

USE OF INFORMATION TECHNOLOGY IN INDIAN BANKING: PROBLEMS AND PROSPECTS

YUGAL KISHORE MARWAHA

Associate Professor, Commerce (Retired), Government Post Graduate College Chamba, Himachal Pradesh

ABSTRACT

For the last two decade Indian Banking has undergone tremendous changes because of Liberlisation, Privatisation and Globalisation and various banking sector reforms. Information technology implies, use of new technology with the aid of computers for providing quick information, quick banking service to the customers at their doorstep. The traditional banking is speedily being transformed into modern banking with use of various technological inputs like internet banking, phone banking, use of POS, ATM's, payment apps like paytm, google pay, bhim, phonepe etc. This paper examines the various changes/trends that have taken place in our banking sector, with the use of new information technologies, problems faced by it and scope for improvement and use of new banking products, New banking threats like cyber Frauds, phishing, new opportunities to enhance banking business.

Keywords: Liberlisation, Privatisation, Globalisation, Information technology, E- Banking, POS, ATM's, RTGS, SWIFT ECS NEFT.

INTRODUCTION

The introduction of prudential norms in Indian banking industry in April 1992 has lead to a greater consistency and accuracy in banking in India owing to clean balance sheet of banks due to income recognition and asset classification. Earlier the banks were showing profits without even bothering for repayment of interest there on even principal amount was not recoverable so initially majority of banks showed losses when this prudential norms were introduced. The capital adequacy norms were introduced and Govt has to infuse capital in to the nationalized banks to strengthen them for their survival.

A combination of regulatory and competitive measures has lead to increasing importance of complete banking automation in the Indian Banking Context. Information technology is basically used in two different ways in banking, firstly in Communication and connectivity and secondly in Business process Re-engineering. Information technology enables sophisticated innovative products development, better market infrastructure, and implementation of reliable techniques for control of perceived risks and helps the financial intermediaries to reach geographically distant

and diversified markets. To compete in today's economic environment of world class banking.

Factually the advancement technology in India started in 1999 when Indian Financial Net was introduced with Wide area satellite using VSAT (Very Small Aperture Terminal Technology) initially for Public sector banks later to all banks and introduction of Information Technology Act 2000 to recognize the electronic data as a valid proof in court of law beside existing NNI Act 1881. The introduction of ATM (Automatic Teller Machine) has brought a sea saw change in banking sector but it is also fraught with risks of frauds. Banks needs to update their soft wares to protect the customers from possible frauds and now banks issues alerts to every customers for safe guards to be taken care of.

Even to have economy of scales banks are being merged all SBI associate group was merged in to SBI to strengthen it and cut down cost to make it figure in 50 top most banks of the world. By 31st March 2022 RBI has directed banks to mention exact date of repayment with principal and interest in loan agreements to avoid NPA's in future

Table 1.1

A Public sector Banks	As On 31-03-2016	As On 01-04-2020
1. Nationalised Group	19 Banks will be	12 wef 01-04-2020*
2 SBI and its Associates	06 Banks wef	01-04-2017** only 01
3.IDBI	01 Bank ***	Public sector bank as OtherPSB but from 01-04-2019 Pvt Bank
4. Bhartiya Mahila Bank	01 Bank as other PSB	merged with SBI**
Total Public Sector Banks 01-04-2016	27 Banks	wef 01-04-2020 only 12*
B Private Sector Banks		
5(i).Old Private Sector Banks	16 Banks	wef 01-04-2020 only 12
5(ii) New Private Sector Banks	07 Banks	wef 01-04-2020 only 09
6. Foreign Banks	40 Banks	
7 Regional Rural Banks	50 Banks	wef 01-04-2020 only 43
C Others Banks		
8 Small Investment Bank	Nil	Presently 06
9. Payment Banks	Nil	presently 10
Total Scheduled Commercial Banks		
D Scheduled Cooperative Banks		
10(i). State Cooperative Bank	16 Banks	wef 01-04-2020 Now 23
10 (ii).Urban State Coop Bank	62 Banks	
Total Scheduled Commercial Banks		

NOTE:-

- One of the nationalised banks New Bank of India was merged with PNB in 1993.
- In 2019 Dena Bank, and Vijaya Bank were merged With Bank of Baroda and only 17 banks were left as on 01-04-2019
- But now wef 01-04-2020. Only 12 Nationalised Banks will be operating in India after mega merger of 10 nationalised banks in to existing 4 big banks
- SBI and its Associates 06 Banks wef 01-04-2017** only 01 bank Even Bhartiya Mahila Bank also merged with it
- IDBI Bank a public sector bank till 31-03-2019 and wef 01-04-2019 is a private sector bank
- Pvt Sector Bank Laxmi Vilas Bank Ltd merged with Singapore based foreign Bank DBS bank India Ltd from 27th Nov,2020

REVIEW OF LITERATURE

Awasthy (2002) concluded that cost per transaction due to use of information technology tools, has come down to $1/8^{\text{th}}$ of the cost it was incurring in traditional banking but adoption of technology is still a difficult challenge. **Dagar: (2003)** reported that there are 10 million internet users. India has small internet base but fast growing E – Commerce is to the tune of 150 Cr rupees. **Pikkarainen et al (2004)** the breakdown of internet connectivity leads to negative impact on adoption of e banking is being used as a new age banking where for the fund transfer and payment of bills, recovery internet facility is used to convenience and flexibility factors. **Rao, D. Surya Chandra (2005)** Studied the reforms in Indian banking sector, and performance of public sector banks due to a sea change during reform process initiated in 1992-93. **Deshmukh and Vijaya (2006)** vice president of ICICI bank ltd studied the evaluation of the IT system used to enhance the efficiency in administration, competitive leap, improving effectiveness in private sector banks of India. **Khanna (2007)** pinpointed that technology has moved from being just a business enabler be a business driver for a banks, when effectively aligned with business strategy to effective development of technology will be the key for banks in their effort to meet business challenges. **Singhal and Padmnabhan (2008)** their paper on “A study on customer perception towards internet banking Identifying major contributing factors explored internet Indian banking industry is undergoing an Information technology revolution. **Chakraborty et al (2009)** their finding of research explored the influence of three drivers on the dimensions of true loyalty (Day, 1969, Dickand Basu, 1994., Rowley 2005) two new drivers on the dimensions of true loyalty were tested stake and value of switching along with customer’s service were tested on three dimensional models. **Devi and Malarvizhi (2010)** found in India though e-banking is fast spreading, yet due to password hacking or online transaction handling people are still hesitant in its adoption. **Kashyap and Sharma (2012)** revealed that internet banking a boon and bane by Associate Professor Monica in her study found that Banking through internet has emerged as strategic resource for achieving higher efficiency and is a powerful

tool for satisfaction of the customers and to stay as competitive bankers. **Kaur and Kaur (2013)** shows that there is no significant difference in facilities determining the customers' usage of internet banking services of Public-sector, Private-sector and Foreign Banks in India. **Shiffu (2014)** in her study she found that online banking due to globalization, increasing use of technology forced the bank to adopt the new channels to have competitive advantage, reduce cost and improve efficiency. **Goyal (2015)** concluded that e-banking is changing the banking industry and have major to the distribution channels of banks and these electronic delivery channels are collectively effect on banking relationships. Technological innovation has been identified to contribute refered to as electronic banking. This study was conducted to explore and determines the factor influencing the consumers' adoption of internet banking in India and hence investigates the influence of perceived usefulness, perceived ease of use and perceived risk of use of internet banking. **Singh and Singh (2016)** in their study they found that banking industry is more competitive and stronger just because of development of banking industry. Indian banking adopted international prudential norms. **Madhushree; Revatiradhakrishnan and Aithal (2018)** predicted that the growth of technology, the computational technology has brought changes in three major functions of the banks viz assess to liquidity, transformation of assets and monitoring of risks. The technology has brought about economies of delivery the delivery of banking and financial services with alternative channels like ATMs PIOS terminals, Paytm, Google pay apps, BHIM app etc that are cost effective , minimize branch expansion , time saving and convenient banking. **Sharma and Sharma (2019)** in their study were regarding banks in Oman. Sample size was 227 Omani residents. It is an empirical study the role of trust and quality dimensions in use of mobile bank services for which service quality and intention to use and customer satisfaction were precedents to actual usage.

RESEARCH METHODOLOGY

Research methodology is the guiding tool in the field of research. It besides showing path to the research provides guidelines in the field of any kind of research, then it will be just as a Multistorey building without any pillar. This is an empirical study based on secondary data collected from books, websites of RBI, published papers involving review of literature and current IT trends in Indian banking industry and using simple arithmetic tools to know the growth or decline in banking profitability.

OBJECTIVES

- To identify the factors that affects the customer's motivation for the use of internet banking or motivates others to use it.

- To know the extent of customer satisfaction level of the IT users
- Risks attached with Information technology adoption in Indian banking.
- To know modern trends in banking.

RECENT TRENDS IN INDIAN BANKING

- **Guided by reserve bank payment & settlement system (DPSS)** vision document for digital penetration following trends were witnessed in Indian banking.
- **RTGS (Real Time Gross Settlement)** Introduced since March 2004 for efficient transfer of bank funds by giving instructions from account of one bank to other as on 31-03-2021 the RTGS facility was available through 1,75,947 bank branches of 227 banks amounting to Rs 1,056 lakh crores reduction by 19.6% over PY due to covid and economic slow down.
- **NEFT (National Electronic Fund Transfer)** it rose by 12.7% Rs30928 lakh crore at the end of 31st March, 2021.
- **EFT (Electronic Fund Transfer)** Any one can transfer or make payment to any other account in any other bank can make payment or authorize his bank to do the same with account no of receiver IFSC code of bank and other detail.
- **ECS (Electronic Clearing System)** is a kind of retail payment system that can be used to make bulk of receipts or payments of similar nature facility extended to Govt deptt and companies `only so far.

Table 5.1: Source: RBI website for various years compiled

Year	RTGS	Total Retail Electronic Clearing (ECS,NEFT,IMPS,NACH)	Cards (debit, credit) At POS terminals	Prepaid instruments Mobile wallet,PPI Cards Paper vouchers	No of ATMS	No of POS in Millions
2014-15	92.8	1687.4	1423.2	314.5	83,379	1.12
2015-16	98.3	3141.5	1959.3	748	1,81,398	1.26
2016-17	107.8	4205.0	3486.4	1963.7	2,22,475	2.53
2017-18	124.4	6382.4	4748.6	3459	2,22,247	3.05
2018-19	136.6	12,466.7	6176.9	4604.3	2,21,703	3.72
2019-20	150.7	21,561.8	7301.2	5331.8	2,34,760	4.53

2020-21 Growth% Over baseYear Ave Growth Rate	159.2 65.73% 10.95%	32,830.8 1845% 307.5%	5784.1 306.42% 51.7%	4939.2 1470% 245%	2,38,575 186% 31%	4.72 321% 53.5%
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PROBLEMS AND CHALLENGES IN USE OF IT

- **Customer Satisfaction:** due to stiff competition among customers are more value oriented as such banks are supposed to take care of them at every point of time.
- **Personal Banking Services:** for it computerization and innovative techniques to handle the customers who are too satisfied with their expectations.
- **Difficulties in Implementation of Technology:** there is a need to have sufficient level of infrastructure and human resource to meet the local requirements as the trust of the people is very important in use of technology.
- **Customer Literacy:** ease of use of technology requires expertise as the customer may not be aware of such technology so bankers should be given adequate training to help the customer to use such technology.
- **Risk of Frauds:** every time now and then, we hear online frauds, phishing, and ATM's frauds. During the period 2019-21 public sector banks accounted for a fraud of Rs. 2.94 Lakh Crore, where as private sector banks accounted for Rs. 86,355 Crore so customers are always scared of such mishappening while using Information technology as new banking tool.
- **Legal problems:** - Though information Technology backs the online transactions but knowledge on the part of its users is essential.

PROSPECTS OF USE OF IT IN BANKING IN INDIA

- **Rural Population:** as 70% of Indian population resides in India which is still untapped needs to have banking facilities in all the remaining villages.
- **Multiple Channels of Banking:** now there are no. of channels to have banking facility even at doorstep such as ATM's, mobile banking, UPI's, POS terminals, to increase the banking business.
- **Customer Channels:** by providing efficient service to the customers who inturn expands the business by marketing the same.

- **Retail Lending and Segmentation:** with market segmentation the retail lending as become a focused area for financing the customers with specific need like housing, vehicle loan, consumer loan, where by risk is also disbursed and consequently profitability increased.
- **Increasing Computer and Financial Literacy:** now a day's internet banking as become an essentiality so knowledge of computer is must also education place a vital role in computer literacy RBI, SEBI, NISM all have taken initiative for financial inclusion and financial literacy. School curriculum must include this topic.
- **Paperless Banking or Environmental friendly Banking:** The digital banking has brought down unnecessary use of papers like cheques ,passbook by sending SMS messages hence it has become eco- friendly banking

CONCLUSION

The introduction of Information Technology in Indian Banking has brought about a complete change in traditional banking structure of banks now banks are more competitive with other banks in the world due to globalization and liberalization and due to trickle down effect of it.

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A STUDY ON PERFORMANCE OF PRIMARY AGRICULTURAL CO-OPERATIVE SOCIETIES IN KANGRA DISTRICT OF HIMACHAL PRADESH

SHIVANGI SETHI

Research Scholar, HPKV Business School, School of Commerce and Management Studies,
Central University of Himachal Pradesh, Dharamshala, Kangra, Himachal Pradesh.

ABSTRACT

Introduction: Agriculture plays a crucial role in the development of the Indian economy. Himachal Pradesh is one of the northern states of India, contributing significantly to the GDP of the country through agriculture. It has a geographical area of 55,673 million hectares, of which 3.70 million hectares is under forests and 6,20,700 is cultivated area. Around 89.97% of the total population of the state lives in villages and agriculture is the main occupation of the rural masses. Kangra is the most populated district of the state and has a geographical area of 5,739 km., of which around 1175 km² is under cultivation. The rural farmers engaged in agriculture are generally poor and need financial assistance to fulfill their agriculture and allied activities necessities. Primary agricultural cooperative societies constitute a predominant role in meeting the short and medium-term financing needs of these farmers. Presently, about 1100 credit cooperative societies are operating at the grass-root level in the district.

Purpose: The present research is conducted to analyze the performance of PACS in district Kangra of Himachal Pradesh. The study also aims to identify the problems experienced by farmers at different stages and to provide policy recommendations to make the study more result-oriented.

Methodology: The study is descriptive and convenient sampling has been used. A sample of 100 persons is collected from four different cooperative credit societies is taken from district Kangra, namely: Hatwas, Pathiar, Malan and Serathana. Data has been collected through both primary and secondary sources. A structured questionnaire and personal observation method have been used to fulfill the purpose of the study. Data is analyzed applying descriptive statistics (mean, standard deviation, Chi-square, CAGR, etc.)

Findings: The study revealed that the number of viable societies has reduced over a while but membership has shown an upward trend. The financial indicators (share capital & reserves and deposits) have also shown an upward moment over time. PACS has also shown good performance in meeting short and medium-term requirements of the borrowers, but the recovery mechanism was not found satisfactory. The amount of over-dues has also increased to a great extent.

Keywords: Agriculture, Banking Sector, Loans, PACS, Performance.

INTRODUCTION

“The advancement in the agriculture sector is one of the most powerful tools to end extreme poverty, boost shared prosperity and feed a population of around 9.7 billion by 2050. In 2018, the agriculture sector made a contribution of 4% in the global gross domestic product” (World Bank, 2021). Agriculture is known as the backbone of the

Indian economy. Without the development of agriculture, no economy can achieve its fundamental goal of development. India is a vast country consisting of 28 states and 9 union territories. The prosperity of agriculture can significantly contribute to the general prosperity of the nation. Around 70 percent of the rural population of India directly or indirectly relies on agriculture for earning its livelihood (Census, 2011). Despite coronavirus, agriculture has emerged as a bright spot in India, where agriculture together with its allied services has contributed around 18.4% and 20.2% to the Gross Value Added (GVA) of the total economy during 2019-20 & 2020-21 (NSO, 2021). According to the provisional estimates of Annual National Income released by the Central Statistics Office (CSO), the agriculture and allied sectors contributed approximately 17.8% of India's GVA at current prices during 2019-20 (Dept. of Agriculture, Cooperation & Farmers', 2021).

SIGNIFICANCE OF PRIMARY AGRICULTURAL COOPERATIVE SOCIETIES IN INDIA

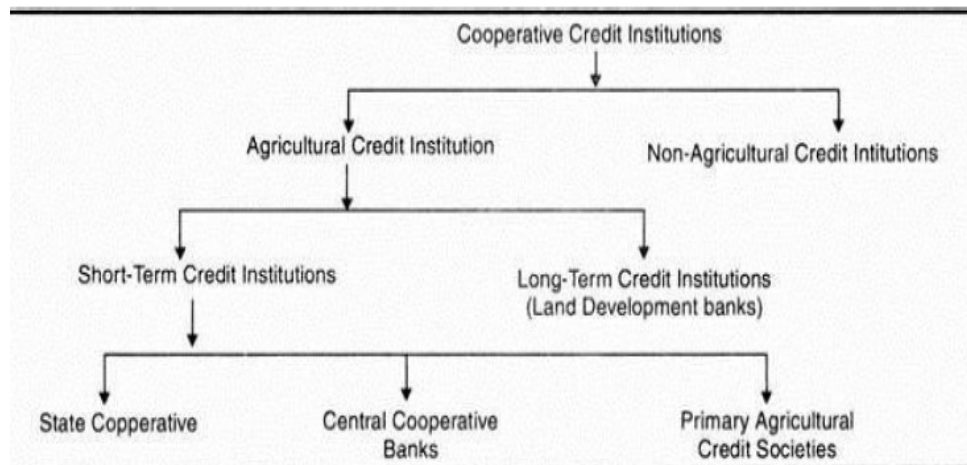
The rural population in India relies heavily on unorganized sectors to meet their financial needs. These money lenders, traders, commission agents and landlords, etc. exploit farmers by charging higher interest rates (Yashoda, 2017). To overcome the problem of funding requirements and safeguard the interest of the poor rural population, the Government of India initiated the concept of rural cooperative credit through Primary Agricultural Cooperative Societies (PACS). The cooperative credit societies meet the agriculture-related working capital requirements of farmers, rural artisans and agricultural laborers, etc. by providing them short-term and medium-term credit. As per RBI sources, presently around 95,995 cooperative credit societies are working actively in 6,38,365 villages of the country (RBI, 2020). GOI has provided budgetary support to computerize more than 63000 PACS for improving their operational efficiency. PACS are the most vital cooperative societies serving the farmers in rural India (PIB, 2018). The primary function of cooperative credit societies is to meet the short-term loan requirements for agricultural & allied activities at nominal rates of interest. The cooperative credit societies also make available the supply of agriculture inputs, distribution of consumer goods and marketing of products for their members (RBI, 2020).

WORKING MECHANISM OF PRIMARY AGRICULTURAL COOPERATIVE SOCIETIES

The major proportion of working capital requirements of PACS is derived through borrowings from District Central Cooperative Banks (DCCBs) and a small portion is met from owned funds and deposits (Kumar et al. 2015). The rural cooperative credit

system ensuring the smooth flow of credit consists of short-term, medium and long-term cooperative credit structures. The short-term and medium-term rural cooperative credit flows through a three-tier system: State cooperative banks (SCBs) at the state level, Central cooperative banks (CCBs) at the district level and Primary agricultural cooperative credit societies (PACS) at the village level. PACS are outside the horizon of the Banking Regulation Act and are not regulated by the Reserve Bank of India. National Bank for Agriculture and Rural Development (NABARD) manages the inspection of state and central level cooperative banks under section 35 (6) of the Banking Regulation Act, 1949 (RBI, 2009). The Registrar of Cooperative Societies (RCS) of the concerning states exercises controls over cooperative banks and the banking functions of the cooperative banks are governed by the Reserve Bank of India under the Banking Regulation Act, 1949 (Ministry of Finance, PIB, 2019).

Figure 1.2.1: Cooperative Credit Structure



Source: Reserve Bank of India

ECONOMY OF HIMACHAL PRADESH

Himachal Pradesh is a hilly and mountainous state comprised of 12 districts situated in northern India having a geographical area of 55,673 km² (Niti Ayog, 2001). The economy of Himachal Pradesh is agrarian and is supporting almost 60 percent of its population. Agriculture along with its allied services has witnessed a positive growth rate of 18.3% towards GVA (at constant prices) during 2019-20 (Economic Survey of HP, 2020-21). As per the census 2011, 89.97% of the total population in Himachal is rural and resides in village areas (Census 2011). Most of the farmers in the state occupy small landholdings and are small and marginal farmers. These farmers depend on agriculture for their survival and to meet the basic amenities of life.

ROLE OF PACS IN THE DEVELOPMENT OF ECONOMY OF HIMACHAL PRADESH

Akin to other states in India, Primary agricultural cooperative societies are performing an imperative role in capturing the financial needs of agriculturists in Himachal Pradesh. They are village-level institutions, having direct contact with the members, covering all the villages in the state (Ravichandran, 2020). The history of the cooperative movement dates long back to Himachal when the first cooperative credit society was formed in Panjavar village of district Una in the year 1892 (Information & Public Relations, 2020). These societies are registered under the Registration of Cooperative Societies Act, 1968 and Cooperative Rules, 1971 (Dept. of Cooperation, HP, 2017). At present, 4,890 cooperative societies are functioning in the state with a total membership of around 17.35 lakhs, of which 2132 are primary agricultural cooperative societies and membership of 12.56 lakhs. The state government has recently sanctioned Rs. 12.40 crores for business development of 164 cooperative societies (Information & Public Relations, HP Govt. 2020).

District Kangra in Himachal Pradesh occupies 1st rank in terms of population, consisting of 3,869 villages & 9 towns. It has a geographical area of 5.739 km., of which around 1175 km² is under cultivation. The economy of the district mainly relies on agriculture. It has returned 3, 03,007 persons as cultivators & holds 2nd position among all the districts of the state (District Census Handbook Kangra, H.P. 2011). Primary Agricultural Cooperative Societies are the main source of agricultural credit in the district. Presently, there are around cooperative societies 1100 in the district working at the grass-root level to meet the financial requirements of the farmers at cheaper rates of interest. There are four Assistant registrar offices of PACS in the district situated at Dharamshala, Palampur, Dehra and Nurpur (Office of Registrar, The Kangra Cooperative Agriculture & Rural Development Bank Ltd., 2019). The short-term & medium-term loan requirements of the borrowers are met through H.P. State Cooperative Bank at the apex level, Kangra District Central Cooperative Bank at the intermediary level and PACS at the grass-root level. On the other hand, the long-term funding requirements are encountered by The HP State co-agricultural & rural development bank at the apex level & the Kangra primary Land Development banks at the divisional level (Pathania, 1998).

Figure 1.4.2: Classification of Working Capital of PACS in H.P

Class	Working capital (in lakhs)
AA	Rs.200.00 to 499.00 and above
A	Rs.100.00 to 200.00
B	Rs.50.00 to 100.00
C	Rs.11.00 to 50.00
D	Rs.10.00 or below

Source: Directorate of Cooperation, Himachal Pradesh

Table 1.1: STATUS OF PACS IN HIMACHAL PRADESH (in lakhs)

Sr. No.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13	2013-2014	CAGR
1)	No. of Societies	2092	2097	2110	2117	2115	2132	0.002
	of which viable	419	433	460	463	476	413	-0.00288
2)	Membership	10.72	10.68	10.88	11.04	11.27	12.56	0.014323
3)	Share Capital	8246.85	8449.46	9117.39	10010.39	10964.79	12112.44	0.079913
4)	Deposits	99691.25	119096.94	144822.8	182922.97	228320.47	276799.43	0.226596
5)	Reserves	7751.38	9164.63	10595.85	12746.06	14832.81	16934.12	0.169167
6)	Working Capital	134115.92	157723.8	190235.61	235124.24	287828.03	347495.77	0.209745
7)	Agricultural Loan Program							
	a) Loan Disbursed (during the year)							
	Short-term	823.39	1062.92	1138.71	1325.32	2095.71	2409.24	0.239524
	Medium-term	19008.81	25606.47	30399.76	35619.33	43378.49	52593.27	0.225731
	Long-term				1487.19	805.05	922.43	-0.14718
	Total	19832.2	26669.39	31538.47	38431.84	46279.25	56284.94	0.231982
	b) Loan Recovered (at the end of year)							
	Short-term	1523.94	772.25	924.87	1022.79	1289.29	1944.61	0.04996
	Medium-term	22069.27	19015.43	24329.37	27445.27	34708.01	40741.47	0.130446
	Long-term				523.72	750.51	803.67	0.153434
	Total	23593.26	19787.64	25254.24	28991.78	36709.8	43489.75	0.130108
	c) Loan Outstanding (at the end of year)							
	Short-term	1044.82	1151.12	1372.91	1676.49	2479.1	2943.73	0.230187
	Medium-term	30148.12	33264.31	39338.53	47486.11	56156.09	68334.57	0.177812
	Long-term	-	-	-	963.47	1056.02	1174.78	0.068332
	Total	30292.94	34415.43	40711.44	50126.07	59691.21	72543.08	0.190833

	Loan Over-dues (at the end of year)							
	Short, Medium & Long term	5577.33	6317.21	7346.34	8569.73	10226.08	12037.11	0.166324
8)	Societies in Profit	1705	1650	1707	1724	1718	1717	0.001404
9)	Amount of Profit	1679.12	1695.63	1931.43	2320.15	2644.47	3272.78	0.142792
10)	Societies in Loss	345	390	340	332	343	335	-0.00587
11)	Amount of Loss	359.93	278.74	203.85	255.65	266.82	218.41	-0.09508

Source: Data Compiled from Annual Administrative Reports on Co-operation, SDA COMPLEX, SHIMLA

No. of Societies: There is no significant change in the number of societies during the period 2008-09 to 2013-14, but the number of viable societies is not satisfactory they have witnessed a downfall of 17.6%, not signifying any healthy picture of PACS in the state.

Membership: The membership of PACS in H.P. has increased from 10.72 lakhs in 2008-09 to 12.56 lakhs in 2013-14 revealing an increase of 10.78%. Membership has been increasing, evidencing that the PACS are becoming popular among the rural people of the state.

Working Capital: The working capital of PACS in the state has increased from Rs.44,54,344 in 2014-15 to Rs.1,17,86,385 during 2013-14, indicating an increase of about 164%. Such a hike in working capital signifies broadened specter of activities of PACS.

Credit: An amount of Rs. 5.84 lakhs was given as short-term credit in 2008-09, which has reduced to Rs.4.07 lakhs, showing a declining trend of 30.31% during the period, one of the reasons many societies have become unviable. The medium-term loan disbursed during the same period is Rs.59,369 to Rs.16,53,621. The amount of over-dues in case of short-term and medium-term has experienced a rising trend, showing an increase of 62.82% and 93.31%, depicting the poor loan recovery mechanism and is not satisfactory.

Share Capital: As the membership increases, the share-capital increases automatically. An increase of 71.29% has been recorded in the total share capital of PACS in the state over the period 2008-09 and 2013-14. The total share capital was Rs.2,29,427 lakhs, inclusive of the government's share of Rs.20,772 lakhs in 2014-15 which has increased to Rs.3,93,002 lakhs including Rs.14,946 lakhs as the government's share in 2013-14. There is an increase in overall all share capital but the government's share in share capital has reduced significantly by 28%.

Deposits: In 2014-15, deposits of Rs.35.90 lakhs were recorded and which increased to Rs.9697507 lakhs in the year 2013-15, i.e. an increase of 170%. The reserves and other funds also made a stride from Rs.80,541 lakhs and Rs.1,80,227 lakhs in 2008-09 to Rs.1,27,121 lakhs and Rs.3,43,045 lakhs in 2013-14, which shows an increase of 123.77% in reserves and 169.85% in case of other reserves.

Profitability: 529 societies were running in profit with an amount of Rs.67,318 lakhs during 2009, and the number of societies has increased to 536 with an amount of Rs.1,28,680 in 2013-14, which depicts a healthy financial position of PACS in the state.

As far as societies in losses are concerned, their number is decreasing as there were 66 societies in 2008-09 to 56 in 2013-14 and the quantum of losses was Rs.3560 lakhs in 2008-09 has decreased to Rs.2378 lakhs during 2013-14, displaying an improvement in the working system of the co-operative societies.

LITERATURE REVIEW

Kumar et al. (2015) empirically assessed the significance of cooperative societies for the rural population in India. The study also highlighted the role of cooperative societies in the sustainable growth of farmers and the efforts made by societies in improving their livelihood. The study concluded that more financial resources were required to improve the livelihood of members & farmers in India. The authors also focused on reviewing the rules & regulations as per the local needs to enhance the sustenance of rural masses. **Yashoda (2017)** studied the role of PACS in the development of agriculture and the rural population of India. The author also studied the reasons for the poor recovery of loans. The study found that the loan was not disbursed at the time of requirement & the working was not computerized. The author also depicted that loan recovery was poor due to the diversion of funds for purposes other than agriculture, lack of technical and managerial skills and the misutilization of loans, etc. **Das (2017)** performed a study to analyze the financial performance & functional efficiency of PACS to find out whether there is any financial performance improvement in the North-eastern region. The study also compared the operations of PACS during pre & post-revamping packages. The author concluded that inefficiency levels in N-E regions were almost the same as that of India. It was also depicted that the sample PACS were found to be more efficient in operations & business performance. The sample PACS of the N-E region also displayed improvement after availing of short-term credit packages. **Shobana (2018)** conducted a macro-level analysis to investigate the growth & recovery patterns of loans during 2001-2012 in Thanrampattu & Kalasakkam blocks of the Thiruvannamalai district. The study

evidenced that PACS had shown better performance in the recovery of jewel loans as compared to the recovery of other kinds of loans. The study also found that the recovery and loan providing mechanism was poor in the Kalasakkam block. **Sinha & Bhattacharya (2020)** empirically analyzed the role played by PACS in the growth of SCs & STs in different regions of India during 2012-2018. After applying the semi-log method, the study did not find any significant role of PACS in the upliftment of SCs & STs during the study period. The authors also revealed that different aspects of PACS (membership, borrowers, increase in the number of PACS, etc.) did not show any positive change in terms of growth or improvement. **Ravichandran (2020)** investigated the role of primary cooperative credit societies in achieving sustainable development goals (SDGs) in Tamil Nadu. The author also examined the perception of members on the role of credit societies in SDGs. The study included 7 agricultural societies in the sample. It was revealed that the PACS significantly met the SDGs through their democratic management and diversified functions. The PACS also helped in achieving stability of villages by reducing inequality and increasing social benefits.

RESEARCH GAP

Primary Agricultural Cooperative Societies hold a predominant position in the upliftment of rural masses in India. They were introduced with the motive to finance the short as well as medium-term agricultural funding requirements of small & marginal farmers & the overall development of agriculture. A considerable number of studies have been conducted focusing on performance indicators, growth prospects and issues and challenges faced by PACS in different states of India. Also, many studies were witnessed highlighting the role of PACS in the agricultural development of India, upliftment of SCs and STs, the contribution of PACS towards inclusive growth of the rural economy, etc.

But still, there exists a dearth of studies focusing on different aspects of PACS in a state like Himachal, where agriculture provides livelihood to a major rural population and contributes significantly to the GDP of the Indian economy. Therefore, this study is an attempt to fill this void by contributing to the existing literature by conducting a study on the performance and management of Primary Agricultural Cooperative Societies in the Kangra district of Himachal Pradesh.

RESEARCH METHODOLOGY

OBJECTIVES OF THE STUDY

- To evaluate the performance of cooperative credit societies and their management in District Kangra of Himachal Pradesh.

- To identify the problems experienced at different stages of availing cooperative credit and to provide policy implications to make the study more result-oriented.

DATA & METHODOLOGY

The data was collected from both primary as well as from secondary sources. A sample of 100 respondents was taken from different members, borrowers & other people linked with cooperative societies from four Primary Agricultural Cooperative Societies in Kangra, namely: Hatwas, Pathiar, Malan and Serathana. The data was collected from respondents using questionnaires and personal observation methods. The secondary data was collected through many official websites of various departments of the government of HP & central government, RBI, NABARD, cooperative banks, official gazettes of various state governments, banks, research articles, annual administrative reports on cooperation, publications, existing literature and various published & unpublished sources, etc.

TOOLS AND TECHNIQUES

A convenient sampling technique was adopted to draw the sample to fulfill the purpose of the study. The entire geographical area of district Kangra is formed as one stratum and four societies have been selected purposively. The data were analyzed using SPSS. The study is descriptive and has applied mean, standard deviation, CAGR and chi-square tests. The present study is confined to district Kangra of Himachal Pradesh. In this study, various aspects of co-operative credit, such as management of co-operative credit, availability of co-operative credit, utilization of credit, over-dues in co-operative societies and various problems faced by co-operative credit societies, its members and different borrowers, etc. have been covered.

FINDINGS, SUGGESTIONS AND CONCLUSION

FINDINGS

- The different borrowers had varied opinions regarding their reasons for choosing PACS as their source of loan. The maximum number of borrowers chose PACS due to their quick and simple loan sanctioning procedures and repayment convenience. Although, some respondents decided to borrow loans from PACS because of the lower rates of interest offered.
- The opinion of loonies on various aspects of the loan sanctioning procedure followed by PACS was observed. Based on the responses, the study revealed that the majority of the respondents were highly satisfied due to the easy terms of loans, low-interest rates, expenses incurred for getting the loan sanctioned,

fewer formalities and mortgage demanded by the bank officials for loans, etc. contrarily, some of the respondents were found unsatisfactory with loan sanctioning procedure because of the behavior of the bank-officials on installment payment delay or failure, high penal charges for repayment failure and interest charges on loan overdues.

- As far as the reasons behind the failure of loan repayment are concerned, the study revealed different causes for non-repayment behavior. Some of the respondents failed to repay loans due to a low yield return, monsoon and crop failure, lack of marketing facilities, the unsatisfactory price for the produce and carelessness in repaying installments etc. Diversion of loans towards unproductive purposes, i.e. repayment of old debts, marriage or other family functions, increased household expenses and non-cooperative attitude of the bank officials in guiding the uneducated people regarding the repayment procedures, etc. were the other factors for repayment failure.
- On the basis of responses of all types of borrowers on type of loan and utilization pattern, the study inferred that the maximum number of respondents borrowed medium-term loans and some respondents advanced loans through Kisan credit cards. It could also be depicted that very few loonies misutilized the borrowed loans and diverted them for repayment of old debts and other social and religious purposes.

SUGGESTIONS

- To ensure the viability of the cooperative credit societies, close inspections and audits at regular intervals must be conducted. Also, for better management, the elections of the managing committee should take place at an adequate time.
- PACS in the state still lacks the RTI mechanism. The provision of RTI must be introduced at its earliest to reduce ambiguity and maintain transparency in the working of societies to safeguard the interest of members and the general public as a whole.
- The loan policies should be framed as per the requirements of the local beneficiaries. Effective supervision, good management practices, non-intervention from political parties, and legal & administrative arrangements are essential for the regular recovery of loans & reduction of over-dues.
- The government should intervene in societies by providing loans rather than being the providers of capital.

- To prevent diversion of loans & to ensure proper utilization of agricultural loans, the societies should obtain a NOC from nearby banks or cooperatives before sanctioning any loan to borrowers, ensuring that nothing is pending with those banks or cooperatives.
- The study observed that willful defaults, carelessness and misutilization of loans were the main causes behind mounting over-dues. To combat the problem of over-dues, strict legal actions should be taken and political interference must be restricted.
- For efficiency and improvement in working of the societies, the government should take an effort to computerize the societies.

CONCLUSION

Agriculture has been considered as the mainstay of rural masses in India for years. It is the main source of employment and livelihood for crores of people in rural India. Himachal Pradesh is one of the small agriculture dominating states of India. The economy of Himachal Pradesh mainly depends on agriculture and its allied activities. To fulfill financing needs for buying agriculture-related raw products, livestock, seeds, fertilizers, etc. farmers rely on institutional as well as non-institutional sources. Among institutional sources, Primary Agricultural cooperative societies hold a significant position among small and marginal farmers. These societies are operating at the base level to provide them with short and medium-term loans.

The present study has attempted to study the performance of primary agricultural cooperative societies with special reference to the borrowers, members and other people who are directly or indirectly linked with these cooperative credit societies in district Kangra of Himachal Pradesh. The cooperative credit societies are playing an imperative role in the overall development of people associated with agriculture and its allied services. The status of performance of PACS has been shown in the study, which signifies that the number of PACS is still very less in the state and the district also. The quantum of viable societies is also not satisfying in the state and the loan recovery is also poor.

Further, the PACS has shown good performance in providing short and medium-term loans, but, the loan recovery mechanism is not satisfactory at the same time. The study also revealed that there is a mounting amount of over-dues during the study period, witnessing inability to repay loans and also the poor financial position of the borrowers. As far as the financial performance of the PACS is concerned, it was found that owned funds; i.e., share capital and reserves, an increase in share capital

have been witnessed during the study period. And, at the same time, the share of the government has also seen an increasing trend over the period, also borrowings from state and central cooperative banks increased. The government has been frequently highlighting the matter of inefficiency of the societies, finding reasons for increasing over-dues and also putting efforts to covert PACS into multipurpose societies. But, still, there is a dire need for government and state cooperative banks should take revival measures, should conduct regular audits and inspections, work mechanisms should also be computerized, etc.

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