

## Performance of primary co-operative agriculture and rural development banks in Karnataka

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### Abstract

Primary co-operative Agricultural and Rural development banks are playing an important role in meeting the credit requirements of the rural population. Present study makes an attempt to analyse the growth of these banks in Karnataka over a period of five years (2010 to 2015). The study revealed that although there is an increase in this paper deals with the Demand Collection and Balance Share capital Membership particularly, so overall in this various dimension on of working PCARDBs in Karnataka.

**Keywords:** primary co-operative agricultural, rural development banks, Karnataka

### Introduction

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

The co-operative banking sector plays an important role in providing credit to agricultural sector. The structure of the co-operative banking sector in India is twofold. The urban areas are served by urban co-operative banks and the rural areas are served by two distinct sets of the institutions extending short-term and long-term credit. The short-term co-operative credit institutions have a three-tier structure which are comprising State co-operative banks at the apex level, district central co-operative banks at intermediate level and primary agricultural societies at the base level. The long-term co-operative credit institutions have, generally, a two tier structures which are comprising the State co-operative agriculture and rural development banks (SCARDBs) at the state level and primary co-operative agricultural and rural development banks (PCARDBs) at district or block level. The long term co-operative credit structure consists of 20 state co-operative agriculture and rural development banks and 697 primary co-operative agriculture and rural development banks. The PCARDBs are required to meet all the long term credit needs of the farmers. Generally, these societies are formed to free the weaker sections of the society from economic exploitation. For example, poor farmers start cooperative credit societies to get loans at lower rate of interest and to free themselves from money lenders. Small producers in order to save themselves from the middlemen and to get reasonable price for their

products to start marketing in cooperative societies. People from low income strata are started consumer cooperative societies to get the essential commodities at reasonable prices. The main objective of cooperative societies is "Society is for individual and individual is for society". Here importance has given to the service rather than profit. Under this system, people with limited means are benefited much. The Karnataka State Cooperative Agriculture and Rural Development Bank has been established with a mission to encourage rural farmers, to make adequate investment in agriculture by availing the benefit of its loan schemes. Infact, the bank has been successful in preventing farmers from taking help of money lenders/ an account of availability of long term credit by PCARDBs, the farmers have been able to invest huge sum of money in agriculture.

Some of the advantages always follow the bank, such advantages are rate of interest, that are low on secured loan amount, loans given to particular business only, loan process consumes lot of time, unlimited negotiation are required by proper updates and some scheme are most worth. Co-operative accounts are relatively small share in the bank-dominated Indian financial system; however, given their geographic and demographic outreach, they hold a key position in the system. Geographically, co-operatives have been instrumental in extending formal financial services to villages and small towns in India. Demographically, these institutions have enabled access to financial services to low and middle-income groups in both rural and urban areas.

Finally, cooperatives for every village and every village should be covered by a cooperative". Cooperation as an organization refers to an association formed for the purpose of mutual benefits. As was said by The Royal Commission on Agriculture in India, The Indian cooperative movement was initiated by the Government. It spread and diversified with the encouragement and support of the Government. Its present condition is also to a great extent because of the intrusive involvement of and interference by the Government for development of agricultural sector.

### PCARDBS in Karnataka

Primary cooperative agricultural rural development banks

have been selecting long term loans in which varieties of performances such as living land facing, digging borewells and buying agri-accruements. Since most of the small and marginal farmers do not have this especially to long term credit primary cooperative agriculture and rural development banks have been playing a vital role.

Karnataka has the distinction of being the pioneer state in establishing the first co-operative credit society in Dharwad (at present Gadag District) District during 1905. The state has since then witnessed tremendous growth in the co-operative field.

The Karnataka State Co-operative Agricultural and Rural Development Bank (KSCA & RD Bank) was established on 25<sup>th</sup> November, 1929 and is located in Bangalore. This is an institution handling matters concerning the policy, planning and operations in the field of credit for agriculture and for other economic and developmental activities in rural areas. Essentially, it is a refinancing agency for financial institutions, offering production credit and investment credit for promoting agriculture and developmental activities in rural areas. It is a challenging task to strengthen rural people economically. The Government alone cannot make these changes in rural parts where poverty is hindering the development process. Concerted efforts of cooperative societies in eliminating poverty and strengthening rural people emerged as unique alternatives for the development.

Over the years, the primary cooperative agriculture rural development banks have lent amount to agriculture. These banks have contributed modern techniques, machineries of agriculture in the state. These banks by lending long term loans have external competitions and coverage among farmers to undertake investment in agriculture. The banks have been facing a number of problems in the purchasing of lands, verification of documents of the borrowers and ensuing proper use of funds, timely recovery of sanctioned loans are some of the problems being faced by primary cooperative agricultural rural development banks. Also, these banks facing a number of challenges such as growing non-performing assets, increased demand for credit and falling deposits. Besides these, these institutions have been facing competition from sister institutions like Cooperatives, Commercial Banks, Development Banks and also from the unorganized sector. It is proposed to examine all these issues in the Study.

**Need for the Study**

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

**Statement of the Problem**

Karnataka State Primary Co-operative Agricultural and Rural Development Banks performance in recent years as working progress for well-being. So many problems are faced by the Primary Co-operative Agricultural and Rural Development

Banks in Karnataka is same as other districts too.

The problems and constraints faced by this sector are due to the poor recovery of loans in differential rate of interests when compared to commercial and private banks restricted area of operation of the Primary Agricultural Cooperative Societies and high transaction costs as well as the traditional policy of undiversified lending. The central co-operative lie at the middle order of a three tier structures have been playing a crucial role in promoting agricultural and allied activities by providing credit facilities through primary cooperative banks. They provide a strong linkage between rural based cooperative banks which do not have a close contact with the money market.

**Objectives**

- To know the number of branches, membership and share capital of KSCARDB in Karnataka.
- To study the demand, collection and balance of PCA & RDB in Karnataka.

**Sources of Data**

The present study depends of Secondary data. Secondary data was collected by various sources like books, research articles, journals and reports etc.

**Results and Discussion**

**Table 1:** Number of Branches, Membership and Share Capital of Karnataka State Co-operative Agricultural and Rural Development Bank

Sl. No	Districts	No. of Branches	Membership	Share Capital
1	Bangalore City	03	17000	24.71
2.	Bangalore Rural	08	77000	98.92
3.	Chitradurga	09	68000	297.73
4	Kolar	11	96000	160.46
5.	Shimoga	10	59000	86.37
6	Tumkur	10	87000	143.17
7.	Belgaum	10	61000	127.83
8	Bijapur	11	81000	174.56
9.	Dharwad	17	74000	153.27
10.	Karwar	11	41000	94.53
11.	Chickmagalur	08	39000	127.80
12.	Mangalore	08	60000	125.19
13.	Hassan	08	58000	105.91
14.	Kodagu	03	13000	49.61
15	Mandya	07	62000	89.83
16	Mysore	11	90000	88.35
17.	Bellary	08	32000	65.76
18.	Bidar	05	20000	59.40
19.	Gulbarga	10	46000	101.06
20.	Raichur	09	64000	157.36
	Grand Total	177	1145000	2331.82

Source: Sahakari Soudha, Department of Co-operative, Bangalore.

Table 1 shows the number of branches, membership and share capital of the Karnataka State Co-operative Agriculture and Rural Development Bank (KSCARDB) of the state level and Primary Co-operative Agriculture and rural Development Bank of the taluk level numbering 177 centres to the long term credit needs in two tier credit delivery system.

**Table 2:** Demand and Growth rate of PCA & RD Bank in Karnataka during 2010-2015 (Rs. in crores)

Year	Demand	Growth Rate in Percentage
2010-2011	762.37	100
2011-2012	636.33	83.46
2012-2013	572.92	75.14
2013-2014	605.20	79.38
2014-2015	589.17	77.28

Source: Annual Report 2010 to 2015

Table 2 shows the loan recovery of PCA & RD Bank in Karnataka in the year 2010-2011 i.e., 762.37 which is considered to be 100% as base year. This was 636.33 in the year 2011-2012 with growth rate of 83.46% as compared to immediate previous year and this number became 572.92 in year 2012-2013 with growth of 75.14%, in year 2013-2014 bank recover declined 605.20 which the growth of 79.38% and in year 2014-2015 it was lowest to 589.17 by growth rate of 77.28% and the recovery.

**Table 3:** Collection and Growth rate of PCA & RD Bank in Karnataka during 2010-2015 (Rs. in crores)

Year	Collection	Growth rate Percentage
2010-2011	381.34	100
2011-2012	292.71	76.75
2012-2013	286.20	75.05
2013-2014	356.23	93.41
2014-2015	304.09	79.74

Source: Annual Report 2010 to 2015

The above table shows the loan recovery of PCA & RD Bank in Karnataka during the year 2010-2011 is 381.34 which is considered as 100% as base year. This was 292.71 in the year 2011-2012 with growth rate of 76.75% as compared to immediate previous year and this number became 286.20 in year 2012-2013 with growth rate of 75.05%, in year 2013-2014 bank recover declined 356.23 wish the growth rate of 93.41% and in the year highest growth rate in percentage. During the year 2014-2015, 304.09 collection by growth rate of 79.74% and the recovery.

**Table 4:** Balance and Growth rate of PCA & RD Bank in Karnataka during 2010-2015 (Rs. in crores)

Year	Balance	Growth rate in Percentage
2010-2011	345.03	100
2011-2012	343.61	99.58
2012-2013	286.20	82.94
2013-2014	248.97	72.15
2014-2015	285.08	82.62

Source: Annual Report 2010 to 2015

The table 4 above shows that loan recovery in Karnataka in the year 2010-2011 are 345.03 which is considered as 100% as base year. This was 343.61 in the year 2011-2012 with growth rate of 99.58% as compared to immediate previous year and this number became 286.20 in year 2012-2013 with growth rate of 82.94%, in year 2013-2014 bank recover declined 248.97 which the growth rate of 72.15% and in the year 2014-2015 it rise to 285.08 by growth rate of 82.62% and the recovery.

**Conclusion**

Karnataka is the 6<sup>th</sup> largest states in India when compared to other states in recent years. Financial activities and banking sector reforms is very well. It may be stated that PCA&RD Banks have made a commendable progress in quantitative terms that is loans recovery over the years but they are suffering from high over dues due to poor recovery and heavy accumulated losses. The need of the hour is to increase the recovery to improve the financial strength of the banks and to render good services to rural people in a developing country like India.

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