

A STUDY ON PERFORMANCE APPRAISAL OF SELECTED CO-OPERATIVE BANKS IN RAJASTHAN

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Abstract: Co-operative banks are small-sized units organized in the co-operative sector which operate both in urban and non-urban regions. These banks are traditionally centered on communities, localities and workplace groups and they essentially lend to small borrowers and businesses. The Co-operative Banking System in India is characterized by a relatively comprehensive network to the grass root level. This sector mainly focuses on the local population and micro-banking among middle- and low-income strata of the society. These banks operate mainly for the benefit of rural areas, particularly the agricultural sector. For the current study 5 co-operative Banks i.e., The Barmer Central Co-Operative Bank Ltd., Barmer, Chittorgarh Central Co-Operative Bank Ltd. Chittorgarh, The Jaipur Central Co-Operative Bank Ltd. Jaipur, Hanumangarh Kendriya Sahakari Bank Ltd. Hanumangarh and The Jodhpur Central Co-Operative Bank Ltd. Jodhpur was selected. The variables under study were the Growth in Number, Branches and district covered, Growth in capital fund, Growth in deposits and borrowings, Growth in liquidity and Growth in Investments and loans for five years from 2014 to 2020. The data analysis revealed that the capital of cooperative banks needs to be adjusted, both deposit and borrowings, have not increased up to the level required by any bank operating in the state, similarly the liquidity growth is not satisfactory. Further there is a continuous growth in the total investment and loans and advances of Indian cooperative banks although the percentage of variability is very less which means that there is a need for improving total investment with loans and advances.

Keywords: Co-operative Bank, Capital Fund, Deposits and Borrowings, Liquidity.

Introduction

Co-operative banks in rural areas mainly finance agriculturally based activities including farming, cattle, milk, hatchery, personal finance, etc. along with some small-scale industries and self-employment driven activities, the co-operative banks in urban areas mainly finance various categories of people for self-employment, industries, small scale units and home finance. These banks provide most services such as savings and current accounts, safe deposit lockers, loan or mortgages to private and business customers. For middle class users, for whom a bank is where they can save their money, facilities like Internet banking or phone banking is not very important. Although they are not better than private banks in terms of facilities provided, their interest rates are competitive. However, unlike private banks, the documentation process is lengthy if not stringent and getting a loan approved quickly is rather difficult. The criteria for getting a loan from a UCB are less stringent than for a loan from a commercial bank.

Many research studies have been conducted on banks in general but so far as cooperative banks in banking sector are concerned we come across very few studies in this area. Moreover, performance of Indian banking under the light of cooperative banks is quite under researched area. Hence, this study aimed to magnify this aspect to know the performance appraisal of selective co-operatives bank and reforms in Indian banking industry by focusing on the performance appraisal of selective cooperative banks in Rajasthan. Reviews of Literature

Behera, B. (2014)ⁱ reported that “the Urban co-operative banking sector is an important constituent of Multi Agency system operation in the country. They essentially cater to the credit needs of persons of small means. The Reserve Bank of India in its annual report on trend and progress in banking, state that urban banks are purveyor of credit to small borrowers and weaker section of the society, but it is not coming out with any supportive policies that will strengthen the role of USB. Although some UCBs have been shown remarkable in the recent years, still a large number of banks have shown measurable performance. The operational efficiency is unsatisfactory and characterized by low profitability, ever growing non-performing assets (NPA) and relatively low capital base. The organization is now at crossroad. Prolonged sickness in most of the USB loose customers confidence and the society at large. One of the most disturbing features of this moment is that it is increasingly passing into the hands of nasty politicians, who misuses their position with undue interference. Probably the biggest challenge facing the banking sector, especially the UCBs, is proper corporate governance”.

PK, L. D. M. (2015)ⁱⁱ reported that “Co-operative banks in India have been doing a commendable job in the field of rural credit, particularly agricultural credit. Given the fact that co-operative banks primarily cater to the needs of the common man, their role is quite vital in ensuring that economic growth is inclusive, balanced and equitable. However, most of the co-operative banks have their own share of problems and shortcomings which in turn deter them from playing their mandated role effectively. The performance and financial viability of many co-operative banks in India being a matter of concern, the nature and extent of the exact problems that they face, their operational bottlenecks etc. need to be studied so as to formulate prudent remedial strategies. Taking the case of Kannur District Co-operative Bank (KDCB) that caters to the Kannur district in northern Kerala; this paper delves into the above issues connected with co-operative and makes some remedial strategies”.

Alam, P. (2016)ⁱⁱⁱ reported that “the co-operative movement has not only contributed to economic activity, but it continues to

socially uplift various segments of the population. The urban co-operative bank (UCB) is among those co-operative organisations that are crucial to providing financial services and supplementing economic growth. Yet, despite their contribution to the financial and banking sectors the UCBs have failed to perform as per expectations over the last decade. Instead of pushing and helping economic activity some urban co-operative banks have affected economic activities negatively, to the extent of siphoning off poor peoples' money in some cases. However, the area-wise and population-wise penetration of co-operative banks is both significant and praiseworthy, a fact meriting appreciation".

Chaturvedi and Sangwan (2017^{iv}) commented that "the Banking sector is a key financial service sector supporting development plans through channelizing funds for productive purposes, intermediating flow of funds from surplus to deficit units and supporting financial and economic policies of government. In this paper they found that at the appraisal stage absence of right to select borrower was the main responsible reason, at the sanction & disbursement stage bank officials are facing some problems like incomplete and defective legal documentation, political pressure etc. and at the post disbursement stage the main reasons of NPA and other required periodical statements by the borrowers, diversion of funds. Proper monitoring is not there".

Jain (2017^v) study aimed "to measure the role of banks in creating economic strength of women operating tiny businesses from their home particularly from rural area of Udaipur district. Four banks i.e., State Bank of Bikaner and Jaipur (SBBJ), the bank of Rajasthan limited (now ICICI bank), the Udaipur Mahila Smriddhi Urban Co-operative bank limited and the Udaipur Mahila Urban Co-operative Bank limited are included in the study. The data of 400 women respondents (100 from each bank) were taken for the study. As per the objectives of the study financial experiences were analysed with multiple regression analysis revealed that the selected banks enable the women to achieve the goal of agricultural and cottage industrial development, gain control over their economic assets and achieve financial independence, improve production and productivity, work for business promotion, improve their economic bargaining power, develop professional skill and competence, preserve the goods and services and avail the benefits of development projects. Further the study revealed that the Problems of women for getting loan are problematic due to more time consuming and difficult process".

Siddiq, A. (2017^{vi}) "focused on how Co-operative Societies provide financial assistance to rural folk especially rural Muslim auto drivers in selected region in Karnataka and how it helps to improve their socio-economic conditions. The study also highlights how sustainable development can be done especially in rural areas by providing various financial supports based on the requirement of the people. This study concentrates on the current socio-economic conditions of Auto-rickshaw drivers, and the role of Co-operative Societies in socio-economic development of rural Muslim Auto drivers in the study region".

John, M. E., & Thoomkuzhy, J. J. (2018^{vii}) revealed that "Co-operative banks generally provide their members with a wide range of banking and financial services like loans, deposits, banking accounts. Co-operative banks differ from stockholder banks by their organization, their goals, their values and their governance. In most countries, they are supervised and controlled by banking authorities and have to respect prudential banking regulations, which put them at a level playing field with stockholder banks. Depending on countries, this control and supervision can be implemented directly by state entities or delegated to a co-operative federation or central body. A study on the service quality dimensions of Co-operative banks with special reference to Pathanamthitta Co-operative bank is conducted to analyse the satisfaction level of the customers who are availing services from the bank. There are many factors influencing their satisfaction level. Since the people in the district are mainly settled in rural areas, this study becomes significant

Cholakkal, I. (2018^{viii}) argued that "Co-operative banks in particular and co-operative sector in general are the main sectors which promoting the financial and economic growth of the country like India. The rural cooperative banks have prime role to the rural development of the nation. This study has analysed the role of co-operative banks in agriculture credit by a sample survey. The structure and flow of agriculture credit, customer satisfaction level, recovery status of loans and repayment structure are subjected to analyse under this study with the relevant statistical tools. Out of total agriculture and allied loans, more than 80 percent were fully utilized and 22 percent of agriculture and allied loans are still not being repaid. More than 60 percent customers of the bank are delighted with the services of the bank and more than 50 percent of borrowers of the bank are opined that the interest rate of the co-operative bank is reasonable".

Ali (2019^{ix}) commented that "Cooperative banks play a very important role for farmers. They play an imperative role in running the economy of the country alongside the commercial banks. While commercial banks focus on their profit motive, co-operative banks provide encouragement to the scrawny and highly neglected society of the economy. This doesn't stop here. Cooperatives also help other co-operatives as well as the richer section of the society. The Indian Rural Sector has an agricultural dominance". "While the farming sector has a high dependency on government-aid and private moneylenders, they need a faster acting and a transparent mechanism to help them. And coming up with a motto of self-help the co-operatives prove to be their backbone providing need-based finance. The co-operative structure has been designed with this clear view of motivating and supporting this section of the economy".

Chandel & Gill (2019^x) commented that "the cooperative banks in India as elsewhere provide banking facilities to the highly disorganized agricultural sector of country. The significant role of cooperative banks in the agricultural economy imparts a lesson to commercial banks and dispels from their minds the age old inertial and the gloom of conservatism by shifting emphasis from credit worthiness of the person to the credit worthiness of the purpose. These are the prime institutional agencies with a vast network, wide coverage and reach up to the remote areas. As the cooperative banks are imperative in Indian context, hence these financial institutions should grow and develop. Hence, putting this in mind the present paper is an attempt to evaluate the structural growth and performance of State Cooperative Bank in India through selective indicators. It analyses the Deposits, Credit Expansion, overdue, growth of investment, working capital and cost of management of State Co-operative Banks".

Kisan, K. (2019^{xi}) reported that “the Constitution of India guaranteed fundamental rights to all its citizens irrespective of caste, creed, gender or religion, along with clear direction to ensure welfare of backward communities. Directive Principles of State Policy enables to protect and promote their well-being. Where policies and programmes failed to yield expressed outcomes, legislations were brought in, so that equal opportunities are provided for the weaker sections and ensure benefits. India has been a welfare State with constitutional mandate and democratic obligations to ensure social inclusion of all its citizens with special focus on the vulnerable, disadvantaged, and weaker section of the society. Empowering them at par with the rest of the society as part of social inclusion and inclusive development is the commitment of successive Government to the people of the country. To ensure economic participation of the weaker sections various economic development programmes have been implemented. For implementation of the programmes the role of the Co-operative Banks is vital”.

Wilson Sayyed & Singh (2021^{xii}) study “the reasons that why do co-operative banks finance the SMEs with fewer formalities or documentation even though they are smaller institutions than the commercial banks. To study this, exploratory research design would be used, taking into consideration, primary data would be collected from the professionals like Bankers. Findings indicate that Co-operative banks check the business plan, establishment of the business and they consistently check the profitability of the business. They also rely on the credit ratings, given by the credit agencies and thus, lend to the SMEs with fewer formalities. Researchers have not looked upon the reason(s) for the fewer formalities carried out by cooperative banks to lend to the SMEs”.

Research Methodology

- **Selected Co-operative Banking Units:** The selected co-operative banking units include 5 co-operative Banks i.e., The Barmer Central Co-Operative Bank Ltd., Barmer, Chittorgarh Central Co-Operative Bank Ltd. Chittorgarh, The Jaipur Central Co-Operative Bank Ltd. Jaipur, Hanumangarh Kendriya Sahakari Bank Ltd. Hanumangarh and The Jodhpur Central Co-Operative Bank Ltd. Jodhpur.
- **Type of Research:** the current research is of Exploratory nature in which the Efficiency, Profitability and Productivity of each selected co-operative Bank for the study it measured and the factor behind their success is identified.
- **Sources of Data:** for the research work the **secondary data** were collected from various sources such as Journals, Articles, RBI publications, Ministry of Finance publications, Annual reports of Co-operative banks and financial institution, other published Material were also useful for the research work.
- **Time Period of the Study:** The period of the study i.e., the data for the research work is of five years from 2014 to 2020. In the Cooperatives banks some of selective cooperative's banks are selected for study purpose. Out of total 17 co-operative banks 5 co-operative banks were selected for the study. The selection is based upon the multiple criteria, including the size of the co-operative bank, Amount of credit provided and representation of full Rajasthan state.
- **Tools and Technique for Data Analysis:** Data was analysed by using statistical tools such as mean, Standard deviation and Coefficient of Variation.

Data Analysis

The data is analysed by taking the data of Growth in Number, Branches and district covered, Growth in capital fund, Growth in deposits and borrowings, Growth in liquidity and Growth in Investments and loans provided as under:

- **Growth in Number, Branches and District Covered**

The first part of this section presents the growth in terms of number of cooperative banks their branches and their coverage here:

Table 1: Growth of Cooperative Banks in Rajasthan

State / UT	No. of UCBs	No. of Branches	Total Districts	No. of Districts with presence of UCB	No. of Districts without a Presence of UCB
Rajasthan State	35	248	33	23	10

Source: RBI

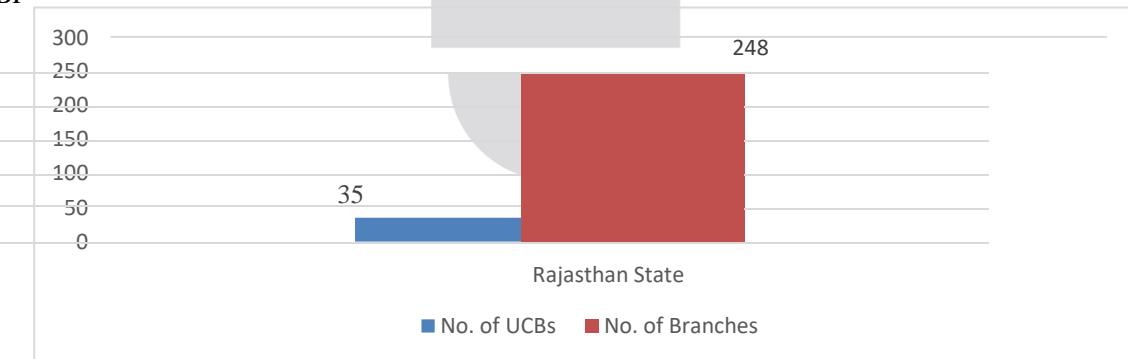


Figure1: Growth In the Number of Cooperative Banks with their Branches in Rajasthan

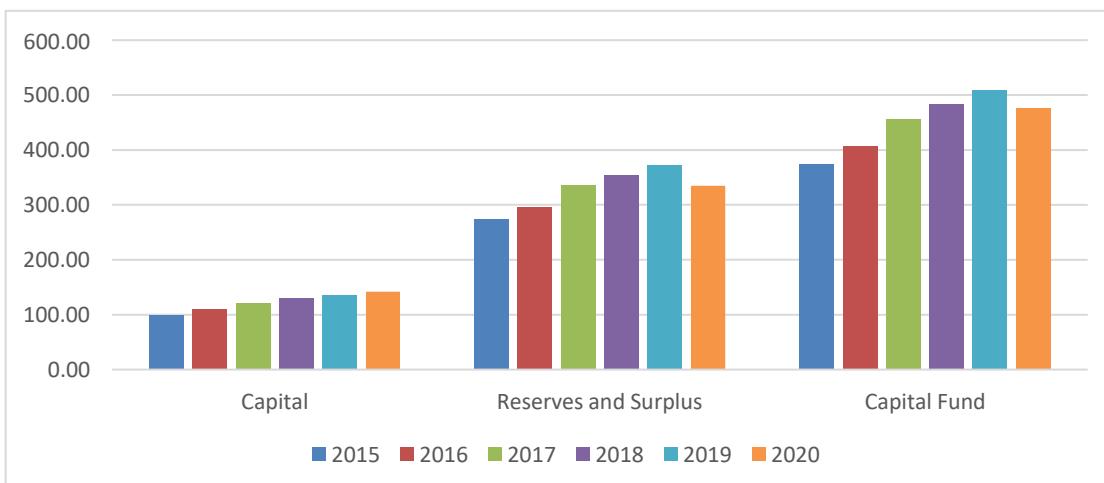
It is clear from the above table that the cooperative banks we're having presence in 23 districts of Rajasthan out of 33 districts of Rajasthan. The total number of cooperative banks in Rajasthan is 35 with 248 branches. With this number we can say that still there is a possibility to increase the cooperative banks in Rajasthan as there are 10 district which do not have the cooperative banks in Rajasthan. Hence, we can say that after analyzing the market and potential the cooperative banks need to increase their network in Rajasthan.

Growth in Capital Fund

The capital fund or capital and reserve and Surplus of the cooperative banks have improved. the same is presented in table 2 is under:

Table 2: Capital and Reserve and Surplus of Corporative Banks (Billion INR)

Year	Capital		Reserves and Surplus		Capital Fund	
	Value	Trend	Value	Trend	Value	Trend
2015	99.54	100.00	273.75	100.00	373.29	100.00
2016	110.07	110.58	295.95	108.11	406.02	108.77
2017	121.11	110.03	334.92	113.17	456.03	112.32
2018	129.7	107.09	353.44	105.53	483.14	105.94
2019	135.82	104.72	372.82	105.48	508.64	105.28
2020	141.34	104.06	334.62	89.75	475.96	93.58
Mean	122.93	-	327.59	-	450.51	-
SD	15.91	-	36.65	-	51.12	-
CV	12.94	-	11.18	-	11.35	-



Source: Compiled from RBI report

Figure 2: Capital and Reserve and Surplus of Corporative Banks

The change in the capital of the cooperative banks revealed that there was a steady improvement in the capital of the cooperative banks in India. It was at the level of 99.54 billion rupees in 2015 that has increased to 141.34 billion rupees with an average of 122.93 billion rupees. The rate of change is constant and increasing with low coefficient of variation of only 12.94%. In case of reserves and surplus there was a constant increase till the year 2019 but in the last year the level has decreased. Overall, in the year 2015 it was at the level of 273.75 billion rupees, which has increased to 372.82 billion rupees in 2019 with an average of 327.59 billion rupees and only 11.18% variability rate. Overall capital fund of the cooperative banks of India have increased from 373.29 billion rupees in the year 2015 to ₹475.96 billion in 2020 with the highest value of 508.64 billion rupees in the year 2019. The average of capital fund invested in the cooperative banks in India was 450.51 billion rupees with this a very low coefficient of variation of 11.35%. This analysis revealed that there was a constant increase in capital while the total capital fund was raised till 2019 and reduced a bit in 2020.

Growth in Deposits and Borrowings

The growth of the deposits and borrowings of Indian cooperative banks are presented in table 3:

Table 3: Deposits and Borrowings of Corporative Banks (Billion INR)

Year	Deposits		Borrowings	
	Value	Trend	Value	Trend
2015	3,551.34	100.00	22.46	100.00
2016	3,921.79	110.43	26.15	116.43
2017	4,434.69	113.08	34.42	131.63
2018	4,565.07	102.94	48.74	141.60
2019	4843.22	106.09	53.91	110.61
2020	5011.78	103.48	53.37	99.00
Mean	4,387.98	-	39.84	-
SD	556.27	-	13.99	-
CV	12.68	-	35.13	-

Source: Compiled from RBI report

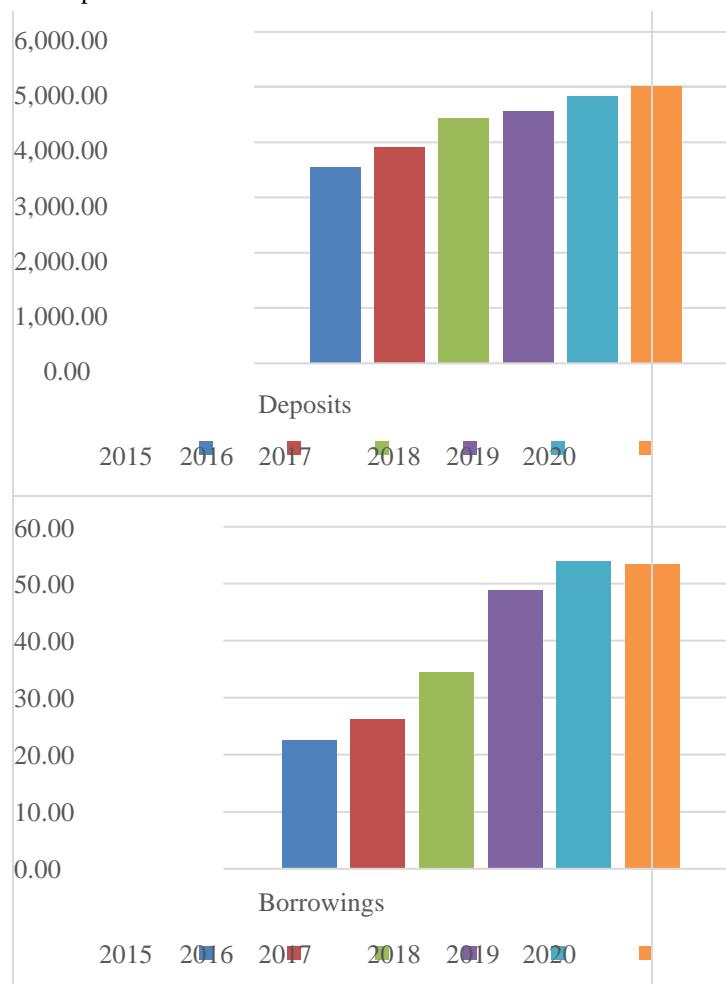


Figure 3: Deposits and Borrowings of Corporative Banks

The level of deposits of the Indian cooperative banks have shown a continuous growth from the year 2015 with the level of 3551.34 billion rupees to 5011.78 billion rupees in 2020. this growth is constant fit the mean value of 4387.98 billion rupees with a low variability of 12.68%. In case of borrowings, it has also shown a continuous increase with the value of 22.46 billion rupees in 2015 to

53.37 billion rupees in year 2020. The mean value of borrowings was 39.84 billion rupees with a high variability rate of 35.13%. Overall, the level of both deposit and borrowings have increased but it has not increased up to the level required by any bank operating in the country.

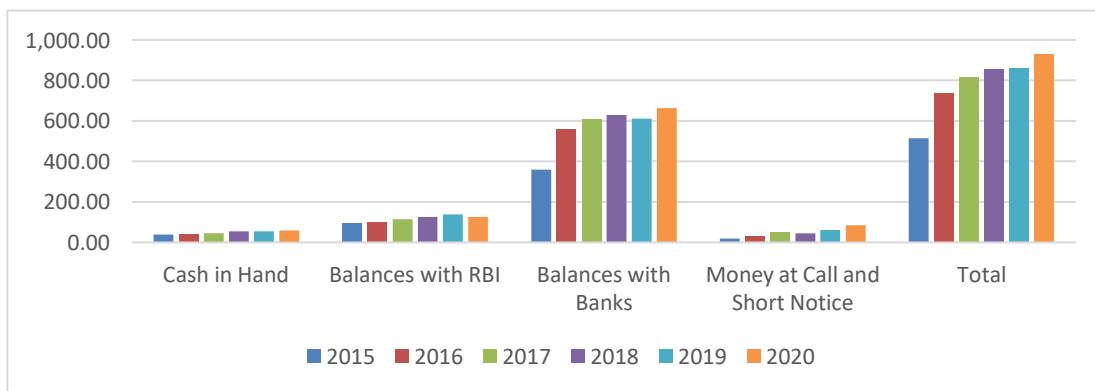
Growth in Liquidity

The growth of the liquidity off property banks in India is presented as under:

Table 4: Liquidity Growth of Corporative Banks (Billion INR)

Year	Cash in Hand		Balances with RBI		Money at Call and Short Notice	
	Value	Trend	Value	Trend	Value	Trend
2015	37.74	100.00	97.24	100.00	19.85	100.00
2016	42.31	112.11	101.63	104.51	32.55	163.98
2017	44.9	106.12	114.72	112.88	50.47	155.05
2018	54.64	121.69	124.89	108.87	44.9	88.96
2019	53.9	98.65	137.53	110.12	60.05	133.74
2020	58.35	108.26	126.1	91.69	83.95	139.80
Mean	48.64	-	117.02	-	48.63	-
SD	8.13	-	15.48	-	22.28	-
CV	16.72	-	13.23	-	45.82	-

Year	Balances with Banks		Total	
	Value	Trend	Value	Trend
2015	358.9	100.00	513.73	100.00
2016	559.75	155.96	736.23	143.31
2017	607.22	108.48	817.31	111.01
2018	629	103.59	853.42	104.42
2019	609.93	96.97	861.4	100.94
2020	662.62	108.64	931.02	108.08
Mean	571.24	-	785.52	-
SD	109.27	-	147.54	-
CV	19.13	-	18.78	-



Source: Compiled from RBI report

Figure 4: Liquidity Growth of Corporative Banks

Liquidity in the Indian cooperative banks are presented in terms of cash in hand, balances with RBI, balances with banks end money at school and short notice. in case of cash in hand the balances have increased continuously from 2015 to 2020 from 37.74 billion rupees in 2015 to 58.35 billion Rupees in 2020 with the mean value of 48.64 billion and variation rate of 16.72%. The balance is with RBI of the cooperative banks have also increased from ₹97.24 billion in 2015 to 126.10 billion rupees in 2020, with an average of 117.02 billion and low variability rate of 13.23%. the balances of cooperative banks with other banks have also shown a continuous increase with 358.9 billion rupees in 2015 to 662.62 billion rupees in 2020 with mean value of 571.24 billion and low variability rate of 19.13%. In case of money at call and short notice a continuous increase is shown from 19.85 billion in 2015 283.95 billion in 2020 with the mean value of 48.63 and a very high variability rate of 45.82%. Overall, the total liquidity growth of cooperative bank has shown a continuous increase from 513.73 billion rupees in 2015 to 931.02 billion in 2020, with an average of 785.52 billion rupees and a low variability rate of 18.78%. Overall, the liquidity growth in the cooperative banks of India is not satisfactory during the period of the study.

Growth in Investments and Loans Provided

The growth in total investment including SLR and non SLR investment with loans and advances are presented here:

Table 5: Growth in Investment with Loans and Advances (in Billion)

Year	(A) SLR Investments		(B) Non-SLR Investments		Total Investments		Loans and Advances	
	Value	Trend	Value	Trend	Value	Trend	Value	Trend
2015	1151.88	100.00	78.83	100.00	1230.71	100.00	2243.02	100.00
2016	1096.35	95.18	112.76	143.04	1209.11	98.24	2450.13	109.23
2017	1253.78	114.36	167.13	148.22	1420.91	117.52	2612.02	106.61
2018	1360.98	108.55	136.61	81.74	1497.59	105.40	2805.01	107.39
2019	1394.48	102.46	173.51	127.01	1567.99	104.70	3030.2	108.03
2020	1420.93	101.90	197.54	113.85	1618.48	103.22	3053.68	100.77
Mean	1279.73	-	144.40	-	1424.13	-	2699.01	-
SD	134.43	-	43.70	-	171.77	-	323.78	-
CV	10.50	-	30.26	-	12.06	-	12.00	-

Source: Compiled from RBI report

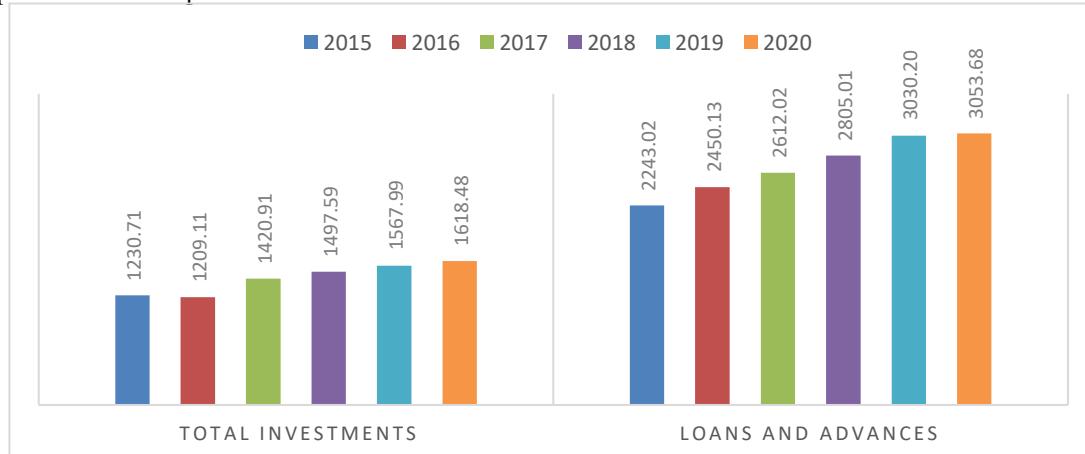


Figure 5: Growth in Investment with Loans and Advances

The result of total investment and loan and advances of the Indian cooperative banks reveals that the SLR and non SLR investment have increased during the period continuously vitamin of 1279.73 billion rupees and variation of 10.5% in SLR investment, violin case of non SLR investment the mean was 144.40 billion rupees with high variation percentage of 30.26%. The total investment of Indian cooperative banks has increased during the period of study from 1230.71 billion in 2015 to 1618.48 billion rupees with an average of 1428.13 billion rupees and 12.06% variability. in case of loans and advances it has increased continuously from 2243.02 billion rupees in 2015 to ₹ 3053.68 billion in 2020, with an average of 2699.01 and a very low of 12% variability rate. The above analysis revealed that there is a continuous growth in the total investment and loans and advances of Indian cooperative banks although the percentage of variability is very less which means that there is a need for improving total investment with loans and advances.

Conclusion

The co-operative bank is having a huge role in development of a state in terms of the deposits and borrowings, Growth in liquidity and Growth in Investments and loans, but in Rajasthan the cooperative banks have sown progress in the state our study reveals that still there is a possibility to increase the cooperative banks in Rajasthan as there are 10 district which do not have the cooperative banks in Rajasthan. There was a constant increase in capital while the total capital fund was raised till 2019 and reduced a bit in 2020 which needs to be adjusted. In case of the level of both deposit and borrowings, both have increased but it has not increased up to the level required by any bank operating in the State of Rajasthan, similarly the liquidity growth is not satisfactory. Further there is a continuous growth in the total investment and loans and advances of Indian cooperative banks although the percentage of variability is very less which means that there is a need for improving total investment with loans and advances.

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