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# CONTENTS

| <b>Sr. No.</b> | <b>TITLE &amp; NAME OF THE AUTHOR (S)</b>   | <b>Page No.</b> |
|----------------|---|-----------------|
| 1.             | <b>DIMENSIONS OF HIGHER EDUCATION IN INDIA: A COMPREHENSIVE REVIEW</b><br><i>UPPAL VANITA SATNAM SINGH &amp; DR. A. B. DADAS</i>  | 1               |
| 2.             | <b>METAMORPHOSIS OF INDIAN BANKS: A STUDY WITH REFERENCE TO NON PERFORMING ASSETS</b><br><i>DR. SANTOSH B. PATKAR</i>   | 4               |
| 3.             | <b>ISSUES IN CORPORATE GOVERNANCE</b><br><i>SUMAIYA FATHIMA</i>   | 9               |
| 4.             | <b>INTERNET BANKING SERVICE QUALITY AND ITS IMPACT ON CUSTOMER SATISFACTION</b><br><i>BAHAREH SHEIKHI &amp; AISHA M SHERIFF</i>   | 12              |
| 5.             | <b>TREND OF INDIAN AGRICULTURAL EXPORT AND ITS COMPOSITION: OVER A DECADAL COMPARISON</b><br><i>POOJA GAMIT, DR. ALPESHLEUA &amp; DR. NARENDRA SINGH</i>  | 19              |
| 6.             | <b>ACCESS OF INFORMATION AND ITS IMPACT ON MUTUAL FUND INVESTORS IN TAMILNADU</b><br><i>P. PREMA &amp; SHANY P.A</i>  | 23              |
| 7.             | <b>A STUDY ON COOPERATIVE CREDIT IN PUNJAB</b><br><i>PALWINDER KAUR &amp; DR. RUPINDER KAUR</i>   | 28              |
| 8.             | <b>TOURIST SERVICES EVALUATION OF HOSPITALITY UNITS: EXPERIENCES AND OBSERVATIONS FROM HOTEL AND RESTAURANT PROPERTIES OF SRINAGAR GARHWAL, UTTARAKHAND</b><br><i>DR. SANJAY SINGH MAHAR</i>        | 33              |
| 9.             | <b>IMPORTANCE OF GOODS AND SERVICES TAX IN THE TAXATION SYSTEM AND ITS IMPACT ON INDIA'S GROWTH</b><br><i>DR. B M KUMARA</i>  | 40              |
| 10.            | <b>CAN COMPATIBLE FINANCIAL MARKETS STRENGTHEN THE STRATEGIC BILATERAL PARTNERSHIP AMONG COUNTRIES? - A CASE STUDY OF INDIA AND SAUDI ARABIA</b><br><i>ZAKIYA BEGUM SAYED &amp; DR. J. GAYATHRI</i> | 43              |
| 11.            | <b>RURAL DEVELOPMENT: INDIA'S WEAPON FOR ECONOMIC GROWTH</b><br><i>TANU SACHDEVA &amp; JASNEET SONI</i>   | 50              |
| 12.            | <b>AN EMPIRICAL ANALYSIS ON THE FINANCIAL LITERACY AND THE INVESTMENT PERSPECTIVE OF WORKING WOMEN</b><br><i>KARISHMA ANIL, NIYA ANTONY &amp; GOPIKA G</i>  | 53              |
| 13.            | <b>ACCOUNTABILITY, MANAGEMENT AND ORGANIZATIONAL APPROACH TO CHILDREN'S HOMES IN INDIA: AN ANALYTICAL STUDY OF MYSURU CITY IN KARNATAKA</b><br><i>RASHMI M &amp; B. GURUDATT KAMATH</i>             | 56              |
| 14.            | <b>RELATIONSHIP BETWEEN ECONOMIC VALUE ADDED AND PROFITABILITY MEASURES WITH REFERENCE TO HINDUSTAN ORGANIC CHEMICALS LIMITED KOCHI – A STUDY</b><br><i>K. R. SHABU &amp; AMALRAJ R</i>             | 60              |
| 15.            | <b>A STUDY ON THE PERFORMANCE OF IPOs WITH SPECIAL REFERENCE TO COCHIN STOCK EXCHANGE</b><br><i>PREETHA R &amp; KRISHNAN L</i>  | 70              |
| 16.            | <b>IMPACT OF EARNING PER SHARE ON MARKET VALUE AN EMPIRICAL STUDY WITH REFERENCE TO JK TYRE</b><br><i>ROOPA BALAVENU &amp; UMA DEVI S</i>   | 75              |
| 17.            | <b>CAUSALITY BETWEEN EXPORT AND ECONOMIC GROWTH IN ETHIOPIA</b><br><i>LINGERH SEWNET AKALU</i>  | 81              |
| 18.            | <b>OPENNESS AND ITS IMPACT ON INFLATIONARY EFFECTS OF MONETARY POLICY AND INFLATION VOLATILITY IN INDIA</b><br><i>SAJAD AHMAD RATHER</i>  | 87              |
| 19.            | <b>GROWTH OF EDUCATION IN HIMACHAL PRADESH: AN EMPIRICAL ANALYSIS</b><br><i>ANJU SHARMA &amp; AMIT SHARMA</i>   | 90              |
| 20.            | <b>MARKETING AT THE BOTTOM OF THE PYRAMID: CAN RURAL MARKETS BE DEVELOPED AS BLUE OCEANS</b><br><i>SAAKSHI BHANDARI &amp; SAUMYA AGGARWAL</i>   | 94              |
|                | <b>REQUEST FOR FEEDBACK &amp; DISCLAIMER</b>  | 102             |

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**A STUDY ON COOPERATIVE CREDIT IN PUNJAB**

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**ABSTRACT**

*Cooperatives are playing an important role in socio-economic development of Punjab. These are very essential to develop and sustain the rural economy of the State which is agrarian in nature. These institutions have been serving the people of Punjab in areas such as agriculture, housing, spinning, sugar production, weaving and dairy etc. Cooperatives are a major source of institutional credit for agriculture as well. They are serving Punjab as a substitute to local money lenders along with regional rural banks and commercial banks. The present study is an attempt to analyze the growth of cooperative credit in the State of Punjab, India, for a period of 2002-03 to 2013-14. For the study purpose secondary data has been collected from relevant data sources. Compound annual growth rates have been worked out to analyse the data. The study shows that performance of these institutions is not satisfactory. Loan disbursement capacity of these institutions is limited, overdue problem is persistent, profits are declining, membership is falling and most important point to note is that demand for credit is shrinking in case of Primary Agricultural Cooperative Societies. It indicates the credit cooperatives in Punjab to be rejuvenated.*

**KEYWORDS**

cooperative credit institutions, loans issued, loans outstanding, overdues, PACS.

**INTRODUCTION**

Cooperatives play crucial role in socio-economic development of a State. These institutions are significant especially for the overall development of a rural agrarian economy. Cooperative principles ensure harmonious development, through democratic management and governance. Cooperatives are serving the State of Punjab in line with these principles. These have brought both the services and resources at the door steps of villagers in Punjab. These have been enthusiastically serving the people of Punjab in area such as agriculture, housing, spinning, sugar production, weaving and dairy etc. The performance of Cooperative Movement in Punjab is very impressive (NCUI, 2009).

Though cooperatives are performing in diverse fields, their role as a source of institutional credit is equally noteworthy. Earlier, farmers in Punjab were highly dependent upon money-lenders for their credit requirements. But gradually cooperative banks along with regional rural banks and commercial banks came forward to finance the farmers (Bansal, 2012). These days, cooperative credit institutions occupy a vital place in the economy of Punjab and have been disbursing credit to farmers, rural artisans and agricultural labourers.

**REVIEW OF LITERATURE**

Gill (2004) conducted a study to analyze the various aspects of informal credit market in two districts of Punjab i.e. Amritsar and Patiala. The analysis revealed that the commission agents were dominant money lenders who interlinked the credit market with output market. Exorbitant rates of interest were charged due to inadequate supply of institutional credit. The cumbersome procedures to obtain formal credit make it less popular among the needy. This results in continuous exploitation and distress of the needy and sometimes suicides were the outcome of all this. In the end, the study concluded that reforms such as adequate supply of institutional credit, regulated agricultural markets, policy check on local money lenders etc. are needed to overcome such situations.

Satyasai and Viswanathan (1998) made an analysis of restructuring of credit cooperatives through integration of short-term and long-term credit from the experience of the state of Andhra Pradesh. The observation was that the ratio between short-term and long-term loans increased after the integration of both types of credit. The ratio which averaged at 1.3 per cent during the pre-integration period was found 1.77 per cent during the post-integration period.

Singh (2000) attempted to assess the performance of credit cooperatives in India. He found that despite the continued support of the state governments for their healthy growth, the credit cooperatives failed to cater the credit and other related needs of the masses. He opined that cooperatives need organizational and management reforms for their survival and prosperity. He suggested that the credit cooperatives must be free to carry on their operations purely on commercial lines and matters such as fixation of interest rates, determination of unit costs and scales of finance, modus operandi of recoveries, hiring and firing employees and so on should be completely left to them.

Verma (1992) made an attempt to assess the effectiveness of agricultural credit by cooperative credit institutions in Nagari block of Chittor district in Andhra Pradesh. It was found that there was a large amount of over dues of loans and the major defaulters were medium level farmers. Lack of proper supervision of end use of loans, inadequate amount of credit sanctioned, willful defaulting and the natural calamities like drought were some of the reason of over dues. It was suggested that small and marginal farmers should be involved, the procedure of sanctioning loans should be simplified, and proper supervision on the end use of credit should be made.

**IMPORTANCE OF THE STUDY**

Both institutional and non-institutional sources of credit are performing their particular role in credit disbursement in Punjab. The present study is an endeavour to study the role of credit cooperatives as an institutional source of credit.

**OBJECTIVES OF THE STUDY**

The study is based on the following objectives:

1. To know the cooperative credit structure in Punjab; and
2. To evaluate their growth and performance in Punjab for a period of 2002-03 to 2013-14.



## RESEARCH METHODOLOGY

To analyse the growth and performance of cooperative credit institutions in Punjab, secondary data for a period of 2002-03 to 2013-14 have been collected from the website of National Federation of State Cooperative Banks (NAFSCOB), Mumbai. Following publications of NAFSCOB have been used to collect the data:

1. Basic Data on Performance of the State Cooperative Banks
2. Basic Data on Performance of District Central Cooperative Banks
3. Basic Data on Performance of Primary Agricultural Credit Societies

## TOOLS OF ANALYSIS

The compound annual growth rate of different performance indicators of credit cooperatives has been worked out to analyse the data. For data analysis purpose, percentages are also computed wherever required. The formula used for calculation of compound annual growth rate has been given below:

$$CAGR (t_0, t_n) = (V(t_n) / V(t_0))^{1/t_n - t_0 - 1}$$

Where

CAGR = Compound Annual Growth Rate

V(t<sub>0</sub>) = Start Value

V(t<sub>n</sub>) = End Value

t<sub>n</sub> - t<sub>0</sub> = Number of Years

## COOPERATIVE CREDIT STRUCTURE IN PUNJAB

The agricultural cooperative credit structure in the Punjab State is broadly divided into two categories — short-term and medium-term credit; and the long-term credit. In the State, the short-term and medium-term credit structure is a three-tier system, i.e.

1. **State Cooperative Bank (SCB)** organised at the state level advances loans to District Central Cooperative Banks to enhance their capacity to provide loans to village level societies. The State Cooperative Bank is the highest agency for the supply of cooperative credit for short-term and medium-term.
2. **District Central Cooperative Banks (DCCBs)** organized at district level provide loan to Primary Agricultural Credit Societies (PACS) to fulfill credit requirements of the farmers at time of need. They act as an intermediary agency between Primary Agricultural Credit Societies (PACS) and the State Cooperative Bank.
3. **Primary Agricultural Credit Societies (PACS)** at rural level to meet the short term and medium term credit needs of the farmers. These societies are the core unit of the cooperative credit organization at the operational level as they come in direct contact with the farmers (Lata, 2000).

Long-term credit is also necessary for different purposes. It consists of –

1. State Cooperative Agricultural and Rural Development Bank (SCARDB) at the state level
2. Primary Cooperative Agricultural and Rural Development Bank (PCARDB) at the district level

## RESULTS AND DISCUSSION ON SECONDARY DATA

Growth and performance of credit cooperatives in Punjab can be analysed from different performance indicators such as their number, membership, paid-up share capital, total reserves, working capital, borrowings, loans issued, loans recovered, loans outstanding etc.

## GROWTH AND PERFORMANCE OF STATE COOPERATIVE BANK IN PUNJAB

In Punjab, the Punjab State Cooperative Bank (SCB) was established on August 31, 1949 as an apex institution. The bank provides credit to the District Central Cooperative Banks (DCCBs) in the state, and these in turn provide credit to Primary Agricultural Credit Societies (PACS), from where credit is disbursed to the farmers. The provision of short-term credit is in cash as well as in-kind (in form of seeds, fertilizers etc.) while the medium-term credit is available only in cash form (Lata, 2000).

The growth and performance of the State Cooperative Bank can be viewed from Table 1. The table shows performance indicators of State Cooperative Bank for a period of 2002-03 to 2013-14. The membership of the State Cooperative Bank has increased from 52 in 2002-03 to 54 in 2013-14, registering an increase of 0.31 per cent over the period. Share capital has increased from ₹2992 lakhs in 2002-03 to ₹14759 lakhs in 2013-14 showing compound annual growth rate (CAGR) of 14.22 per cent. It has shown a continuous increase over this period. Reserve funds have stood at ₹41398 lakhs in 2013-14 as compared to ₹18832 lakhs in 2002-03. Their growth rate is 6.78 per cent per annum. Their growth is also continuous except in the year 2006-07. During 2006-07, reserves of the SCB declined to ₹30509 lakhs from ₹31456 lakhs in 2005-06.

TABLE 1: PERFORMANCE OF STATE COOPERATIVE BANK IN PUNJAB FROM 2002-03 TO 2013-14

| Particulars                              | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | CAGR (%) |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------|
| No. of offices including the Head Office | 22      | 22      | 22      | 24      | 24      | 24      | 24      | 24      | 22      | 21      | 21      | 20      | -0.79    |
| Total Membership out of which            | 52      | 52      | 52      | 52      | 52      | 52      | 52      | 53      | 53      | 53      | 53      | 54      | 0.31     |
| 1.Cooperative Societies                  | 51      | 51      | 51      | 51      | 51      | 51      | 51      | 52      | 52      | 52      | 52      | 53      | 0.32     |
| 2.Government and Individuals             | 1       | 1       | 1       | 1       | 1       | 1       | 1       | 1       | 1       | 1       | 1       | 1       | 0.00     |
| Paid-Up Share capital (₹ Lakhs)          | 2992    | 3125    | 3413    | 3826    | 4133    | 4359    | 4987    | 5526    | 6033    | 6768    | 11156   | 14759   | 14.22    |
| Total Reserve Funds (₹ Lakhs)            | 18832   | 19207   | 29371   | 31456   | 30509   | 32349   | 33414   | 34204   | 35688   | 37260   | 39023   | 41398   | 6.78     |
| Working Capital (₹ Lakhs)                | 266371  | 279390  | 297931  | 330671  | 406934  | 490409  | 367067  | 530795  | 703511  | 798882  | 798882  | 972493  | 11.40    |
| Deposits (₹ Lakhs)                       | 103138  | 113715  | 118440  | 125920  | 142574  | 193519  | 193519  | 230820  | 240811  | 259339  | 281301  | 297257  | 9.22     |
| Borrowings (₹ Lakhs)                     | 81179   | 125125  | 134283  | 134283  | 210054  | 422978  | 390358  | 334417  | 405616  | 482272  | 553968  | 605400  | 18.23    |
| Loans Issued (₹ Lakhs)                   | 312223  | 328823  | 338331  | 408342  | 482713  | 561728  | 794342  | 666488  | 792777  | 1021101 | 730629  | 1127863 | 11.30    |
| Loan Recover (₹ Lakhs)                   | 112336  | 151462  | 153756  | 195332  | 145384  | 260496  | 302949  | 330564  | 348479  | 416121  | 497681  | 571665  | 14.52    |
| Loans Outstanding (₹ Lakhs)              | 217571  | 226354  | 238732  | 268148  | 338784  | 412303  | 472936  | 432436  | 461514  | 629567  | 710107  | 783073  | 11.26    |
| Over dues (₹ Lakhs)                      | 5815    | 6093    | 5796    | 5796    | 5786    | 5449    | 5342    | 5392    | 5413    | 5389    | 5502    | 5455    | -0.53    |
| Demand for Credit (₹ Lakhs)              | 118151  | 157555  | 159552  | 201213  | 151170  | 265837  | 308290  | 335956  | 353892  | 421510  | 503183  | 577120  | 14.13    |
| Percentage of Over dues To Demand        | 4.92    | 3.87    | 3.63    | 2.92    | 2.58    | 1.73    | 1.73    | 1.6     | 1.53    | 1.28    | 1.09    | 0.95    | -12.81   |
| Branches working at Profit               | 11      | 13      | 12      | 11      | 8       | 13      | 9       | 9       | 15      | 14      | 10      | 13      | 1.40     |
| Branches working at Loss                 | 11      | 9       | 10      | 11      | 14      | 9       | 10      | 10      | 5       | 5       | 9       | 6       | -4.93    |
| Profit                                   | 2101    | 3135    | 6094    | 2624    | 2379    | 1174    | 1174    | 523     | 2576    | 2718    | 548     | 546     | -10.62   |

Source: Basic Data on Performance of the State Cooperative Banks published by NAFSCOB – Mumbai (2002-03 to 2013-14)

Working capital has increased from ₹266371 lakhs to ₹972493lakhs for the same period with a CAGR of 11.40 per cent. Total deposits of the State Cooperative Bank have increased from ₹103138 lakhs in 2002-03 to ₹297257 lakhs in 2013-14 showing compound annual increase of 9.22 per cent. Borrowings of the bank are ₹605400 lakhs in 2013-14 while in 2002-03, the borrowings were ₹81179 lakhs. Borrowings have shown an increase of 18.23 per cent.

Loans issued have marked an increase of 11.30 per cent from ₹312223 lakhs in 2002-03 to ₹1127863 lakhs in 2013-14. Recovery performance of the bank is equally appreciable as recovery of loans has witnessed an increase of 14.52 per cent for the period 2002-03 to 2013-14. ₹571665 lakh loans are recovered in 2013-14 as against loan recovery of ₹112336 lakhs during 2002-03. Loans outstanding have also recorded a high growth rate though less than the growth rate of recovery of loans. Amount of over dues has declined from ₹5815 lakhs in 2002-03 to ₹5455 lakhs in 2013-14, a decline by 0.53 per cent. Percentage of over dues to demand has registered a decline of 12.81 per cent from 2002-03 to 2013-14. During 2002-03, 11 branches of the Punjab State Cooperative Bank were earning

profits and 11 of them were at loss. While in 2013-14, from the branches that reported to the NAFSCOB, 13 are in profit and 9 are at loss. Profits have shown a fluctuating trend. The table 1 discloses that profits have increased from ₹2101 lakh in 2002-03 to ₹6094 lakhs in 2004-05 but after that continuously declined till 2009-10. In 2009-10 profits were ₹523 lakhs. After an increase for two years, they have declined to ₹546 lakhs in 2013-14. The downfall in profits is 10.62 per cent for the period under study.

#### GROWTH AND PERFORMANCE OF DISTRICT CENTRAL COOPERATIVE BANKS IN PUNJAB

District Central Cooperative Banks (DCCBs) are intermediary agency between Primary Agricultural Credit Societies (PACS) and the State Cooperative Bank (SCB). There are 20 District Central Cooperative Banks operating in Punjab and performing their functions to the best of the satisfaction of the people.

Table 2 reflects the overall growth and performance of District Central Cooperative Banks (DCCBs) in Punjab during 2002-03 to 2013-14. The table depicts the progress of DCCBs on various performance indicators with their compound annual growth rate.

TABLE 2: PERFORMANCE OF DISTRICT CENTRAL COOPERATIVE BANKS IN PUNJAB FROM 2002-03 TO 2013-14

| Particulars                       | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | CAGR (%) |
|-----------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------|
| No. of Banks                      | 19      | 19      | 19      | 19      | 19      | 19      | 19      | 19      | 19      | 19      | 20      | 20      | 0.43     |
| Branches                          | 818     | 815     | 805     | 805     | 797     | 769     | 770     | 769     | 769     | 770     | 812     | 812     | -0.06    |
| Membership (Number)               | 141810  | 152512  | 175850  | 201661  | 206101  | 235016  | 246920  | 295305  | 299253  | 286426  | 322770  | 335585  | 7.44     |
| Total Share Capital (₹ Lakhs)     | 8599    | 8670    | 8816    | 9091    | 9542    | 9576    | 10405   | 11376   | 12658   | 13872   | 16574   | 17504   | 6.10     |
| Total Reserve Funds (₹ Lakhs)     | 34218   | 41999   | 49700   | 60618   | 65546   | 73452   | 78133   | 83233   | 87424   | 96849   | 107592  | 123044  | 11.25    |
| Working Capital (₹ Lakhs)         | 586198  | 638140  | 667709  | 725582  | 822538  | 937916  | 1088007 | 1111339 | 1312107 | 1381043 | 1672875 | 1758904 | 9.59     |
| Deposits (₹ Lakhs)                | 368643  | 389102  | 409864  | 449101  | 486291  | 545470  | 626114  | 685928  | 752621  | 810072  | 930149  | 980127  | 8.49     |
| Borrowings (₹ Lakhs)              | 150553  | 169672  | 168771  | 178399  | 234884  | 275042  | 335771  | 348095  | 447053  | 430733  | 579754  | 604864  | 12.29    |
| Loans Issued (₹ Lakhs)            | 528000  | 566327  | 567777  | 611442  | 664997  | 803860  | 852517  | 939357  | 1040700 | 1139477 | 1457700 | 1544440 | 9.36     |
| Loans Recovered (₹ Lakhs)         | 290670  | 290670  | 364023  | 421134  | 453013  | 517087  | 562419  | 686839  | 782111  | 830155  | 1092672 | 1149222 | 12.14    |
| Loans Outstanding (₹ Lakhs)       | 407370  | 428799  | 438457  | 463828  | 537658  | 615967  | 649556  | 689536  | 749724  | 818229  | 1016113 | 1072214 | 8.40     |
| Over dues (₹ Lakhs)               | 43102   | 45022   | 49653   | 50800   | 59362   | 64272   | 75962   | 78244   | 79563   | 82908   | 93238   | 97365   | 7.03     |
| Demand for Credit (₹ Lakhs)       | 333772  | 333772  | 413676  | 471934  | 512375  | 581359  | 638381  | 765083  | 861674  | 913063  | 1185910 | 1246587 | 11.61    |
| Percentage of Over dues to Demand | 12.91   | 11.72   | 12.00   | 10.76   | 11.59   | 11.06   | 11.90   | 10.23   | 9.23    | 9.08    | 7.86    | 7.81    | -4.10    |
| Branches working at Profit        | 790     | 786     | 781     | 776     | 757     | 693     | 680     | 682     | 710     | 638     | 697     | 655     | -1.55    |
| Profit (₹ Lakhs)                  | 6129    | 10001   | 9779    | 7667    | 4294    | 4714    | 3552    | 2837    | 3003    | 2511    | 3683    | 3592    | -4.36    |
| Branches working at Loss          | 49      | 23      | 18      | 22      | 41      | 67      | 76      | 72      | 43      | 118     | 99      | 139     | 9.08     |

Source: Basic Data on Performance of District Central Cooperative Banks published by NAFSCOB – Mumbai (2002-03 to 2013-14)

The number of District Central Cooperative Banks working in Punjab was 20 as on March 31, 2014. Their branch expansion has shown a negative trend. There is a marginal decline in branch expansion of these banks i.e. 0.06 per cent for a period from 2002-03 to 2013-14. Their membership has increased from ₹141810 lakhs in 2002-03 to ₹335585 lakhs in 2013-14. It has listed an increase of 7.44 per cent. Total share capital of DCCBs was ₹8599 lakhs in 2002-03 that has increased to ₹17504 lakhs in 2013-14. The CAGR of share capital is 6.10 per cent. Total reserves have shown an improvement from ₹34218 lakhs in 2002-03 to ₹123044 lakhs in 2013-14 revealing an increase by 11.25 per cent. Working capital has shown an increase of 9.59 per cent. The deposits of DCCBs have increased from ₹368643 lakhs in 2002-03 to ₹980127 lakhs in 2013-14 with compound annual growth rate of 8.49 per cent. Borrowings of DCCBs are ₹604864 lakhs in 2013-14, while in 2002-03, the borrowings were ₹150553 lakhs. Borrowings have shown an increase of 12.14 per cent for the period of study.

Loans issued have marked an increase of 9.36 per cent from ₹528000 lakhs in 2002-03 to ₹1544440 lakhs in 2013-14. Recovery performance of the banks is impressive as recovery of loans has shown an increase of 12.14 per cent for the period 2002-03 to 2013-14. ₹1149222 lakh loans have been recovered in 2013-14 as against loan recovery of ₹290670 lakhs during 2002-03. Loans outstanding have also registered a positive growth rate though less than the growth rate of loans recovery. Their CAGR has stood at 8.40 per cent. Amount of over dues has revealed a significant increase from ₹43102 lakhs in 2002-03 to ₹97365 lakhs in 2013-14, an increase by 7.03 per cent. Percentage of over dues to demand has registered a decline of 4.10 per cent from 2002-03 to 2013-14. Increase in demand for credit of DCCBs is 11.61 per cent during 2002-03 to 2013-14. The branches working at profit have declined from 790 to 655 during the study period. The number of branches working at loss has increased from 49 to 139 showing an increase of 9.08 per cent from 2002-03 to 2013-14. Profit of DCCBs has declined from ₹6129 lakhs in 2002-03 to ₹3592 lakhs during 2013-14 showing a decrease of 4.36 per cent.

#### GROWTH AND PERFORMANCE OF PRIMARY AGRICULTURAL CREDIT SOCIETIES IN PUNJAB

Primary Agricultural Credit Society (PACS) is the foundation stone on which the whole cooperative edifice is built. These societies were intended to promote the economic interests of its members especially, the poor in accordance with cooperative principles (Successful Cooperative Systems in Gujarat, Maharashtra, Punjab). These are to achieve their aim by promoting savings among members, providing loans, supplying agricultural implements and certain essential domestic requirements and arranging for the marketing of their agricultural products (Kaur, 2015).

As on March 31, 2014, there were 1609 PACS in Punjab out of which 1308 were viable, 119 were potentially viable and 182 were dormant and defunct. Growth and performance of PACS is observable in Table 3. The number of PACS which was 4002 in 2002-03, has decreased to 1609 in 2013-14 registering a decrease of 7.31 per cent. Their membership has also declined from 2072 to 719 from 2002-03 to 2013-14. The decline in total membership is 8.44 per cent. Decline in the membership of rural artisans is considerable as compared to others. Their membership declined by 30.99 per cent.

TABLE 3: PERFORMANCE OF PRIMARY AGRICULTURAL CREDIT SOCIETIES IN PUNJAB FROM 2002-03 TO 2013-14

| Particulars                        | 2002-03    | 2003-04    | 2004-05    | 2005-06    | 2006-07    | 2007-08    | 2008-09    | 2009-10    | 2010-11    | 2011-12     | 2012-13     | 2013-14     | CAGR (%) |
|------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------|-------------|-------------|----------|
| Total No. of Societies of Which    | 4002       | 3996       | 4199       | 3978       | 3981       | 3979       | 3990       | 3990       | 3990       | 1609        | 1609        | 1609        | -7.31    |
| 1. Viable PACS                     | 3198       | 3198       | 3,207      | 3228       | 3229       | 3204       | 3206       | 3206       | 3206       | 1308        | 1308        | 1308        | -7.18    |
| 2. Potentially Viable PACS         | 267        | 272        | 487        | 261        | 261        | 277        | 290        | 290        | 290        | 119         | 119         | 119         | -6.51    |
| 3. Dormant, Defunct and other PACS | 537        | 526        | 505        | 489        | 491        | 498        | 494        | 494        | 494        | 182         | 182         | 182         | -8.62    |
| Membership (in Number) of which    |            |            |            |            |            |            |            |            |            |             |             |             |          |
| 1. Scheduled Caste                 | 419        | 429        | 365        | 366        | 372        | 379        | 406        | 406        | 406        | 133         | 133         | 133         | -9.11    |
| 2. Scheduled Tribes                | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 8           | 8           | 8           | —        |
| 3. Small Farmers                   | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 301         | 301         | 301         | —        |
| 4. Rural Artisans                  | 1537       | 1490       | 1582       | 1607       | 0          | 0          | 0          | 0          | 0          | 18          | 18          | 18          | -30.99   |
| 5. Marginal Farmers and others     | 116        | 148        | 168        | 164        | 1777       | 1840       | 1858       | 1858       | 1858       | 259         | 259         | 259         | 6.93     |
| 6. Total Membership                | 2072       | 2067       | 2115       | 2137       | 2149       | 2219       | 2264       | 2264       | 2264       | 719         | 719         | 719         | -8.44    |
| Paid-up Share capital (₹ Lakhs)    | 1744<br>5  | 1824<br>0  | 1909<br>7  | 2027<br>4  | 2181<br>9  | 2380<br>4  | 2581<br>5  | 2581<br>5  | 2581<br>5  | 4079        | 4079        | 4079        | -11.41   |
| Reserves (₹ Lakhs)                 | 3545       | 4061       | 4438       | 4835       | 5242       | 5736       | 6278       | 6278       | 6278       | 25741       | 25741       | 25741       | 17.96    |
| Working Capital (₹ Lakhs)          | 2586<br>89 | 3120<br>67 | 3516<br>88 | 4166<br>52 | 4664<br>89 | 5233<br>44 | 5901<br>07 | 5901<br>07 | 5901<br>07 | 12058<br>6  | 12058<br>6  | 12058<br>6  | -6.16    |
| Deposits (₹ Lakhs)                 | 4227<br>1  | 5249<br>3  | 6150<br>7  | 5960<br>5  | 7631<br>0  | 8113<br>4  | 9080<br>6  | 9080<br>6  | 9080<br>6  | 43433       | 43433       | 43433       | 0.23     |
| Borrowings (₹ Lakhs)               | 1802<br>79 | 2066<br>42 | 2300<br>23 | 2630<br>63 | 3176<br>01 | 3647<br>15 | 4020<br>07 | 4020<br>07 | 4020<br>07 | 15546<br>8  | 15546<br>8  | 15546<br>8  | -1.23    |
| No. of Borrowers                   | 1461       | 1468       | 1920       | 1665       | 15         | 17         | 1744       | 1744       | 1744       | 635         | 636         | 635         | -6.71    |
| Loans Issued (₹ Lakhs)             | 2771<br>60 | 3328<br>18 | 3789<br>48 | 4551<br>91 | 5106<br>17 | 5918<br>63 | 6253<br>10 | 6253<br>10 | 6253<br>10 | 16755<br>4  | 16755<br>3  | 16755<br>4  | -4.11    |
| Loan Recovered (₹ Lakhs)           | 2369<br>48 | 3085<br>90 | 3433<br>44 | 4178<br>02 | 4509<br>64 | 6273<br>38 | 6273<br>38 | 6273<br>38 | 6273<br>38 | 14828<br>7  | 14828<br>3  | 14828<br>7  | -3.83    |
| Loans Outstanding (₹ Lakhs)        | 2083<br>89 | 2319<br>49 | 2664<br>76 | 3035<br>15 | 3612<br>48 | 4012<br>32 | 4431<br>93 | 4431<br>93 | 4431<br>93 | 12488<br>9  | 12488<br>9  | 12488<br>9  | -4.18    |
| Over dues (₹ Lakhs)                | 4064<br>8  | 5316<br>0  | 4819<br>0  | 5542<br>8  | 6448<br>9  | 6617<br>4  | 8730<br>2  | 8730<br>2  | 8730<br>2  | 32946       | 32002       | 32946       | -1.74    |
| Demand for credit (₹ Lakhs)        | 2785<br>36 | 3634<br>07 | 3939<br>47 | 4770<br>50 | 5184<br>86 | 6130<br>06 | 7175<br>64 | 7175<br>64 | 7175<br>64 | 18123<br>2  | 18123<br>0  | 18123<br>2  | -3.52    |
| Percentage of Over dues to Demand  | 14.93      | 15.08      | 12.85      | 12.42      | 13.02      | 26.02      | 12.57      | 12.57      | 12.57      | 18.18       | 18.18       | 18.18       | 1.65     |
| No. of Societies in Profit         | 1880       | 2324       | 2256       | 2403       | 2330       | 2370       | 2504       | 2504       | 2504       | 925         | 925         | 925         | -5.74    |
| Profit(in ₹ thousands)             | 2681       | 5761       | 4235<br>90 | 3594<br>86 | 4561<br>88 | 7186<br>43 | 9239<br>94 | 9239<br>94 | 9239<br>94 | 19856<br>30 | 19856<br>30 | 19856<br>30 | 73.43    |
| No. of Societies in Loss           | 1720       | 1203       | 1272       | 1171       | 1183       | 1134       | 970        | 970        | 970        | 472         | 472         | 472         | -10.22   |

Source: Basic Data on Performance of Primary Agricultural Credit Societies published by NAFSCOB – Mumbai (2002-03 to 2013-14)

There is an increase in membership of marginal farmers by 6.93 per cent while membership of schedule tribes and small farmers has remained unchanged. Paid-up share capital and working capital has declined by 11.41 per cent and 6.16 per cent respectively. Reserves have increased by 17.96 per cent. They have increased from ₹3545 lakhs in 2002-03 to ₹25741 lakhs in 2013-14. Deposits have increased from ₹42271 lakhs in 2002-03 to ₹43433 lakhs in 2013-14 showing a slight increase by 0.23 per cent over the period. Borrowing of PACS has declined from ₹180279 to ₹155468 from 2002-03 to 2013-14 registering a decline of 1.23 per cent. Number of borrowers also indicates a decline from 1461 to 635 by 6.71 per cent.

Total loans issued have decreased from ₹277159.75 in 2002-03 to ₹167554 in 2013-14. The decline is by 4.11 per cent. Recovery of loans is also poor. It has declined with a compound annual rate of 3.83 per cent from ₹236948 in 2002-03 to ₹148287 in 2013-14. Loans outstanding have shown a negative growth of 4.18 per cent. Loans outstanding are ₹124889 in 2013-14 against ₹208389 in 2002-03. Over dues of PACS has declined from ₹40648 in 2002-03 to ₹32946 in 2013-14. Decline in them is by 1.74 per cent. Demand for credit, with a decline of 3.52 per cent, is ₹181232 in 2013-14. It was ₹278536 in 2002-03. The CAGR of percentage of over dues to demand is 1.65 per cent for 2002-03 to 2013-14. The noteworthy point is that though there are some PACS showing loss yet the number of societies earning profit is more than the societies working at loss. Despite the decline in number of societies earning profit, their percentage share is greater in total number of societies when compared with loss making PACS. In 2002-03, 1880 PACS were earning profit while 1720 per cent were working at loss. During 2013-14, 925 PACS were earning profits while the PACS bearing loss was 472. It is a good sign for PACS functioning in Punjab that their rate of profit compounded annually is 73.43 per cent. Therefore, their performance in Punjab seems to be satisfactory.

## FINDINGS OF THE STUDY

The above analysis has thrown some light on important indicators of growth and performance of various cooperative credit institutions in Punjab. The main findings of the study are:

1. Branch expansion of the State Cooperative Bank (SCB) has shown a negative trend.
2. Total share capital, working capital and deposits of the SCB have shown a positive increase for the study period which is a healthy sign for its growth.
3. Compound growth rate of demand for credit, in case of the SCB, is greater than the loans issued. Their growth rate is 14.13 per cent and 11.30 per cent respectively.
4. Profits of the SCB have shown negative growth which is critical for its sound performance.
5. Number of branches of District Central Cooperative Banks (DCCBs) has declined slightly with a compound annual growth rate of 0.06 per cent, though their membership has increased at a growth rate of 7.44 per cent.
6. Total share capital, total reserve funds, working capital and deposits of DCCBs have indicated robust increase in them.
7. Amount of loans issued by DCCBs is at continuous rise but it is inadequate to meet the demand for credit.
8. Recovery performance of DCCBs is satisfactory.

9. Problem of over dues of DCCBs is at rise. Over dues are increasing at a compound growth rate of 7.03 per cent.
10. Number of branches of DCCBs working at profit is shrinking at a rate of 1.55 per cent. Declining profit of these banks is adding trouble to their efficiency level.
11. Number of Primary Agricultural Credit Societies (PACS) and their membership has declined considerably from 2002-03 to 2013-14.
12. Paid-up share capital and working capital of PACS has fallen at compound growth rate of 11.41 per cent and 6.16 per cent respectively.
13. Reserves of PACS have shown an increase of 17.96 per cent.
14. Number of borrowers of PACS and demand for credit has reduced noticeably.
15. Growth of loans advanced, loans recovered, and loans outstanding; and over dues of PACS is negative.
16. Though number of PACS earning profit is decreasing, but profit of PACS has revealed a very positive sign of growth by showing 73.43 per cent compound annual growth rate.

### RECOMMENDATIONS/SUGGESTIONS

It is apparent that there are severe flaws in the performance of credit cooperatives in Punjab. Their membership is on decline. They don't have sufficient funds to meet the demand for credit. In case of Primary Agricultural Credit Societies (PACS), demand for credit is very low. This describes that rural people are dependent on other sources of credit rather than on PACS. Some suggestions that can be effective for a sound performance of these institutions are as under:

1. To bridge the gap between the demand for credit and supply of credit, credit limit of credit cooperatives should be increased.
2. To increase the membership of these institutions, it is important to win the faith of people in them by adopting and implementing democratic principles in letter and spirit.
3. To increase the demand for credit of Primary Agricultural Credit Societies, easy and timely disbursement of credit is necessary.
4. To curb the problem of declining profits, credit cooperatives must have a cautious vigil on credit use by different type of credit users. A concrete policy must be designed to ensure that the credit is only used for the productive purposes.
5. For remarkable progress of credit cooperatives, Government should come forward to bring awareness among people about the significance of these institutions over local money lenders.

### CONCLUSION

Cooperative movement is extremely successful in Punjab. Besides other services, cooperatives are serving the purpose of agricultural credit to farmers and others including schedule castes and schedule tribes. But the above analysis depicts a very gloomy picture of credit cooperatives. It reveals that loan disbursement capacity of these institutions is very limited, overdue problem is persistent, profits are falling, membership is declining and most important point to note is that demand for credit is diminishing in case of PACS. Declining demand for credit raises the question about their role in providing cheap credit to the deprived to make them free from the grip of voracious money lenders. These institutions are still ineffective in providing adequate credit to the under-privileged at grass-root level. It is imperative to revitalise cooperative credit institutions to ensure the financial inclusion of the rural populace.

### LIMITATIONS

The study covers only a period of 2002-03 to 2013-14 to check the performance of credit cooperatives in Punjab. It is so because data prior to 2002-03 was incomplete and incomparable. Moreover, only short-term and medium-term credit agencies are covered.

### SCOPE FOR FURTHER RESEARCH

The same kind of analysis can be extended to the long- term credit agencies. Profitability of these institutions can be analysed and compared by using advance statistical tools.

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