

**ROLE OF DISTRICT CO-OPERATIVE BANK IN FINANCIAL  
MANAGEMENT OF AGRICULTURAL: (A STUDY BASED ON  
NAINITAL AND U.S. NAGAR DISTRICT OF UTTARAKHAND)**

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**ABSTRACT**

Co-operative credit institutions are an important constituent of Indian financial system in general and banking sector in particular. The co-operative banks in India are regulated by the Reserve Bank of India through the Banking Regulation Act 1949 as applicable to cooperatives. The co-operative banks were given a special role in the Five Year Plans for the economic development of rural areas in India. Co-operative banks were created as a new type of institution based on the principles of co-operation to solve the problems peculiar to the Indian conditions. In rural areas, as far as agricultural and related activities were concerned, the co-operative banks have provided adequate short-term and long-term institutional credit at reasonable rates of interest. Co-operative banks were made an integral part of the institutional framework of community development and extension services which were assigned the important role of delivering the fruits of economic planning at the grass- root level. Today co-operative banks continue to be a part of a set of institutions which are engaged in financing rural and agricultural development. In this context, the present study analyze the role of District co-operative banks in financial management of agricultural.

**Keywords:** District Co-operative Bank, Agriculture credit, KCC, NAIS, PACS

**INTRODUCTION**

A large proportion of the population in Uttarakhand is rural based and depends on agriculture for a living. Enhanced and stable growth of the agriculture sector is important as it plays a vital role not only in generating purchasing power among the rural population by creating on-farm and off-farm employment opportunities but also through its contribution to price stability. Uttarakhand was carved of Uttar Pradesh and came into existence as a separate state on November 9 2000. Uttarakhand are adjoining Himalayan states in the northern part of India. Out of the total reported

area of 53.48 lakh ha, only 7.66 lakh ha (14%) is under cultivation. Most of the agriculture in the state is rain-fed. The net irrigated area of the state is 3.36 lakh ha (2010-11), which is mostly confined to the plains. The cropping intensity in Uttarakhand is 157.63% higher than the national average.

In the Uttarakhand, district of Nainital and Udham Singh Nagar in the Kumaun division . The total geographical area of Nainital is 4251 Sqr. kms. Geographically the district is divided in to 2 zones Hilly and plains area. Out of the total reported area of 40.80 lakh ha. Only 4.35 ha.(10.66%) is under net sown area. The total geographical area of Nainital is 70% hilly and 30% plain region. district where the wheat farms up to 40.72 % of the total cultivated area.

Udham Singh Nagar district is an agriculturally developed district where the paddy farms up to 46.71 % of the total cultivated area. This district are totally plain area. The soil of plains region is very fertile and support to number of crops. The net area cultivated with crops forms about 49.41% of the total geographical area 2542 sqr. kms. of the district. This district are production of food grain 669.56 thousand (M.T.). Rice, wheat, pulses, cane, maize, barley, oilseeds and mandua etc are the major crops of both districts. Out of the net area sown a large portion of the area is irrigated by the network of irrigation canals, tube well in these districts.

## **REVIEW OF LITERATURE**

In the present paper, the earlier empirical works conducted in India are reviewed, so as to find the gap in the earlier research works. Important findings of some of the studies carried out in the past, having a bearing on the performance and role of the cooperative banking are reported below:

**Patel (1970)** made an attempt to analysis the financial contribution made by Reserve Bank of India (RBI) to Gujarat credit cooperatives. It was observed that because of concessional finance made available by RBI to cooperative banks, the dependence of these banks on RBI's finance is increasing day by day. But in Gujarat, it was found that the share of RBI finance to co-operatives was decreasing because the share of their own resources is increasing. In Gujarat co-operatives, the amount of overdue was so small that these co-operatives can fully utilize their credit limits. It was also seen that co-operatives in Gujarat are becoming self-reliant even with their expanding business volume.

**Khana and Singh (1988)** analysis the strategy of co-operative development under the Seventh Five Year Plan (1985-90) and they found that the short term and medium term loans of the banks are far less than the targets and the amount of overdue of loans is increasing. There are regional disparities in the development of cooperatives. It was suggested that attention should be given

towards the reason of overdue and for their improvement. It was suggested that there is need of rehabilitation and revitalization of co-operative credit institutions.

**Verma (1992)** analysed the effectiveness of agricultural credit by co-operative credit institutions in Nagari block of Chittoor district in Andhra Pradesh. It was found that there is large amount of overdues of loans and the major defaulters are medium level farmers. Lack of proper supervision of end use of loans, inadequate amount of credit sanctioned and the natural calamities like drought are some of the reason of overdues. 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.

**Gupta, Sushil Kumar (1996)** evaluated the working of the banks in providing credit facilities to the small and weaker section of cultivators and for this farmers were classified as general category, small farmers and marginal farmers. It was found that small and marginal farmers are the main beneficiaries of the schemes of the bank and the percentage of recovery from small and marginal farmers is more than the big farmers. Banks has introduced several schemes for small and marginal farmers i.e. free boring loaning scheme, dairy scheme, fisheries schemes, schemes for godown and construction of rural houses.

**Hulas Pathak (2005)** in his work entitled that “Agricultural Credit Financing in District Central Co-operative Bank (DCCB), Raipur, Chattisgarh”, observed that the DCCB (Raipur) played an important role in financing agricultural credit needs of the farmers of Chattisgarh, in particular Raipur district by way of short term, medium-term and long-term loans for a variety of credit purposes including crop husbandry, purchase of milch and draught animals, agri-inputs, farm machinery and equipment, wells and tube wells, housing and consumption expenditure. He concluded that efforts should also be made to step up deposit mobilization especially in the rural sector by introducing innovative schemes and incentives based on specific credit needs of the people.

**Raikar (2011)** made an attempt to study the performance of District Central Co-operative Banks (DCCBs) in India for the period 2002-03 to 2007-08. For analyzing the performance, ratio analysis and Data Envelopment Analysis (DEA) were used. It was found that number of CCBs on efficient frontier and above efficiency score showed a fluctuating but declining trend, this indicates declining efficiency of CCBs over the study period. It was also found that there is significant growth of CCBs in terms of financial parameters, i.e., reserves, deposits, investments, loans & advances, income etc. But the performance was deteriorating due to weak capital base and huge NPAs. It was suggested that to improve the performance of CCBs, there was need to improve their recovery performance.

## **OBJECTIVE**

1. To study the role of District co-operative banks in Financial management of Agricultural.
2. To study the Agricultural credit structure of the co-operative bank.
3. To know the progress report of KCC and PMFBY of district cooperative banks.

## **HYPOTHESIS**

District Co-operative banks is an important role of agricultural finance and rural development of Uttarakhand state. District co-operative banks were distributes a minimum rate of interest of agriculture loan to small and marginal farmers.

## **AREA OF THE STUDY**

The area covered by the study is confined to two districts of Uttarakhand Nainital and Udham Singh Nagar.

## **PERIOD OF THE STUDY**

For collection of the secondary data on the agricultural finance of the District co-operative bank, five years from 2011-2012 to 2015-2016 were taken as the reference period.

## **RESEARCH METHEDODOLOGY**

The present study is based on the secondary data such as annual reports of Nainital and Udham singh nagar District co-operative bank. The required data and literature for the study purpose were collected from the number of reference books, Journals and Internet.

## **SCOPE AND LIMITATIONS OF STUDY**

1. Study is limited to concept of cooperative and agricultural finance.
2. The information collected from 40 respondents of Nainital District only.
3. The study is applicable to other Districts of Uttarakhand.

## **AGRICULTURAL CREDIT**

Agricultural credit has played a vital role in supporting farm production in India. Though the outreach and amount of agricultural credit have increased over the years, several weaknesses have crept in which have affected the viability and sustainability of these institutions. Following the shifts in consumption and dietary patterns from cereals to non-cereal products, a silent transformation is taking place in rural areas calling for diversification in agricultural production and value addition processes in order to protect employment and incomes of the rural population.

In the changed scenario, strong and viable agricultural financial institutions are needed to cater to the requirements of finance for building the necessary institutional and marketing infrastructure. What is needed in agriculture now is a new mission mode akin to what was done in the 1970s with the green revolution. The difference now is that initiatives are needed in a disaggregated manner in many different segments of agriculture and agro-industry: horticulture, aquaculture, pisciculture, dairying, sericulture, poultry, vegetables, meat, food processing, other agro-processing and the like.

### **NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT**

The goal of sustainable rural prosperity presupposes the existence of strong financial institutions with a view to meeting the credit needs of the rural population. NABARD, as an apex development financial institution has been pursuing this goal by supporting financial institutions through various financial and non-financial support, policy interventions and effective supervision. This line of credit assists the rural financial institutions (RFIs) to meet the production and working capital needs of farmers, weavers, artisans, etc., thus channeling ground level credit flow towards agricultural and allied activities. Further, NABARD had introduced a new line of credit, viz. Additional Short Term (Seasonal Agricultural Operations) [ST-SAO] to help banks tide over their liquidity problems as the disbursement of crop loan should not suffer due to non-availability of sufficient funds.

NABARD provides long-term (LT) loans to state governments to contribute to the share capital of cooperative credit institutions. This reimbursement-based support is intended to encourage larger lending programmes by these cooperatives to meet agricultural credit requirements.

NABARD extends long-term (LT) refinance support for asset creation and capital formation both, critical for agricultural growth and rural development—to SCBs, RRBs, cooperative banks, Small Finance Banks (SFBs), NBFCs and NBFC-MFIs. Refinance is available for farm, farm-related and non-farm activities with repayment periods ranging from 3 to 15 years. The purposes for loans extended under LT refinance include farm investments, allied activities, micro, small and medium enterprises (MSMEs), agro-processing, organic farming, non-conventional energy, self-help groups (SHGs), joint liability groups (JLGs) and rural housing.

### **PRIMARY AGRICULTURAL CREDIT CO-OPERATIVE SOCIETIES**

PACS are the banks which are situated in rural area and plays a very important role in rural credit system by performing their activities on co-operative principles and also these banks are worked under the District Credit Co-operative Banks. They provide short term and medium term loan to rural people to meet their financial requirements. The funds of the society are derived from the share capital and deposits of members and loans from District co-operative banks. The

borrowing powers of the members as well as of the society are fixed. The loans are given to members for the purchase of cattle, fodder, fertilizers, pesticides, etc.

### **CO-OPERATIVE CREDIT STRUCTURE IN UTTARAKHAND**

The rural co-operative credit system in Uttarakhand is primarily mandated to ensure flow of credit to the agriculture sector. It comprises short-term and long-term co-operative credit structures. The short-term co-operative credit structure operates with a three-tier system - Primary Agricultural Credit Societies (PACS) at the village level, Central Co-operative Banks (CCBs) at the district level and State Co-operative Banks (STCBs) at the State level. In this structure, the DCCBs play a significant role in the disbursement of Co-operative credit. The short-term credit structure provides short-term credit for crop production and medium-term credit for small developments. Uttarakhand State Co-operative Agriculture and Rural Development Bank (USCARDB) at the State level and Primary CARD Bank at the Block level cater to the long term credit needs in the two tier credit delivery system. In the short term credit structure, 759 PACS including 66 LAMPS are functioning. In addition to this, there are 15 District Co-operative Central Banks with 261 branches. In present time cooperative bank are network of 276 branches. Uttarakhand state Co-operative bank is the first bank of connect national financial switch in cooperative sector of India. STCBs/DCCBs are registered under the provisions of Uttarakhand Co-operative Societies Act 2003 of the State concerned and are regulated by the Reserve Bank. Powers have been delegated to National Bank for Agricultural and Rural Development (NABARD) under Sec 35 A of the Banking Regulation Act (As Applicable to Co-operative Societies) to conduct inspection of State and Central Co-operative Banks.

The Nainital District Co-operative Bank Ltd. was established on september 1957 respectively and Udham Singh Nagar District Cooperative Bank Ltd. were set up on registered in january 2005, as a principal financing institution of the cooperative movement in the state. As on 31 march 2017 Nainital district co-operative bank have 33 branches, 53 PACS and Udham Singh Nagar district cooperative bank have 32 branches and 35 PACS working services. The bank accepts deposits and lends both short-term and long-term credit for production and investment purpose through Primary Agricultural Co-operative Societies and also directly to the farmers.

### **AGRICULTURAL LOAN DISTRIBUTIONS AND RECOVERIES**

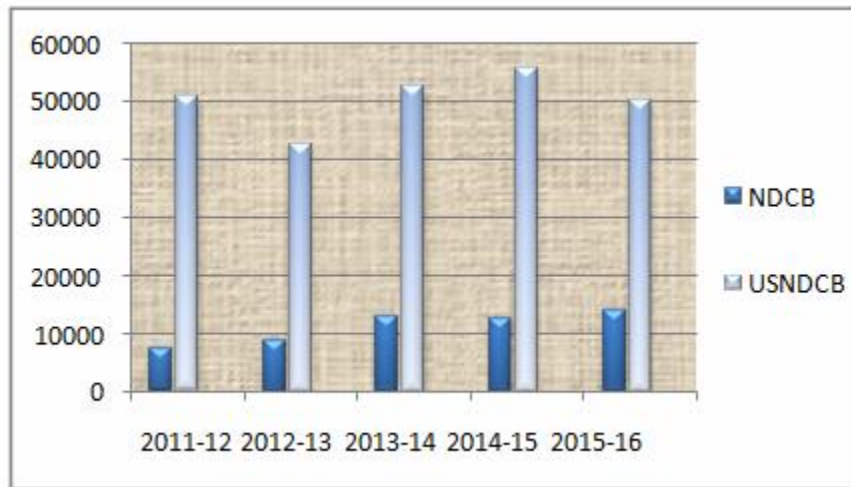
Table 1. shows the short-term and medium term loan distribution for the five years from 2011-2012 to 2015-2016. The loan distribution was increased year by year. NDCB Distributes short term Loan 10984.19 lakhs (average) and medium term loan are distributes 380.95 lakhs

(average). USNDCB were distributes short term loan higher than NDCB S.T. loan and medium term loan are less than NDCB M.T. loan.

**Table 1: Agricultural Loan Distribution (Figures- Rs. in lakhs)**

Year	NDCB		USNDCB	
	short term loan	medium term loan	short term loan	medium term loan
2011-12	7243-12	253-17	50746-64	162-52
2012-13	8839-11	301-55	42667-0	59-41
2013-14	12025-59	1076-33	52632-46	191-45
2014-15	12693-11	182-73	55660-19	267-03
2015-16	14120-00	90-99	50435-67	175-52
total	54920-93	1904-77	252141-96	855-93
<b>Average</b>	<b>10984.19</b>	<b>380.95</b>	<b>50428.39</b>	<b>171.19</b>

Source- Annual report DCB Ltd. financial year 2011-12 to 2015-16



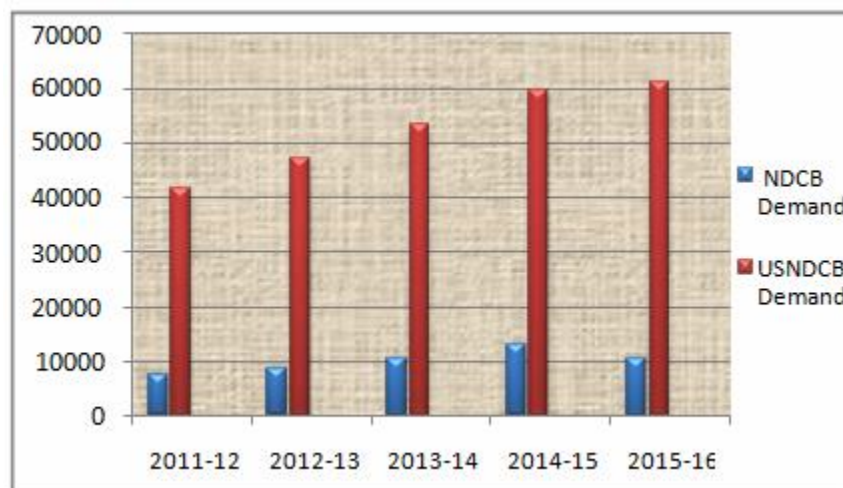
**Graph 1. Agricultural loan Distribution**

**Table 2: Agricultural Loan Recovery**

Year	NDCB			USNDCB		
	Demand	Recovery	% of Recovery	Demand	Recovery	% of Recovery
2011-12	7493-65	6791-80	90-63	41809-09	37914-03	90-68
2012-13	8640-45	8134-78	94-15	47504-07	43473-15	91-51
2013-14	10734-64	9947-05	92-66	53679-02	48941-57	91-17
2014-15	12984-82	11453-61	88-21	60009-14	50504-36	84-19
2015-16	10762-53	9288-93	86-31	61138-73	55332-75	90-50

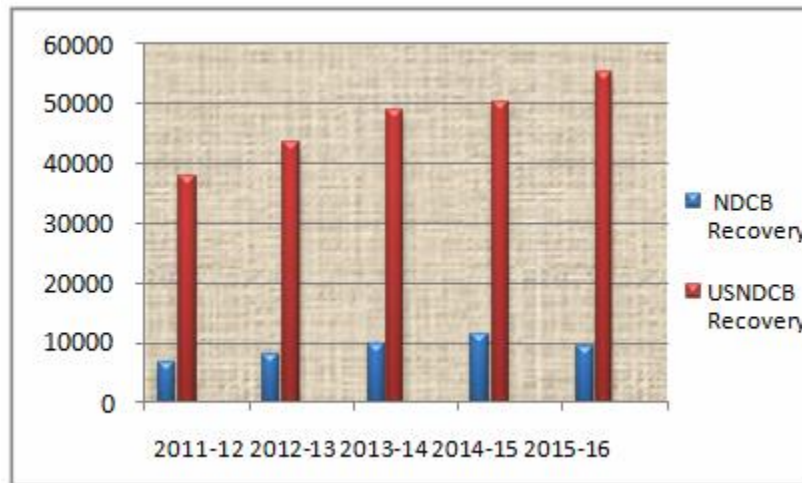
**Source:** Annual report of NDCB and USNDCB financial year 2011-12 to 2015-16.

Table 2. shows the recovery of Agricultural loan for the five years From 2011-12 to 2015-16. recovery of loan was good on the during years. Graph 2 and Graph 3 show the same.



**Graph 2.** Agricultural Loan Demand





**Graph 3. Agricultural Loan Recovery**

**KISAN CREDIT CARD ( KCC)**

In Uttarakhand the KCC scheme was introduced in 1998 for issue of Kisan Credit Cards to farmers on the basis of their holdings for uniform adoption by the banks so that farmers may use them to readily purchase agriculture inputs such as seeds, fertilizers, pesticides etc. and draw cash for their production needs. The scheme was further extended for the investment credit requirement of farmers viz. allied and non-farm activities in the year 2004. District Co-operative Bank provided agricultural loan to farmers in ratio of 80:20. The KCC card loan limit is up to Rs.3, 00, 000. The Kisan Credit Card issued by District co-operative Bank is valid for a period of 3-5 years.

**Table 1: Cumulative progress upto financial year 2015-16.**

Districts	Card Issued	Share (%)	Amount Sanctioned (in Lakhs)
Nainital	52936	39	66334.28
Udham singh nagar	82663	60.96	248031.4
total	135599	100	314365.68

**Source:** Annual report of NDCB and USNDCB

### **PRADHAN MANTRI FASAL BIMA YOJANA (PMFBY)**

This scheme will help in decreasing the burden of premiums on farmers who take loans for their cultivation and will also safeguard them against the inclement weather. There will be a uniform premium of only 2% to be paid by farmers for all Kharif crops and 1.5% for all Rabi crops. In case of annual commercial and horticultural crops, the premium to be paid will be only 5%. The premium rates to be paid by farmers are very low and balance premium will be paid by the Government to provide full insured amount to the farmers against crop loss in any natural calamities. The insurance plan will be handled under a single insurance company, Agriculture Insurance Company of India (AIC). PMFBY is a replacement scheme of National Agriculture Insurance Scheme (NAIS) and Modified National Agriculture Insurance Scheme (MNAIS) and hence exempted from the service tax. 35,133 farmers were benefitted from these schemes and 7052.57 Lakhs premium covered in both districts. Insurance coverage under PMFBY is compulsory for loanee farmer.

### **FIELD SURVEY SAMPLE DESIGN OF THE STUDY**

The present study is survey based it attempt to banking services and customer satisfaction of district co-operative banks. For the select of the sample respondents, the researcher approached the Nainital District Co-operative Bank. For the study 4 PACS have been selected from district Nainital and from each PACS 10 respondents have been selected by adopting simple random sampling. Thus 40 respondents were selected.

### **OBSERVATIONS AND DISCUSSIONS**

From the field survey report the following parameters / indicators conclude the observation and analysis of agricultural cooperative credit.

**Table 5: Parameters / Indicators of Analysis**

<b>District Nainital</b>	<b>Respondents who agreed</b>	<b>Respondents who did not agree</b>	<b>Indifferent</b>	<b>Total</b>
Timely and adequately supply of seeds, fertilizers etc.	93	5	2	100
suitability of agricultural loan schemes	82 .5	10	7.5	100
Rate of interest is cheap and moderate	92 .5	5	2.5	100
marketing problems	75	20	5	100
subsidies distributes	80	10	10	100
Satisfaction	95	3	2	100

**Source:** field Survey (Figures indicate percentage)

## **RESULTS /FINDINGS**

The survey data thus make it clear that the District co-operative banks are diversifying their role in the agriculture sector in order to get revenue from their significant contribution to agriculture. In present time Maximum numbers of customers are satisfied from banking services. District co-operative bank distributes of inputs in timely and adequate to farmer members. The very position of credit of lower interest rates would invariably result in same surplus to the borrower, if the amount borrowed is utilized for productive purpose. The farmers have received very little support in improving the marketing of their produce which needs to be enhanced by providing better market information to the farmers. In a changing environment, banks are diversifying their role in the agriculture sector in order to get revenue from their significant contribution to agriculture.

## **CONCLUSION**

Co-operative banks are a part of the vast and powerful superstructure of Co-operative institutions which are engaged in the tasks of production, processing, marketing, distribution, servicing and banking in India. Co-operative banks take active part in local communities and local development banks take active part in local communities and local development with a stronger commitment and social responsibilities. These banks are best vehicles for taking banking to doorsteps of common men unbaked people in urban and rural areas. Challenges before the

District co-operative banks are two folds, on the one hand they are supposed to provide cheap and timely credit to rural masses and on the other hand have to ensure their profitability and viability in turbulent interest regime. To be able to create a balance between their social objective and economics compulsion these banks were needed to change working strategy. In conclusion, it can be pointed out that the financing of agricultural development as a part of rural development, through the concerned District co-operative bank has been partially effective. In order to see that the objectives of rural development including agricultural development are carried out satisfactorily.

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