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The role of co-operative bank in Karnataka: A case study of Ranibennur taluka

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Abstract

The economic condition of India is entirely depended on agriculture. The national income of our country is being contributed by agro-based production. Therefore, welfare of the people, economic development of country depended on agriculture sector. India is a country of villages, where 70 per cent of Indian population are residing in India. Majority of them are working on agriculture related work directly or indirectly. They all belong to lower middle class and below poverty line. Therefore, their economic condition is under developed. Till today, they are leading life in indebtedness. They are very much in need of financial assistance with minimum interest.

The co-operative banks in India are working at grass root level. They are focusing on rural developmental activities with local population and micro-banking among middle- and low-income class of the society. Their main objective is to give importance to agriculture sector.

Keywords: Co-operative banks, nationalisation banks DCC and commercial banks

Introduction

The economic condition of India is entirely depended on agriculture. The national income of our country is being contributed by agro-based production. Therefore, welfare of the people, economic development of country depended on agriculture sector. India is a country of villages, where 70 per cent of Indian population are residing in India. Majority of them are working on agriculture related work directly or indirectly. They all belong to lower middle class and below poverty line. Therefore, their economic condition is under developed. Till today, they are leading life in indebtedness. They are very much in need of financial assistance with minimum interest.

Co-operative banks in India are playing a vital role in financial sector specifically for farmers in rural area. They are helping financially to farmers to protect them from the debt trap of the moneylenders. The co-operative bank is involved in processing, marketing, distribution, servicing and banking in India. These banks involved in financial services (loans, deposit and banking accounts). They differ from stockholder banks by their organization, their goals, their values and their governance. They are actively involved in financial assistance service to the agricultural related works. They are providing loans for agriculture purpose for lower rate, so that the farmers and agriculture related workers can repay easily.

The co-operative banks in India are working at grass root level. They are focusing on rural developmental activities with local population and micro-banking among middle- and low-income class of the society. Their main objective is to give importance to agriculture sector.

The concept of co-operative bank is in larger scale in Spain. The business of co-operative bank in foreign countries is running successfully. Taking all these into consideration, the government of India has started the co-operative movement. The concept of co-operative bank spread almost all the parts of the state as it is supported by the Government. The present condition of this banks is good because of involvement and interference by the government.

The modern technology used in the agriculture helped the farmers to invest money on seeds, fertilizers, pesticides and irrigation facilities. As a result, the working requirement of farming community has been increased consistently. Therefore, farmers are in need of money in the form of loan for the purpose of agricultural activities. These are the reasons, the co-operative banks in rural area running successfully. These co-operative banks have shown good performance in mobilizing savings. The same money had been converted to loan. This system helped a lot for low middle- and lower-class families.

Indian Banking system has undergone tremendous changes during post-independence period. For the convenience of the study, few changes have been presented below.

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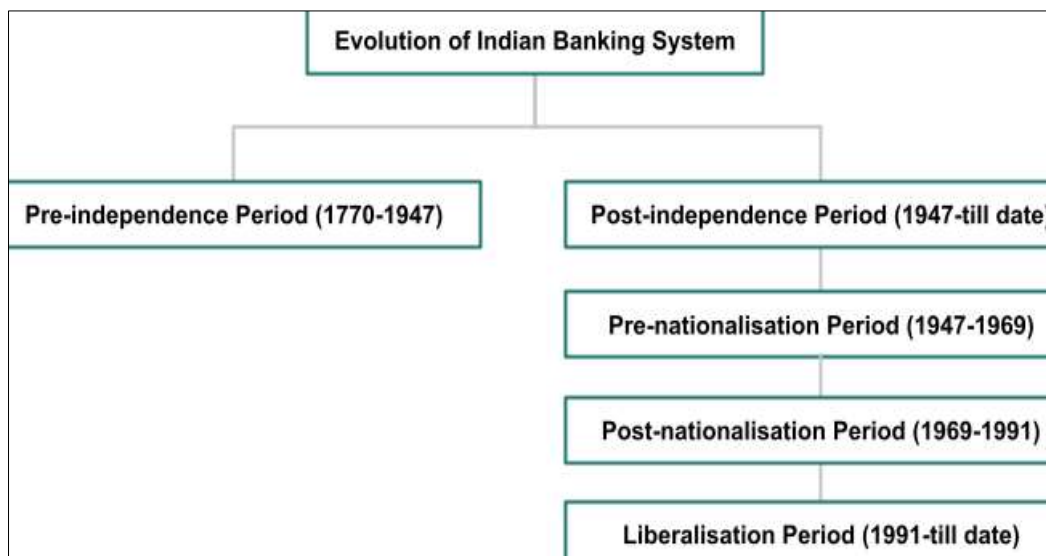
Historical background

Historically speaking, the banking system in the India can be classified into two phases. They are as follows:

1. Pre-independence Phase (1770-1947)
2. Post-independence Phase (1947-till date)

1. Pre-nationalisation Phase (1947-1969)
2. Post-nationalisation Phase (1969-1991)
3. Liberalisation Phase (1991-till date)

The same has been shown in the following chart:



The Pre-independence Phase (1770-1947)

The organized banking sector in India dates back to more than a century before independence when the Bank of Hindustan—the first bank of India was established in 1770 in the then Indian capital, Calcutta. It failed in due course and was liquidated in 1832. Subsequently, several banks like General Bank of India (1786-1791), and the Oudh Commercial Bank (1881-1958) established during the pre-independence era didn't last very long either.

The Bank of Bengal, Bank of Bombay, and Bank of Madras established by the East India Company during the early to mid-1800s—together known as the Presidential Banks were later merged in 1921 to form the Imperial Bank of India. It was later nationalised in 1955 and named the **State Bank of India (SBI)**. In 1959, the SBI was given charge of 7 subsidiary banks making it India's largest Public Sector Bank (PSB).

Subsidiary banks of SBI	
State Bank of Bikaner & Jaipur	State Bank of Mysore
State Bank of Hyderabad	State Bank of Patiala
State Bank of Indore	State Bank of Saurashtra
State Bank of Travancore	

Subsidiary banks of SBI

As many as 600 banks were founded during this period. While many major banks failed to work due to a lack of proper management skills, machines, and technology which led to time-consuming processes and human errors leaving the Indian account holders fraud-prone. A few banks survived the test of time and exist even today:

Pre-independence banks currently operating in India	
Bank Name	Year of Establishment
Allahabad Bank	1865
Punjab National Bank	1894
Bank of India	1906
Canara Bank	1906
Bank of Baroda	1908
Central Bank of India	1911

Pre-independence banks currently operating in India

Between 1906 and 1911, inspired by the Swadeshi movement several local businessmen and political figures established banks for the Indian community. Many of these are still operational.

Nationalisation in 1969

In the 1960s the RBI had become a large employer and the

Indian banking industry had begun playing an important role in supporting economic development. Yet, except for SBI, most banks continued to be run by private entities. The Government of India issued the Banking Companies (Acquisition and Transfer of Undertakings) Ordinance, 1969 and nationalized the 14 largest commercial banks at that time.

14 Commercial Banks Nationalized in 1969	
Allahabad Bank (now Indian Bank)	Indian Bank
Bank of Baroda	Indian Overseas Bank
Bank of India	Punjab National Bank
Bank of Maharashtra	Syndicate Bank (now Canara Bank)
Central Bank of India	UCO Bank
Canara Bank	Union Bank of India
Dena Bank (now Bank of Baroda)	United Bank of India (now Punjab National Bank)

Nationalisation in 1980

The second wave of Nationalisation followed in 1980 with 6

more commercial banks.

6 Commercial Banks Nationalised in 1980	
Andhra Bank (now Union Bank of India)	Oriental Bank of Commerce (now Punjab National Bank)
Corporation Bank (now Union Bank of India)	Punjab and Sind Bank
New Bank of India (now Punjab National Bank)	Vijaya Bank (Now Bank of Baroda)

Reasons for nationalisation of banks in India

The nationalisation of Indian banks was a major development in the course of the evolving Indian banking industry. To understand the impact it caused and played a major role in shaping the industry, let’s deep-dive into the scenarios that led to it. There was a dire need to:

- Promote the economic development of the country
- Develop confidence in the banking system of India
- Prevent the concentration of economic power in the hands of a select few
- Improve the efficiency of the banking industry
- Create a socio-economic balance

- Mobilize the national savings and channel them into productive purposes
- Sectors such as exports, agriculture, and small-scale industries were lagging behind
- Serve the large masses of the rural population.

Liberalisation in 1991

In 1991, the GOI adopted economic liberalisation that brought about a massive change in its economic policies to enhance the participation of private and international investments. The RBI approved 10 private banks:

Foreign Banks that Opened in 1993 Following Liberalisation in India	
Global Trust Bank (now Oriental Bank of Commerce)	IndusInd Bank
ICICI Bank	Centurion Bank
HDFC Bank	IDBI Bank
UTI Bank (now Axis Bank)	Times Bank
Bank of Punjab	Development Credit Bank

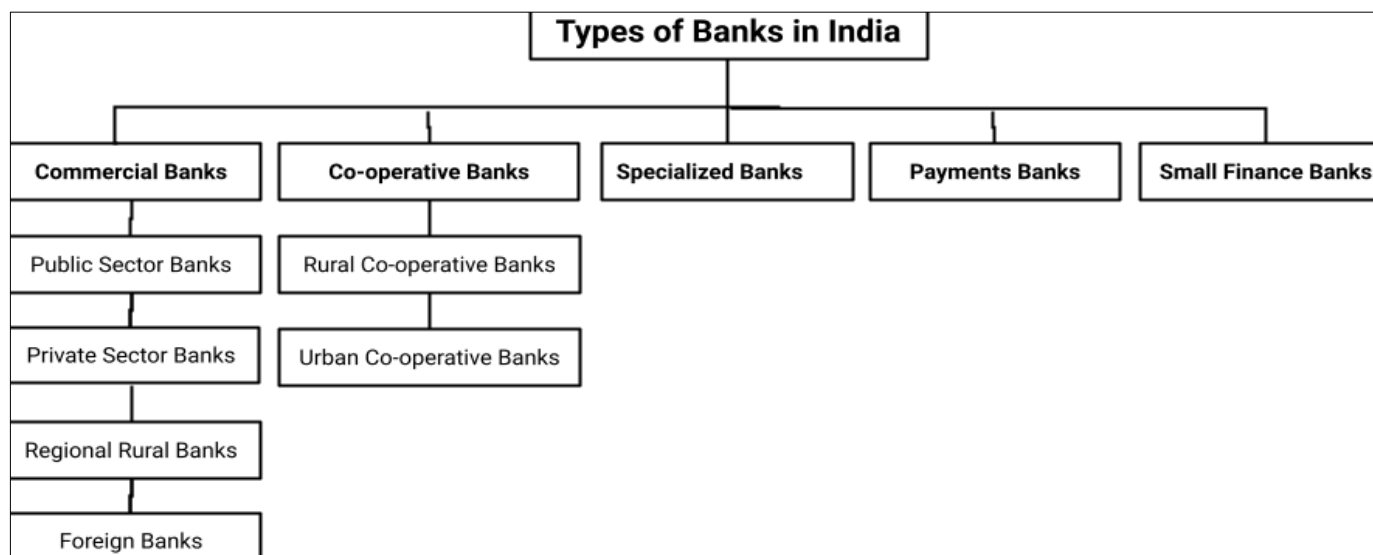
In a few years, Kotak Mahindra Bank (2001), Yes Bank (2004), IDFC (2015), and Bandhan (2015) banks joined the league.

Nationalisation of banks took a pause, instead, the Indian banking sector witnessed several mergers in the public sector banks in the following years:

Bank Mergers in India Post-liberalisation	
2017	SBI Merger (largest PSB)
	State Bank of Patiala
	State Bank of Hyderabad
	State Bank of Bikaner & Jaipur
	State Bank of Mysore
	State Bank of Travancore
2019	Bank of Baroda Merger (3rd largest PSB)
	Dena Bank
	Vijaya Bank
	Punjab National Bank Merger (2nd largest PSB)
	Oriental Bank of Commerce
	United Bank of India
	Union Bank of India Merger
	Andhra Bank
	Corporation Bank
	Indian Bank Merger (7th largest PSB)
	Allahabad Bank
	2020
Syndicate Bank	

Bank mergers in India post-liberalisation

Different types of banks in India



So far, we discussed at length the evolution of the Indian banking system. To sum it up, your bank is bound to fall in one of the above categories. Let's take a closer look at the key features of these banks:

Commercial Banks

Commercial banks function solely to generate profits by accepting deposits and giving out loans. They can be owned

by the government or by private entities and are grouped into 4 categories:

- **Public sector banks:** These are the banks in which the GOI owns the majority of the stock
- **Private sector banks:** In these banks, a private entity, an individual, or a group of people owns the majority of the stock
- **Regional rural banks:** These are unique commercial

banks that lend at a reduced rate for agriculture purposes in the rural areas to boost the rural economy

- **Foreign banks:** These are banks that are headquartered overseas with branches in India

Co-Operative Banks

Co-operative banks were set up to enhance social welfare by providing short-term low-interest loans to agriculture and related industries. Co-operative banks are financial entities established on a co-operative basis and belong to their members. This means that the customers of a co-operative bank are also its owners. These can be further categorised as:

- **Rural co-operative banks:** These mainly finance agriculture-based activities including farming, dairy, fish culture, along with small scale industries and self-employment activities
- **Urban co-operative banks:** These banks finance people for self-employment, industries, small scale units and home finance.

Specialized Banks

Between 1982-1990, the government established several specialised banking institutions with specific requirements of sectors like agriculture, foreign trade, housing, and small-scale industries. And the evolution of financial services in India began with noteworthy financial institutions like: NABARD (National Bank for Agriculture and Rural Development, 1982) to support agricultural activities

Statement of the Problem

The Research Problem of the present study constitutes, “The Role of Co-operative Banks in Karnataka: A Case study of Ranibennur Taluka”. The farmers in rural area are in need of financial assistance from the government for their agriculture sector. The farmers are fed up with money lender in their villages because of their illegal accountability. The money lenders in villages provide the financial assistance to small farmers without showing proper accounts because they know that majority of the farmers are illiterate. They are unable to understand the calculation of the money lender. As a result, they face a lot of problems such as selling their property to repay their loans. Therefore, the villagers have demanded the government to assist financial during critical condition. Consequently, government has started the co-operative banks in almost all the rural areas of India. These co-operative banks help the farmers to get loan during their financial crisis at lesser interest. Taking all these into consideration, researcher planned to assess the working of co-operative banks. The present study focuses on the working condition of selected co-operative banks in Ranibennur Taluk.

Objectives of Study

The study would cover following main objectives

1. To know the growth and structure of co-operative banks in India in general and particular in Karnataka
2. To analyze the efficiency and effectiveness of workers working in co-operative banks in Ranibennur Taluka
3. To suggest the policy measures for improving the working environment of co-operative banks

Hypothesis of the Study

Hypotheses are the heart of the research work and it is the nature of researchers to assume things before the actual

condition of the event occurs. After the event these assumptions may proved to be partially wrong

The researcher has employed the following hypotheses

H0: There is no significant association between gender and awareness about working of DCC bank in Gulbarga district

H1: There is a significant association between gender and awareness about working of DCC bank in Gulbarga district

H0: There is no significant association between category and income of the respondents

H1: There is a significant association between category and income of the respondents

Methodology and Database

The methodology is adopted on the basis of above-mentioned objectives. The methodology of present study cover survey, questionnaire, interview, participant observation to get the first-hand data. The secondary data is collected through various journals and books.

The Primary Data

The primary data is collected from the account holders of DCC bank with the help of structured questionnaire. The random sampling method has been implied and structured interview schedule helped to collect factual data on the field.

Pilot Study

The pilot study is conducted on the field with the help of draft structured questionnaire. After collecting the data from draft questionnaire, necessary changes have been made and prepared the final draft of questionnaire. This helps us to get qualitative findings after the completion of field study.

Secondary Data

The secondary source of information is collected through collection of the financial statement such as profit and loss of accounts. Annual reports and journal published by the bank also helped for collecting the data in details.

Sampling of the Study

The respondents for study include the customers of co-operative banks. The sample selected randomly selected sample size of 273 i.e 20% of 1367 total.

Research Tools used for Data analysis

The statistical tools and techniques have been implied for the analysis of data such as frequencies, ratios, simple percentages, charts, graphs and also to draw the important findings used tabular forms. The SPSS software also used for the forming of tables.

Relevance of the project

The study of “The Role of Co-operative Banks in Karnataka: A Case study of Ranibennur Taluka”. has acquired a greater significance. The occupation of majority of Indian population is depended on agriculture. The source of income from agriculture is not up to the mark. The income from the agriculture is gambling. Sometime it may or may not have good income. Therefore, economic condition of rural farmers is critical. They have to maintain their life with family

members on loan from the money lenders. The main intention of money lenders is to earn the money as early as possible. Therefore, they charge heavy interest on these innocent farmers and exploit them. Such kind of financial assistance taken by the farmers caused lot of problems in their life. They urged some schemes pertaining loans with lesser interest, so that they can develop their economic condition. Such demands were made to co-operative movements. As a result, the co-operative banks came into the picture. These movements helped farmers to get away from the problems of money lenders.

Impact of District Central Co-Operative Bank Credit on Economic Development

Rural area has been dominated by the agriculture and agriculture related works. The income of agriculture is not sufficient for the development rural area and development of other sectors related agriculture industries and rural business in rural areas. The present study has assessed the role of co-operative banks towards agriculture in rural area, method of financial assistance to farmers for the development of economic condition of rural areas and also the financial assistance provided to petty business holders for upliftment of their financial condition.

Table 1: Classification of respondents based on different age-groups

S. No.	Age of the respondent	Frequency	Percentage
1	18-25	49	17.95
2	26-35	66	24.18
3	36-45	72	26.37
4	46-60	51	18.68
5	60 and above	35	12.82
6	Total	273	100.00

Table 1 reveals the fact that, the classification of respondents based on their age groups. Out of total respondents 17.95 percent of the respondents belongs to age group of 18-25 years, whereas 24.18 percent belongs to 26-35 years, 26.37 percent belongs to 36-45 years, 18.68 percent belongs to 46-90 years, only 12.82 percent belongs to age group of above 60 years. Overall picture of the above table indicates that, more than 50 percent of the respondents belongs age group between 26 to 45 years. Majority of the youths have been taking benefit of co-operative banks.

Table 2: Classification of respondents based on caste of the respondents

S. No.	Caste of the respondents	Frequency	Percentage
1	SC	78	28.57
2	ST	51	18.68
3	OBC	75	27.47
4	GM	69	25.27
5	Total	273	100

Table 2 illustrates about the classification of respondents based on the caste, which indicates 28.57 percent of scheduled caste are account holder of DCC bank, followed by 18.68 percent Scheduled Tribe, 27.47 percent OBC and 25.27 percent belongs General Merit. The above analysis can be concluded that, more than 50 percent of account holders in DCC bank belongs to Other Backward Community (OBC) and General Merit. Therefore, the majority of the

beneficiaries are belongs to OBC and General Merit

Table 3: Classification of respondents based on different gender wise

S. No.	Gender of the respondent	Frequency	Percentage
1	Male	186	68.24
2	Female	87	31.76
3	Total	273	100.00

Table 3 enunciates about the gender-wise classification of the respondents involved in bank transaction. The analysis of above table indicates that nearly 70 percent of respondent involved in bank transaction by male and rest of the percentage are women. This clearly indicates that, females are unaware about the bank transaction, because majority of the females are illiterate in rural area.

Table 4: Classification of respondents based on level of education

S. No.	Educational qualification	Frequency	Percentage
1	Illiterates	68	25
2	Primary	72	26.25
3	Secondary	51	18.85
4	PUC	48	17.65
5	Degree	34	12
6	Total	273	100

Table 4 reveals the fact about the classification of educational qualification of account holders in DCC bank. Out of total respondents, 25 percent of account holders in DCC bank belongs to illiterate, whereas 26.25 percent have the qualification of Primary school, 18.85 percent have secondary school, 17.65 percent have PUC and rest of the percent have completed the Graduation. The overall picture of the above table indicates that, nearly 50 percent of the respondents have the qualification more than secondary education and also it indicates that, nearly 50 percent of the respondents have the knowledge about the benefits of co-operative banks for agriculture.

Table 5: Classification of respondents based on the marital status

S. No.	Marital status	Frequency	Percentage
1	Married	229	84
2	Unmarried	44	16
3	Total	312	100.00

The analysis of above table indicates that the classification of marital status of the respondents. Out of all the respondents around 84 of respondents marital status is married and rest of the percentage are unmarried. The overall picture of the table indicates that, majority of the marital status of the respondents is married and rest of the percentage are unmarried.

Table 6: Classification of respondents based on different level of income

S. No.	Income of the respondent	Frequency	Percentage
1	15000 – 25000	54	19.67
2	26000 – 50000	67	24.68
3	51000 – 75000	78	28.55
4	76000 – 100000	47	17.25
5	100000 and above	27	9.85
6	Total	273	100.00

Table 6 illustrates about the information pertaining to classification of account holders in DCC bank on the basis of their different level of income. Out of total respondents, 19.67 percent of the respondents' level of income in between 15000-25000 is nearly 20 percent followed by 24.68 percent in between 26000-50000, 28.55 percent in between 54000-75000, 17.25 percent in between 76000-100000 and nearly 10 percent of the respondents income falls under 100000 above. The above table can be concluded that the annual income of the respondents is less because of cost of living is increased. Therefore, the respondents are needed of financial assistance from co-operative banks

Table 7: Classification of respondents based on types of house

S. No.	Types of house	Frequency	Percentage
1	Pukka house	59	21.76
2	Kachcha house	74	27.1
3	Hut	80	29.32
4	Mud house	60	21.82
5	Total	273	100

Table 7 expresses about the nature of houses of the respondents. Out of all the respondents, 21.76 percent had the pukka house, whereas 27.1 percent had kuchcha house, 29.32 percent had hut, 21.82 percent had Mud house. The above gives the clear picture about the status of ruralites. Nearly 80 percent of the respondents owned kucha, hut and mud house. This shows the economic condition of rural respondents are not in good condition.

Table 8: Classification of respondents based on awareness about DCC Bank

S. No.	Awareness	Frequency	Percentage
1	Yes	232	85.12
2	No	41	14.88
3	Total	273	100

Above table describes the classification of respondents based on awareness about the usage of DCC Bank. 85 percent of the respondents agreed that, they have the awareness about the transaction of DCC bank. The above table can be concluded that, majority of the respondents have the knowledge about financial assistance schemes from the DCC bank.

Table 9: Opinion of the respondents based on functioning of the DCC Bank

S. No.	Member	Frequency	Percentage
1	Satisfactory	235	86.12
2	Not Satisfactory	38	13.88
3	Total	273	100.00

Opinion about the administration of the DCC bank collected from the respondents and the same has been analysed in table 1.9. majority of the respondents had shown their positive attitude towards the functioning of DCC make is about 86.12 percent, whereas 13.88 percent respondents opined they are not satisfied with the functioning of DCC bank.

Table 10: Problems faced in available services in DCC Bank

S. No.	Problems	Frequency	Percentage
1	Yes	235	86.12
2	No	38	13.88
3	Total	273	100.00

Above table shows the fact about the problems faced with services of DCC Bank. Majority of the respondents that is 86.12 percent have faced the several problems with the services provided by the DCC Bank, whereas nearly 14 percent of the respondents said that, they have not faced any problems with the services of DCC Bank. The overall picture of the above table indicates that, majority of the respondents faced the problems with services because of their lack of educational background.

Findings

The following are the findings which have been chalked out on the basis of above research study. They are as follows:

1. Majority of the respondents belong to young age and they have the knowledge about the transaction of DCC Bank.
2. More than 50 percent of the respondents are taking benefits of DCC bank schemes
3. Majority of the male respondents are involved in transaction with DCC Bank
4. 50 percent of the respondents had the qualification above secondary level and they are aware of the benefits of co-operative banks for agriculture.
5. Respondents are in need of financial assistance from the DCC because of their economic condition is poor
6. The nature of residence indicates that, the majority of the respondents are from poor background.
7. Majority of the respondents have the awareness about the financial transaction of DCC Bank
8. More than 85 percent of respondents are satisfied with the administrative function of DCC Bank

Suggestions

The suggestions have been drawn on the basis of findings and the same has been mentioned below:

1. Awareness campaigns can be organised among the rural youths about the schemes pertaining to financial assistance of co-operative banks. So that the majority of ruralites can demand the benefits.
2. Special awareness campaign is to be conducted from women about the financial benefits of co-operative banks
3. Awareness campaign helps poor family to improve their economic conditions
4. Government can chalk out the master plans for poor families to get the services of co-operative banks.
5. Administrative functions of DCC bank has to be updated and all the infrastructure facilities are to be extended to employees.

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