate and analyse the reason for high overdue in DCCBs.
- To suggest the remedial measures for overall development of the DCCBs in Gujarat.

To achieve the above objective both primary as well as secondary data have been collected from the respective source:

For the collection of primary data a self-structured questionnaire has been used and tested in one of the organization. The two types of the questionnaire have been use for the collection of primary data i.e. (a) Institutional questionnaire and (b) individual questionnaire. The institutional questionnaire have used for preparation of the case study of selected DCCBs. Four DCCB have been selected from each cooperative region in consultation with GSCB/NABARD in the state.

In addition to above about 200 individual have also been interviewed to know about the banking product and customer services rendered by the DCCBs. Efforts have also been made to take the view from the employees and management people, those are directly and indirectly associated with the working of the banks. For the selection of individual respondents a simple random sampling has been used to interview the respondents from sampled DCCBs.

The secondary data will be collected from difference source of collection. The main sources are;

- ❖ Annual reports of the DCCBs and GSCB. Ahmedabad.
- ❖ RBI Bulletin and Annual reports published by the RBI.
- ❖ Statistical statement showing to overall working of Cooperative movement in India- Part-II Published by the NABARD.
- ❖ Statical data of the Gujarat State Cooperative Bank (GSCB) and District Central Cooperative Banks (DCCBs) in Gujarat- Published by the Gujarat State Cooperative Bank.
- ❖ Information related to cooperative movement in Gujarat published by the Gujarat State Cooperative Union, Ahmedabad.



- ❖ Information related to cooperative movement in Gujarat published by the Registrar of Cooperative Societies, Government of Gujarat.
- ❖ Any other data /information from various libraries and Internet required for the study.

The objective of the study has also been covered with the help of literature survey related to this topic.

The overall area of the study has been from Gujarat State. The study is limited with the District Central Cooperative Banks (DCCBs) and Gujarat State Cooperative Bank (GSCB) only. The secondary data has been used only for five years starting from 1996 and analysed with an appropriate statistical tools.

On the basis of analysis of data and information collected to fulfil the requirement of the study, conclusion and suggestion of the study has been discussed in the following paragraphs.

- ❖ The Cooperative Banking Industry in Gujarat, mainly established at district or state level have a three tier federal structure i.e. at the grass root level primary agricultural cooperative societies, at the District Level District Central Cooperative banks (DCCBs) and at the apex level Gujarat State Cooperative Bank is monitoring all the credit activities to the banking industry.
- ❖ It was found from the study that almost all the DCCBs are doing their routine business i.e. short term agricultural finance, medium term conversion loan, long term finance, deposit mobilization and banking business. The ratio of short term agricultural finance is about 70% of total advances and the non-farm sector finance is only about 9%. Remaining 21% finance on re-financing basis. The non fund banking business in most of the DCCBs is also not in practice.
- ❖ So far, as deposit mobilization is concerned, it was found that about 67% of deposits are high cost deposit in all the DCCBs which come from Urban Cooperative Banks and Cooperative Institutions for which DCCBs are not making any extra efforts. This is not a prudential banking because

fixed deposit may be liquidated by depositors. The percentage of Low cost deposit is very low. As per RBI directives for a viable banking industry the low cost deposit should be atleast 60 percent of total deposits where as the picture in cooperative banks is just a reverse.

- ❖ The study also found that, the Gujarat State Cooperative Bank is playing only intermediary role in the banking industry at Apex level. It was not expanded its banking business on a mass scale in the State. It is supporting to DCCBs by way of re-financing scheme of NABARD. In agricultural finance and by collecting surplus deposits from cooperative banks. Out of total advances, only 10% is in the non-farm sector. Remaining is short term agricultural and medium term. There is a serious thought to increase non-farm sector finance by way of introducing other new areas such as finance to agro-based industry, small scale industry, transportation industry, agricultural and food processing industry and such other areas.
- ❖ The study also revealed that DCCBs and GSCB have surplus funds with them to the tune of 15% for most part of the year. The funds management in DCCBs and GSCB requires efficient handling. They are just keeping the surplus funds in some of the nationalized banks and government approved securities for earning higher rate of interest. The management of funds in DCCBs and GSCB should be more efficiently handled so that they can face stiff competition in open market.

### **Suggestion for implementation:**

The findings of the study in the light of the objectives highlight certain points which are worth of relevant for the implementation. They also pin-point the issues for further research efforts. One cannot find a single procedure for improving working of the cooperative banks. In other words, it is not a single variable function but multi-functional of multi-variables. In the foregoing paragraphs, a few practical remedial approaches to better working pattern have been discussed. The cooperative banks to be served effectively for the objectives

for which they have been established, it is high time to initiate immediate corrective measures to improve the working pattern and flourish the customer towards their organizations. On the basis of above the following points can be suggested to improve the overall working of the cooperative banks.

- The cooperative structure should be revitalised or reorganised in the context where many a cooperative banks in the present study and elsewhere in the country have been suffering with heavy overdues. This step is of more essence to clear off the deadwood by a systematic reorganisation. In reorganisation process, the Government should contribute subsidy to the cooperative banks to the extent of irrecoverable loan amount from the farmers. In reorganisation of the cooperative long term credit structure, both the provincial Government as well as the other institutions like the Reserve Bank of India, the State Bank of India, the National Bank for Agricultural and Rural Development, and the National Cooperative Development Corporation should take part and built up a fund especially for meeting bad and doubtful debts arose out of crop failure. It is in this connection that it would be suggested the establishment of the Cooperative Rehabilitation Corporation at the State level to look after the reorganized cooperative long credit structure to be called. Rural Cooperative Banks (**RCBs**).
  
- The owned funds of the cooperative banks should be enhanced:
  - (a) by linking up the share holdings to borrowings of big farmers.
  - (b) by state Government contribution to a minimum of 50 percent of total share capital as is found in the study that the Government contribution was far less than 50 per cent of share capital.
  - (c) by building up adequate reserve fund through better viability of operations; and
  - (d) by reducing the present 50 per cent of the share capital investment in the apex bank to 20 per cent.

- The cooperative banks have now day to day less low cost deposits. The Government through its Income Tax should offer tax-relief measures so that the salaried people besides farmers should come forward to invest in the cooperative banks. For instance, exemption to the amount invested in the cooperative banks as deposit. In other words, if the capital base and deposits mobilisation are strong, the liquidity and financial instability of the cooperative banks would be eased-out and thereby the shock of overdues will be absorbed to a larger extent.
- A large proportion of overdues are created by the well-to-do farmers wilfully. This category of loanee are doing maximum dis-service and harm to their own benefactor which is very serious and undesirable. Therefore, this is to be corrected. In other words, in no case, however, should wilful default be tolerated and coercive measures should be entertained without hesitation. And to discourage the nature of wilful default, it would be suggested that the Cooperative Societies Act should be amended so as to bring the wilful defaulters under the 'Revenue Code.' Under the Revenue Code, the defaulters will be punishable not only by penalty but by imprisonment also. In many instances, the legal action was not enforced on the defaulters due to close links with the management. And if default is not due to crop failure, the Directors who generally have been shown in sanctioning loan and apprehending legal action should be made accountable and disqualify them as Directors if they could not make efforts for better recovery. In other words, overdues except arising out of natural calamities should be linked up to the Director-ship. This suggestion is more workable since on whose initiative, efforts and cooperative ideology the cooperative had started, it will have certainly an influence. The substance of this paragraph is that the coercive measures should be taken first on management and next on borrowers, as a last resort, unhesitatingly, i.e., if the overdue of cooperative bank is step up, the Director (s) should step down.
- As it is seen that overdues of wilful default mainly arose due to mis utilisation and diversion, relenting, clear off old debts to other than the cooperative banks which account for 56.00 per cent. This is because of low interest rate. Hence interest rate of cooperative loans should be high or moderately high. Such interest rate of lending would become the instrument of rapid recovery of overdues, deflection of credit use from unproductive economic activities, re-lending or diversion etc., to production and, within the production to more economical and profitable ventures. In other words, it should become means of generating surplus for the banking activity and plough back of this surplus for further expansion. Therefore. Enough high interest rate as well as the consequent surplus would displace the moneylenders' credit through a competitive cooperative process. A question maybe touched to the mind

of many people that this high interest rate causes hardship to the members. It is not true. It is because that any profit arose on account of higher rate of interest is to be distributed from the reserve fund which is being created out of earned profits.

Thus, it is benefit to members. If once confidence reposed in the public, many of them would come forward to join the cooperative to enjoy the services of cooperative bank. A supplementary recommendation to the above is that the farmers once joined as members would be continued and withdrawal of their share capital would not be permitted for a period of at least ten years. Would the interest rate be uniform for all members irrespective of their holdings or economic status? Many studies like the Review Committee and the Study of is of the view that differential interest rate is required. Of course, this suggestion is good but it may cause hardship.

- (a) First. it would neither be possible nor desirable to discriminate between the members.
- (b) Second, a place for may come into picture on account of the misuse of this norm by politically motivated leadership.
  - A better remedy to the lacuna of removing this hardship in Implementing differential interest rate and not showing discriminate is that the State Government should subsidize the interest rate to some extent to the identified weaker section farmers. The suggestions of enough high interest rate would pursue and the sense of discipline among the borrowers and stimulate the habits of savings.
  - The supervisory machinery of the cooperative banks exists even today but it has never been effective for variety and varied reasons discussed in the earlier paragraphs. Educating the borrowers and putting "test-check" on supervisory staff, initiating stern action on ineffective staff would improve supervision on utilisation of loans for the purposes for which they are meant. Once this measure suits, it will effect in better production, prompt repayment and hence reducing overdues and default position. To make the farmer-borrowers aware about the cooperative economies, the local meetings, educational exhibitions, personal contacts, and better communication would be organised in an

educative, informative, simulative, thought revoking and useful manner; and not for the sake of conducting one.

- The effective marketing services should be made available to the farmers at their door steps. If fair price is available to the produce continuously, the farmers would have money to sustain themselves when crop failed. The recently established Karshaka Parishad should procure farm-produce through its outlets at the Mandal level and dispose of when the market is favorable. In other words, the Government should take care to farm produce of farmers.
- The borrowers of cooperative bank loans have been accentuated to a habit that cooperative loan is Government loan and no necessity to repay. This culture has been developed from the political scene. So they should be motivated with repayment consciousness adopting and offering various relief measures. For instance, collections should be made well in advance at minimum of ten per cent of the instalment amount. This collection should be adjusted to the loan amount giving 50 percent of reduction in interest rate or should deposit in an account known as "thrift deposit" giving one per cent interest rate more than the rate applicable to loan amount. This recommendation would yield fruitful results and would not lose any more time in implementing this scheme. To be made the loan policy and procedure more effective, the cooperative bank should get requisite information or details relating to land property from the concerned Department. This would develop a friendly relation. Sea of finance is to be prepared, long term credit demand is to be estimated and the cropping pattern and monsoon seasons are to be identified so that it should be possible to the cooperative banks to finance adequately and timely to agriculture. Inadequate enforcement of the Act due to entry of politics into the cooperative credit sector is one of the causes for mounting overdues. And many Committees have recommended depoliticisation of cooperatives. A better solution is that the Cooperative Movement should enter into politics, as a separate political party or an affiliate organ to any party to foster the thoughts and ideas of Cooperative Movement. The influence of the party enjoys in politics would bring dynamism to cooperative sector. The organisation of cooperative LOK Adalats (CLA) to settle the disputes such as arbitration and sale of property in non-repayment, elections, etc., more speedy and less expensive with Justice would be fitting philosophy of cooperation.

The above recommendations have been highlighted to generalized on the basis of cooperative credit structure in Gujarat in general and banking structure in particular. In addition to above, some of the suggestions have also been made

by the customers and employees of the cooperative banks at the time of collection of primary data. The details is as follows:

All the DCCBs should start to collect low cost deposits from its area of operation. The low cost deposit can be mobilized by adopting the following measures.

### **Saving Deposit :**

- DCCBs can increase their saving deposits from the branches located in residential areas. The residential branches should remain open on Sundays and Holidays so that customer those are busy during week days can avail the benefits of the services of these branches at the week end. Lockers and Safe vault deposit facility will attract the residential women for making their deposits.
- The DCCBs should start collecting pigmy deposits form its area of operation. This will attract lower class of the community for enhancing the deposits.

### **Current Deposit :**

- Current deposit can be increased by opening branches in commercial and business areas where the flow of liquid money is very high. Current depositors can be attracted if banks offers services in evening shift also. It was seen from the market that some of the banks have started evening branches in commercial and business areas. The response of current depositors were found highly satisfactory. Hence it is recommended that all the DCCBs should explore the possibilities to open new branches in commercial and business areas so that they can collect low cost deposits.

### **Diversified Lending :**

- Presently, the DCCBs have focused their business on short-term agricultural finance. About 70 percent lending in agriculture sector under NABARD refinancing scheme for which they are not making their extra efforts. Since other banking industries also entered into agricultural and other sector under new economic policy, therefore, a need to diversify the business at DCB level. The DCCB should prepare a detailed action programme for lending in non-farm sectors. The new area could be small scale industry, self employment, construction of houses, agro-processing industry, engineering

industry, textile industry, handloom and handcraft industry, transportation, individual vehicle and consumer durable loan. All such areas should be identified as per local requirements and potentialities under the area of concerned DCCBs branches.

- It is also recommended that all loan proposals should be prepared and examined at branch level. The board of Directors should not interfere in this process and DCCBs should fixed up branch-wise target for non-farm sector lending. This will not only increase the profitability of the bank but also help in the economic development of the areas by way of productive lending.

### **Customer Services :**

- Many of the DCCBs are thinking that depositors are their customers – it is not true. Customer may be depositor, member, borrower and potential customer. The infrastructure available with DCCBs is very poor in view of the requirement of Customers.
- It is therefore recommended that the DCCBs should provide required facility like waiting space, customer information counter, “MAY I HELP YOU” counter and banking information chart in the bank premises. The employees response/attitude towards customer should also be satisfactory.
- There is a need to improve the attitude of the employees while dealing with customers. This can be done through training and motivation.
- The DCCBs should introduce CUSTOMER DAY atleast once in a month. Moreover, one day in the month should be fixed up for non-banking day and all the employees in the bank should visit the customers to identify new and potential customers from the area. This will not only increase the business of DCCBs but also built up the institutional image towards organisational excellence.
- It is also recommended that safe volt deposit facility should be provided to as many customers as possible with reasonable rent.

\*\*\*\*\*the end\*\*\*\*\*

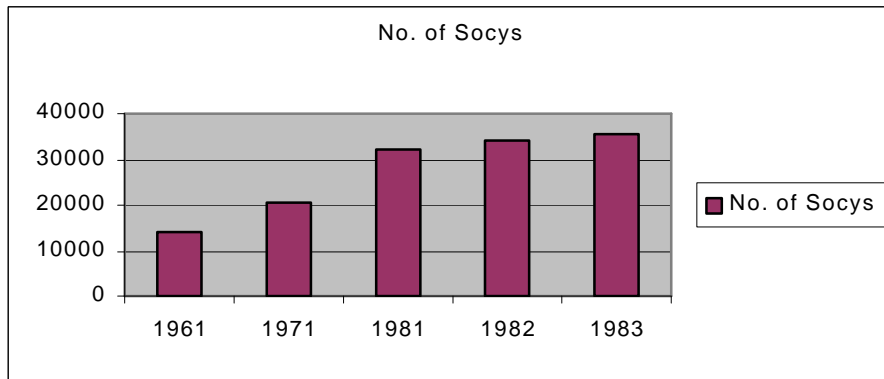


**Annexure -I**

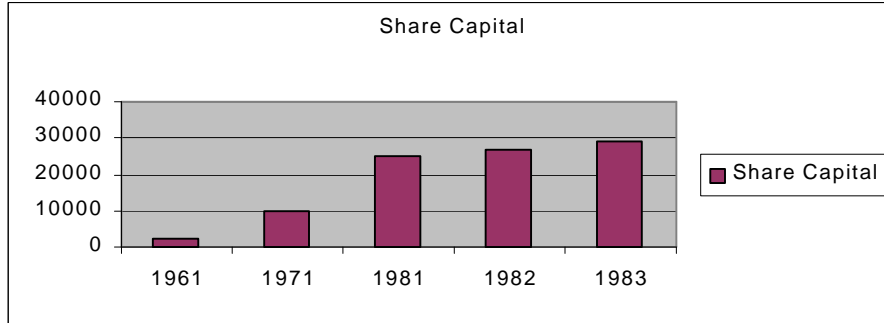
**Comprehensive Graphs of Cooperatives in Gujarat,  
Gujarat State Cooperative Bank Ltd., and All DCCBs in Gujarat**

**General Performance of Cooperatives  
(All types) in Gujarat**

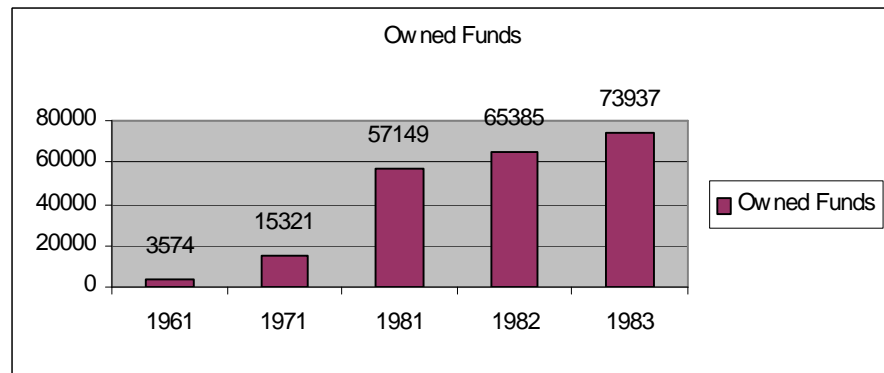
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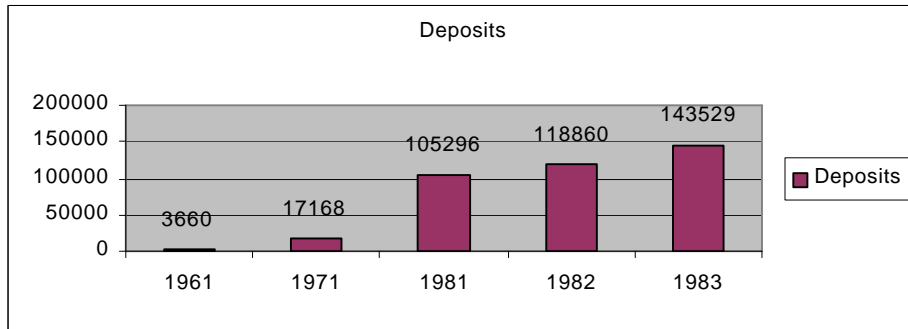
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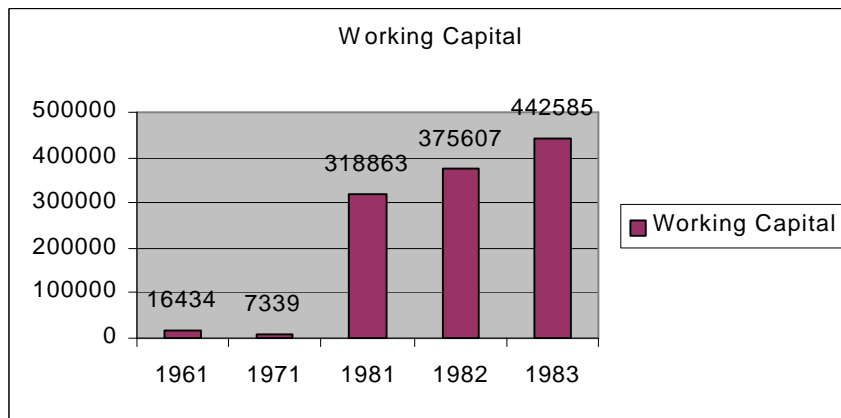
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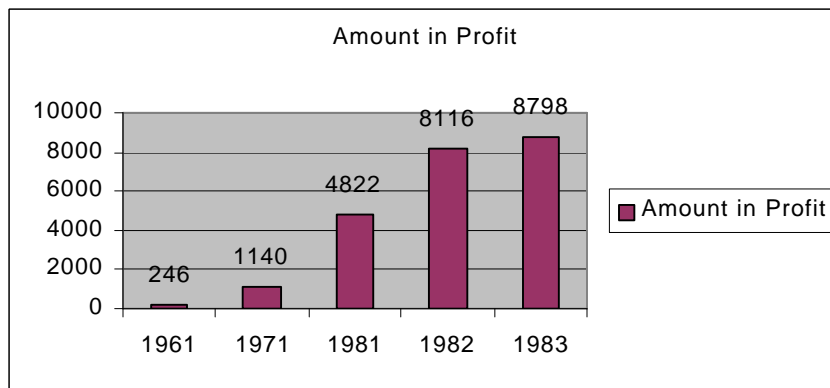
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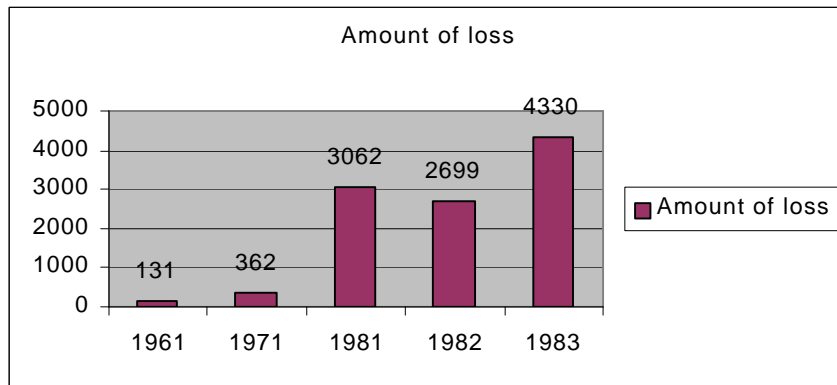
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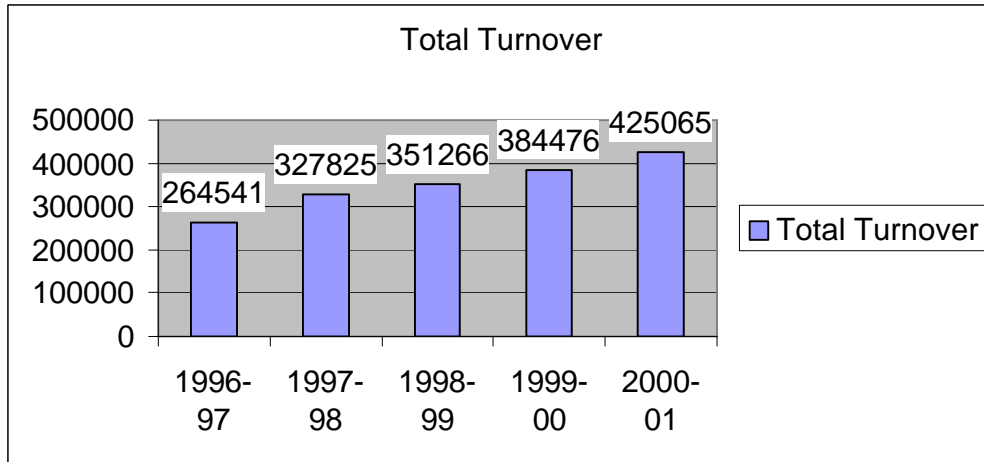
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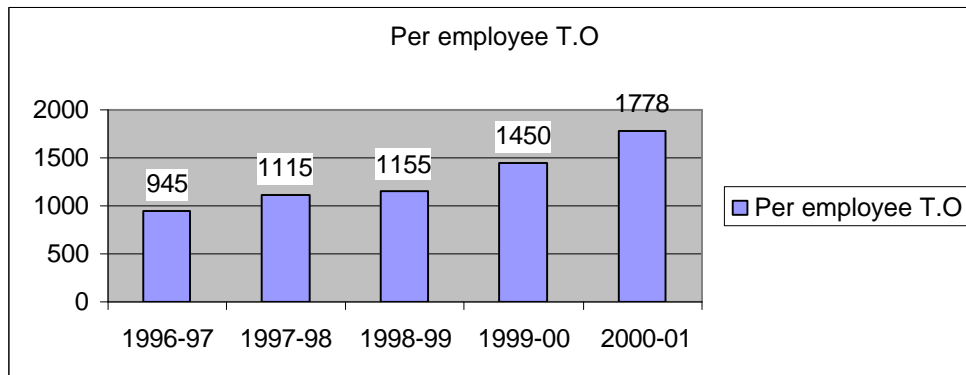
## Business Performance of GSC Bank Ltd.

(Amount in Lacs)

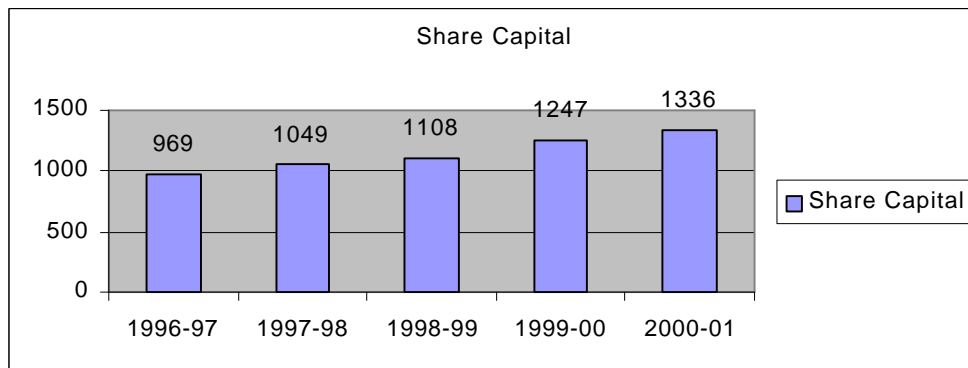
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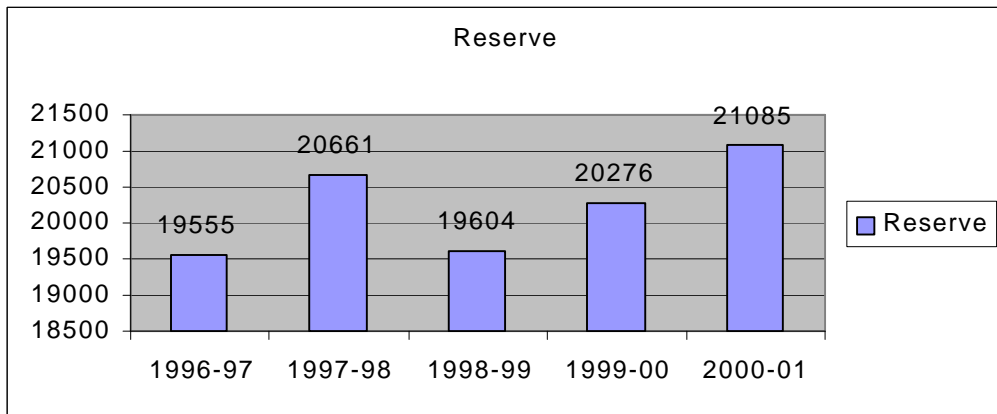
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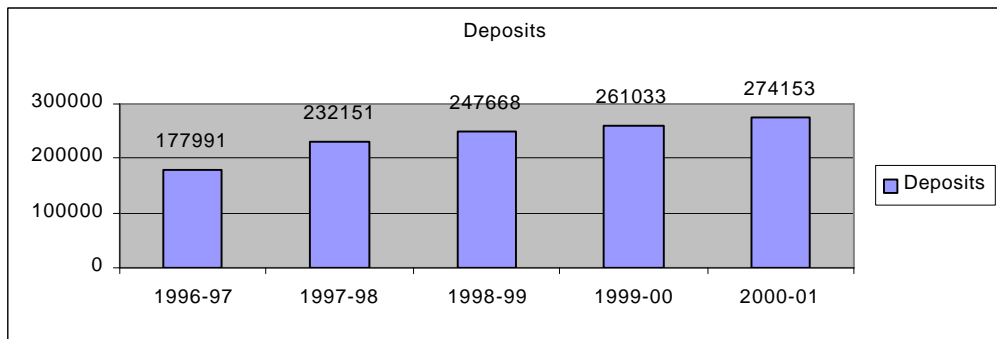
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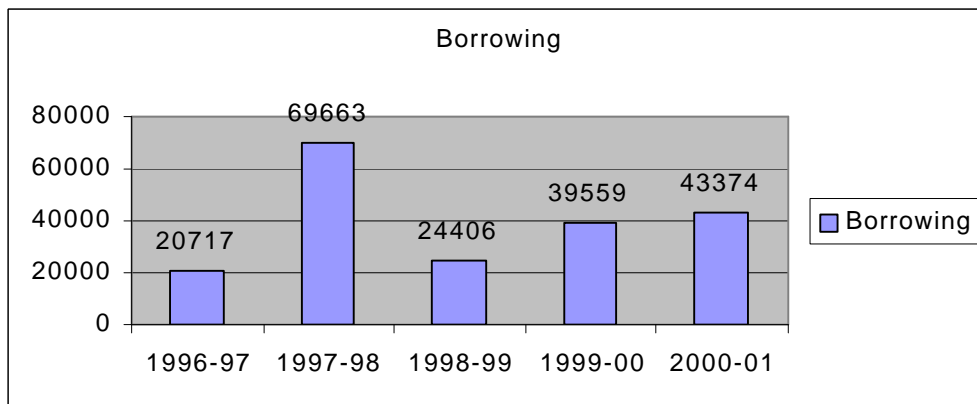
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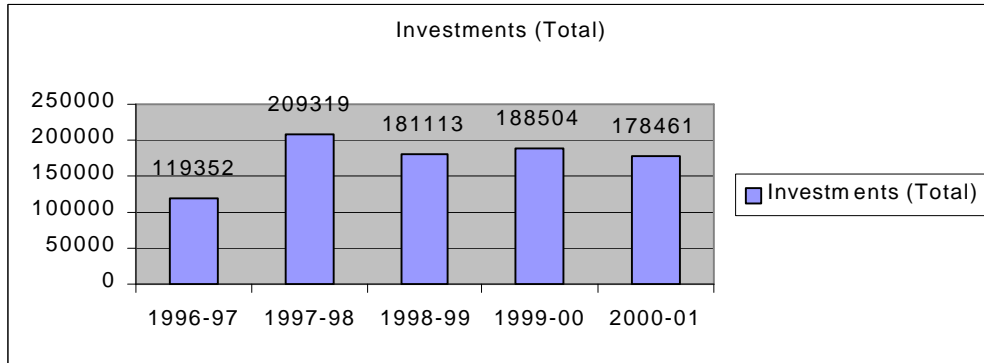
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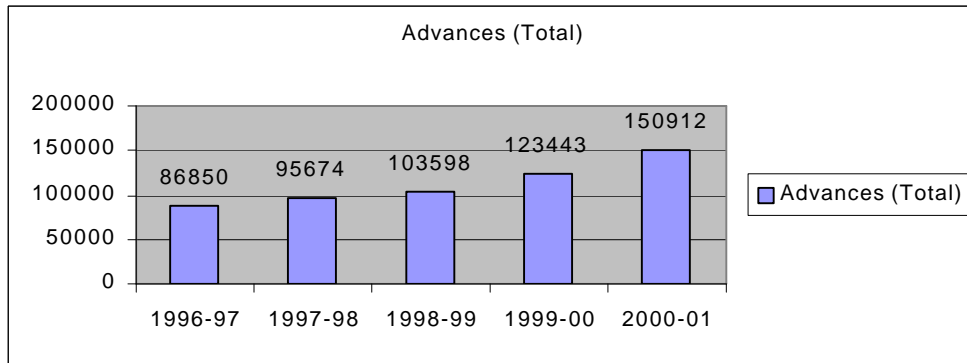
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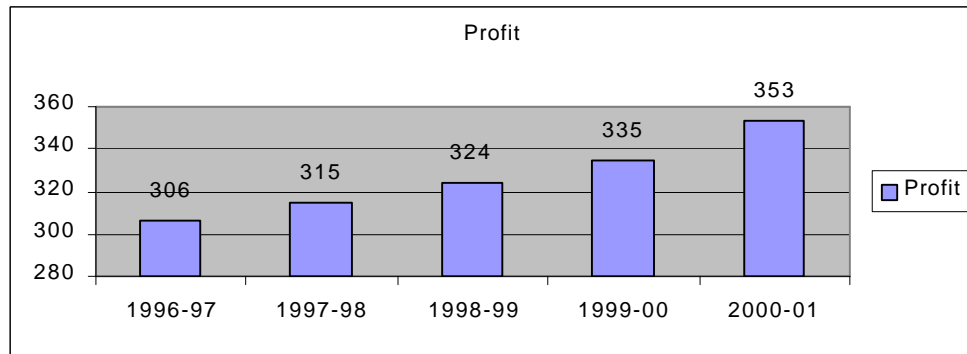
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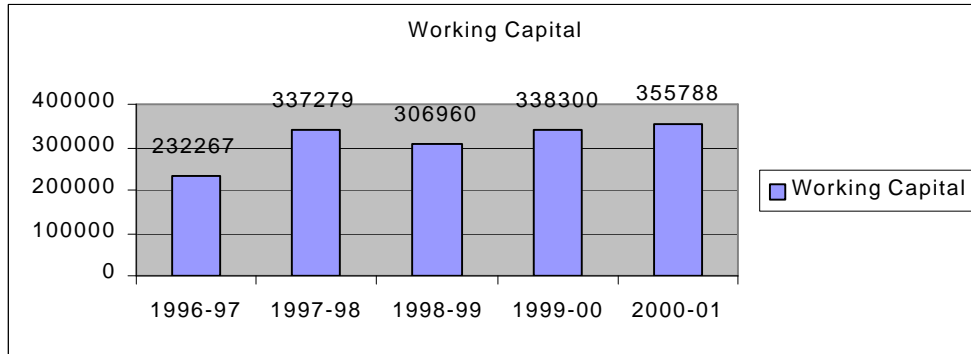
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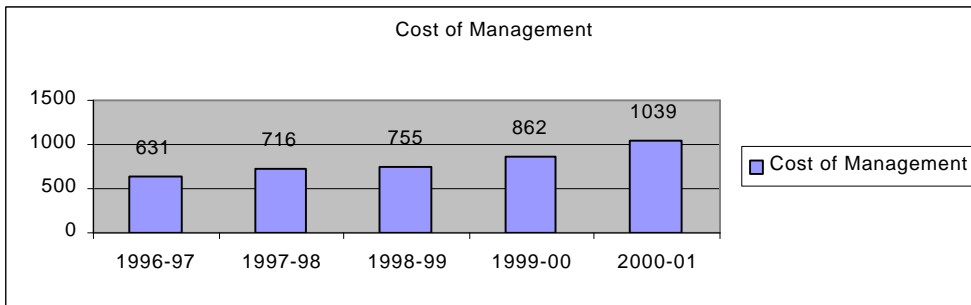
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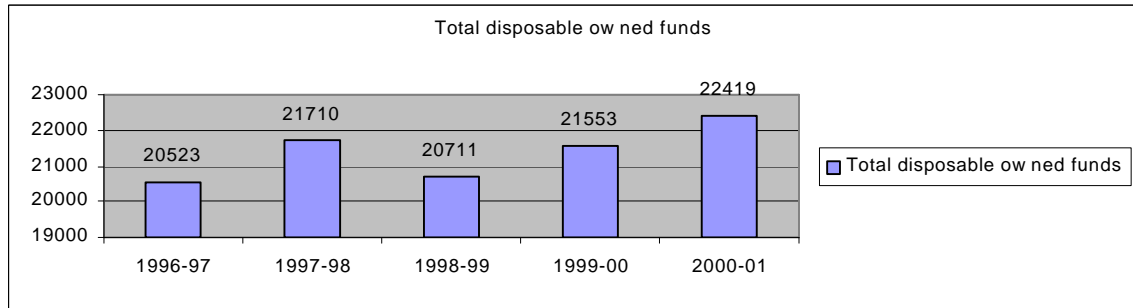


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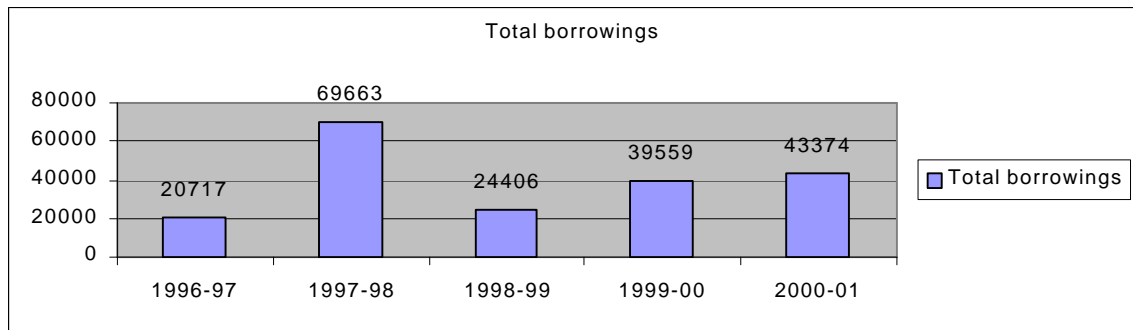


## Lending Operations of GSCB in Gujarat

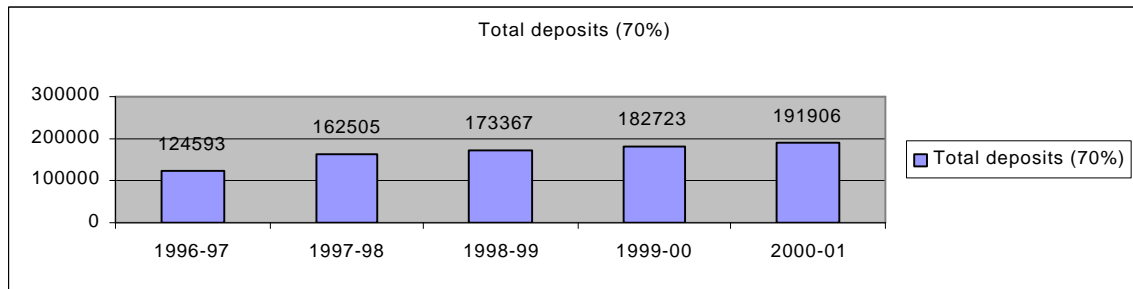
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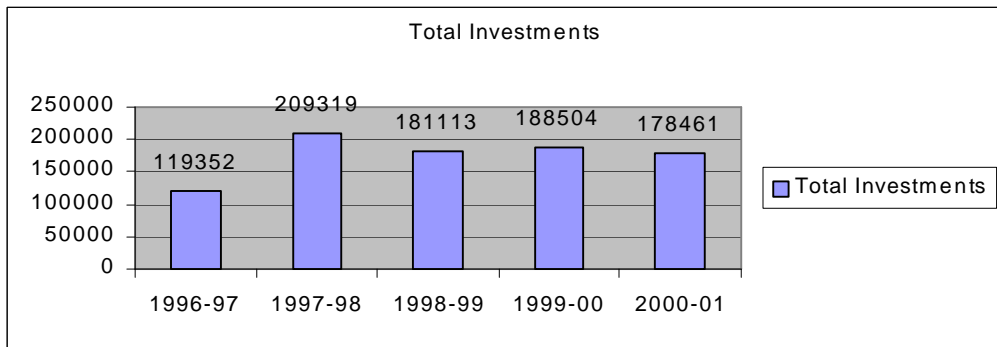


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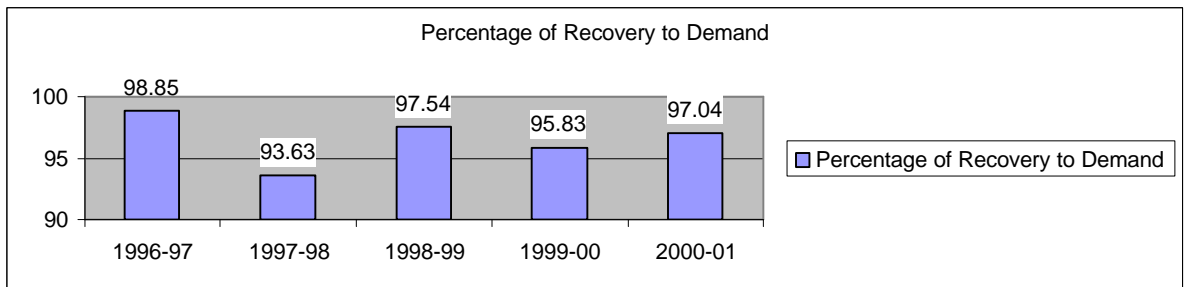




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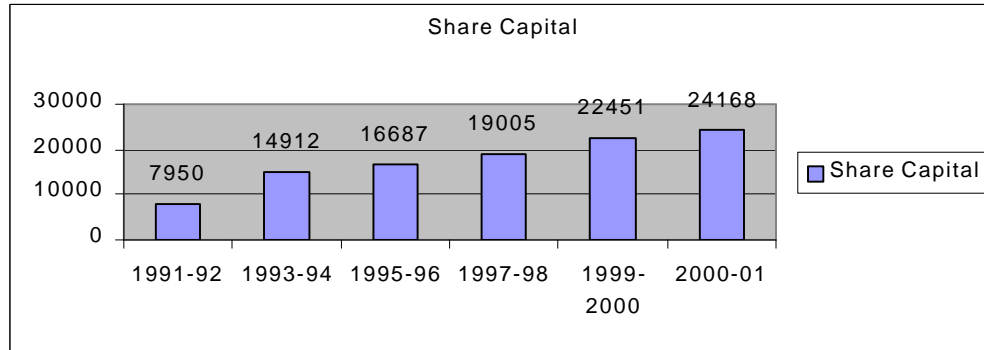


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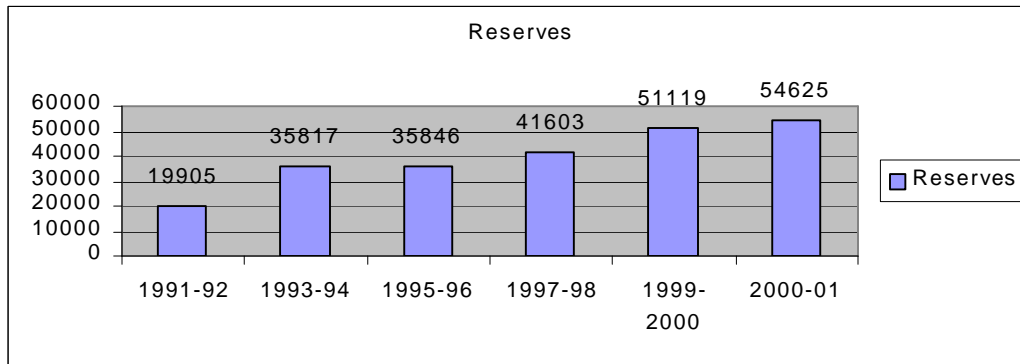


## Overview of DCCBs in Gujarat

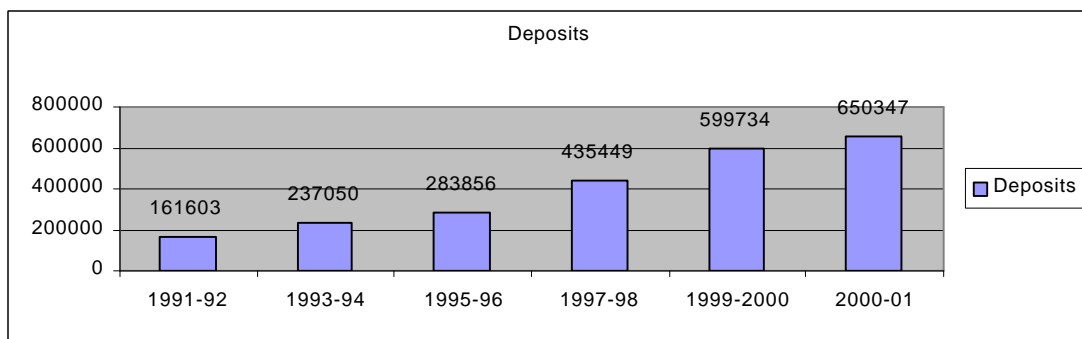
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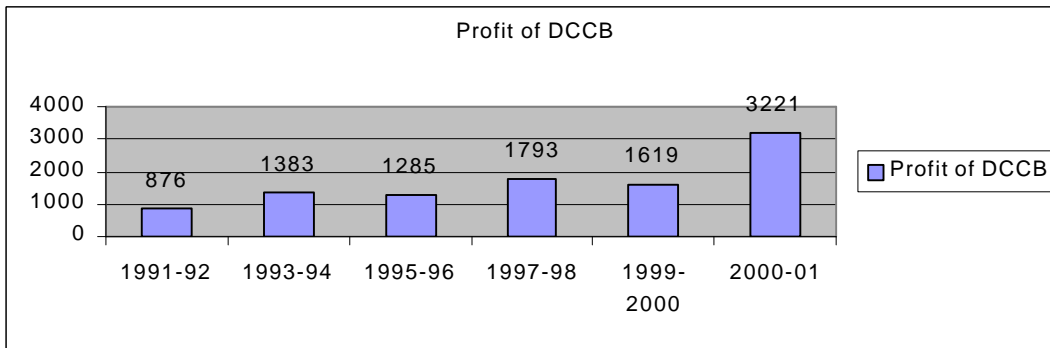
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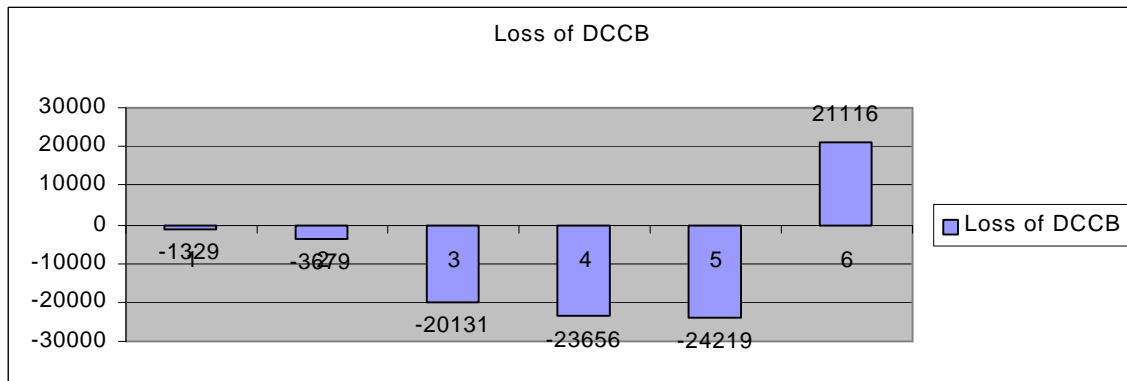
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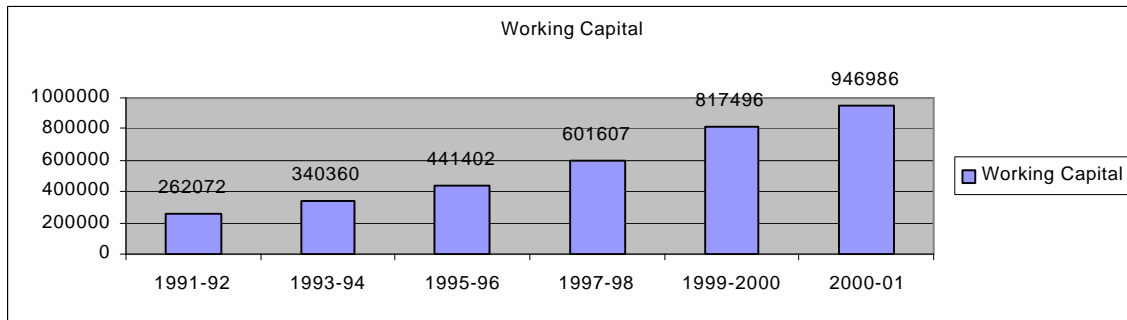
4).



5).



6).



**Operational Efficiency of District Central Cooperative  
Banks in Gujarat- A Comparative Study**

**SCHEDULE FOR DISTRICT CENTRAL  
COOPERATIVE BANK LTD (DCCB)**

**I GENERAL INFORMATION:**

- a. Name of the District: \_\_\_\_\_
- b. Name of the City \_\_\_\_\_
- c. Name of the DCCB \_\_\_\_\_
- d. Address \_\_\_\_\_
- e. Date of Registration: \_\_\_\_\_
- f. NO. of Branches      City \_\_\_\_\_ Rural \_\_\_\_\_

**II COMPOSITION OF THE MEMBERS:**

SL.	Year	Total	PACS/ Other Inst.	Agricultural Farmers	Others
01	1990-91				
02	1995-96				
03	1999-00				
04	2000-01				
05	2001-02				

### **III-INFRASTRUCTURE FACILITY:**

**(i) Land and Buildings:**

- a) Total area of land of Head Office DCCB
- b) Total constructed area of Head Office of DCCB
- c) No. of Branches running in rental building
- d) No, of Branches running in own building.

d) Please specify, whether buildings are sufficient to the requirements of the Banking building(Please give your physical statement about the building) Yes/No.

Sr#	Number of Building (Owned, Branch0wise)	total Main facility Area For business	Year of Construction
01	02	03	04

**IV-FINANCIAL POSITION OF DCCB:**

(Amount in

Rupees)

Particulars	1990	1995	1999	2001
	1991	1996	2000	2002
1	2	3	4	5

**1-Total Share capital:**

**Of which:**

- Individual
- Societies
- Govt.
- Others

**2-Total Deposit:**

**Of which:**

- Current
- Saving
- Fixed

**3-Total No. of Depositors:**

**Of which: (in numbers)**

- Current
- Saving
- Fixed

**4- Total Advances**

**Of which**

- S.T. Agricultural
- M.T.Agricultural
- ST Non- Agri.
- M.T. Non- Agri.
- LT Non- Agri.

=====

=====

**5- Total loan outstanding  
at the end of the year**

**6- Percentage of Overdue  
to demand**

**7- Total recovery**

**Of which**

- S.T. Agricultural
- M.T.Agricultural
- ST Non- Agri.
- M.T. Non- Agri.
- LT Non- Agri.

**8- Total No. of Borrowers**

**Of which (in numbers)**

- S.T. Agricultural
- M.T.Agricultural
- ST Non- Agri.
- M.T. Non- Agri.
- LT Non- Agri.

**9- Total Borrowings**

**of which**

- **From Apex Institutions**
- **From Govt.**
- **Other sources**

=====

=====

**10- Total NPA at  
the end of the year**

**11-Reserve & Other fund**

**12- Total Working Capital**

**13- Total Gross Profit**

**14- Cost of Management**

**15- Net profit**

**16- Total Number of PACS  
working in the area**

**17- No. of PACS in profit**

**18- No. of Farmers Household  
in the area of operation**

**19- Any other incentive schemes introduced by the bank**

=====

**VI- STAFF POSITION: (as on March,2002)**



Sl No.	Category	No.	Qualification	Experience	Trained	Un-trained
1	2	3	4	5	6	7

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.
- 10.
- 11.
- 12.
- 13.
- 14.
- 15.



## VII- PARTICIPATION OF MEMBERS:

Particulars	1999	2001	
2002			
	2000	2002	
2003			
1	2	3	4

---

### (i) Managing Committee Meeting:

- a) No. of MC Meetings required as per bye-laws.
- b) No. of Meetings actually held
- c) Average attendance per meeting

---

### (ii) Composition of Managing Committee:

Particulars	1999	2001	
2002			
	2000	2002	
2003			
1	2	3	4

- 
- a) No. of Members.
  - b) No. of S.C.Members
  - c) No. of ST Members
  - d) No. of General Category Members.

---

TOTAL:

**(iii) General Body Meetings:**

<b>Particulars</b>	1999	2001
2002		
	2000	2002
2003		

---

1	2	3	4
---	---	---	---

---

- a) No. of meetings held
- b) No. of members attended.
- c) Total members
- d) % age attendance.

---

e) **Particulars of the Present Managing Committee**  
(Since.....)

---

S.No.	Name of the	Post	Educational	Village
Category	member of the	held	qualifi-	represe-
No.	SC/ST		cation	nted
	M.Committee			

---

1	2	3	4	5	6
---	---	---	---	---	---

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.

**f) What guidance/interference the management Committee experiences in the working of the Bank?**

Sl.	Name of the Agency	Type of Guidance	Type of interference
1	2	3	4
1			
2			
3			
4.			
5.			
6.			
7.			
8.			
9.			
10			

**VIII- Customer Services:**

(i) What type of facilities do you provide for your customer

S#	Type of facilities	No. of branches/area
----	--------------------	----------------------

**(ii) How your bank identify the customers**

**(iii) What type of incentive do you provide to the customer**

=====XX=====

**Operational Efficiency of District Central Cooperative Banks in Gujarat- A Comparative Study**

**QUESTIONNAIRE FOR INDIVIDUAL CUSTOMERS**

**NOTE:** A number of statements are given below describing the **OVERALL WORKING OF DCCBs**. Please answer them as a customer of this bank by rating DCCB on each statement using the 5 point scale.

A rating of 5 indicates that the statement is “**strongly agree**” with your opinion.

- A rating of 4 indicates that the statement is “**somewhat agree**”.
- A rating of 3 indicates that the statement is “**neither agree nor disagree**”.
- A rating of 2 indicates that the statement is “**rarely agree**”; and
- A rating of 1 indicates that the statement is “**strongly disagree**” about that opinion for your bank

Give your assessment by encircling the appropriate number.

=====

**1. GENERAL INFORMATION**

**Name of the District**

**Name of the DCCB**

**No. of Branches**

**Information about customer:**

- Name
- Educational qualification
- Approximate age
- Sex
- Profession
- Average income per month
  
- Type of account having with DCCB
  
- Name of the branch having account

**II. MOTIVATIONAL FACTORS**

- I am getting full support from the banks 

1	2	3	4	5
---	---	---	---	---
  
- My Bank always guides me at the time of requirement 

1	2	3	4	5
---	---	---	---	---
  
- My Bank always encourages me during my visit 

1	2	3	4	5
---	---	---	---	---
  
- Branch Manager plays a good leadership role during work. 

1	2	3	4	5
---	---	---	---	---

- I am proud of my bank as a customer 

1	2	3	4	5
---	---	---	---	---
  
- My bank has increased my confidence level. 

1	2	3	4	5
---	---	---	---	---
  
- Bank Employees are encouraged to experiment with new methods and try out creative ideas for customers 

1	2	3	4	5
---	---	---	---	---
  
- I have full confidence on my bank. 

1	2	3	4	5
---	---	---	---	---
  
- My bank always rewards For good customers. 

1	2	3	4	5
---	---	---	---	---
  
- I am getting all the banking Product at one roof from this bank. 

1	2	3	4	5
---	---	---	---	---
  
- My bank always discourages Employees' mistakes 

1	2	3	4	5
---	---	---	---	---
  
- My bank provides individual Incentive schemes for prompt and good recovery. 

1	2	3	4	5
---	---	---	---	---
  
- Incentive scheme is good for achieving higher performance target. 

1	2	3	4	5
---	---	---	---	---



### III. CUSTOMER RELATIONS SYSTEMS

- I believe Customer Relations System is necessary for any bank 

1	2	3	4	5
---	---	---	---	---
  
- Individual customer relations system plays a crucial role for the development of banking business 

1	2	3	4	5
---	---	---	---	---
  
- I feel that our bank is not utilizing fully their facility for its business 

1	2	3	4	5
---	---	---	---	---
  
- Our bank always maintained punctuality regarding timing. 

1	2	3	4	5
---	---	---	---	---
  
- Our bank always encourages customer accountability . 

1	2	3	4	5
---	---	---	---	---
  
- Our bank always discourages indiscipline 

1	2	3	4	5
---	---	---	---	---
  
- Our bank always maintained Proper record of future customers 

1	2	3	4	5
---	---	---	---	---
  
- Promotion of the customer is the main motto of our bank. 

1	2	3	4	5
---	---	---	---	---

## IV. CUSTOMERS' OPENION ABOUT BANK

- I have a faith on the bank 

1	2	3	4	5
---	---	---	---	---
- I have self-confidence to open  
My accounts in this bank 

1	2	3	4	5
---	---	---	---	---
- I respect the work and services  
And limitation of bank employees' 

1	2	3	4	5
---	---	---	---	---
- I feel that bank employees' always  
endeavour for the attainment  
of their organizational goals. 

1	2	3	4	5
---	---	---	---	---
- I am satisfied with the  
services of bank. 

1	2	3	4	5
---	---	---	---	---
- Employees take high degree of  
interest on the customers job. 

1	2	3	4	5
---	---	---	---	---
- I found employee are very much  
enthusiastic on their work. 

1	2	3	4	5
---	---	---	---	---
- I feel the managers have a  
sympathetic attitude towards  
their employees. 

1	2	3	4	5
---	---	---	---	---
- I feel working condition of  
This bank is highly motivated. 

1	2	3	4	5
---	---	---	---	---

## **V- COMMITMENT OF THE CUSTOMERS**

- I am proud to tell others that I am the customer of this bank. 

1	2	3	4	5
---	---	---	---	---
  
- This bank really inspires the very best in me in the way of work performance. 

1	2	3	4	5
---	---	---	---	---
  
- The employees' really care about the the future of the bank. 

1	2	3	4	5
---	---	---	---	---
  
- I find that my values and the bank's values are very similar 

1	2	3	4	5
---	---	---	---	---
  
- I feel that I am also responsible for good or bad things of the bank. 

1	2	3	4	5
---	---	---	---	---

## **VI. WORK CULTURE IN THE BANK**

- Senior Officers/Executives in this Bank take active interest in their juniors and help them to satisfy the customers. 

1	2	3	4	5
---	---	---	---	---
  
- People in this bank are helpful to each others. 

1	2	3	4	5
---	---	---	---	---
  
- Weaknesses of employees are communicated to them in a non threatening way. 

1	2	3	4	5
---	---	---	---	---

- Team spirit is in high order in this Bank to satisfy the customers 

1	2	3	4	5
---	---	---	---	---
  
- When seniors delegate the authority to juniors, they use it as an opportunity to work for customers. 

1	2	3	4	5
---	---	---	---	---

## **VII. WORK BEHAVIOUR**

- I found that employees performing their duty very well. 

1	2	3	4	5
---	---	---	---	---
  
- Employees always feel that they can achieve my output 

1	2	3	4	5
---	---	---	---	---
  
- The work environment in the bank is always motivating to remain present on the job. 

1	2	3	4	5
---	---	---	---	---
  
- Absenteeism is always discouraged in this bank. 

1	2	3	4	5
---	---	---	---	---
  
- The output of an employees is always in accordance with pay what they are getting. 

1	2	3	4	5
---	---	---	---	---
  
- The bank always imparts training to maintain the efficiency of an employees. 

1	2	3	4	5
---	---	---	---	---
  
- The bank always believes in timely completing the customers' work 

1	2	3	4	5
---	---	---	---	---

## **VIII. SOCIAL RELATIONS**

(i) I found the bank encouraged to maintain social relations with;

- customers

1	2	3	4	5
---	---	---	---	---

- borrowers

1	2	3	4	5
---	---	---	---	---

- businessmen

1	2	3	4	5
---	---	---	---	---

- educationists.

1	2	3	4	5
---	---	---	---	---

(ii) The working environment of the bank is good for maintaining business relations with;

- Customers

1	2	3	4	5
---	---	---	---	---

- Members

1	2	3	4	5
---	---	---	---	---

- Borrowers

1	2	3	4	5
---	---	---	---	---

- Others(please specify)

1	2	3	4	5
---	---	---	---	---

## **IX. Miscellaneous**

- What other options were available to you when you opened your account in this bank?
- Why have you opened account in this bank only?

- In case of shifting the account from this bank which bank do you prefer and why?
  
- In your opinion how the bank should promote customer relationship
  
  
  
  
  
  
  
  
  
  
- Which banking product would you prefer to use in near future and why?

\*\*\*\*\*

\*\*\*\*\*

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