

A Study on the Membership Pattern vis-à-vis Lending by Urban Cooperative Banks in Gulbarga District, Karnataka

PrashanthRao K¹, Dr. PR Ramakrishnan²

¹ Research Scholar, Vels University (Deemed to be University), Chennai

² Dean and Professor, School of Management and Commerce, VISTAS, Chennai

Abstract

The member-driven cooperative banks have rendered yeoman service to the society. Promoters of these institutions, in line with the guidelines issued by the Reserve Bank of India, have offered membership for prospective borrowers and thus, earned its own place in the Indian financial system.

Gulbarga is an important city in northeast Karnataka. It is located on the Chennai-Mumbai rail route. It is surrounded by many important places of interest. Therefore, its location holds significance.

Cooperative banks have not been active in this district. The total credit disbursed reduced from around Rs. 130 crores in 2014-15 to about Rs. 125 crores in 2016-17. The profit earned by all the banks put together has been around Rs. 3 crores.

This study has been undertaken to assess the nature of increase in membership and its relationship with credit disbursed by the Urban Cooperative Banks in Gulbarga district, Karnataka.

1. Introduction

Cooperative movement has existed in India for about a century and quarter. The earliest of cooperative societies was started in Conjeevaram in the erstwhile Madras Presidency more than hundred years ago. Since then, the cooperative movement has come a long way in its contribution to financing, especially in the semi-organized segment.

The cooperative system received a major boost with the issue of banking licenses by the Reserve Bank of India. Thus, a blend of basic banking services and the objectives of cooperatives led to the formation of Cooperative Banks. These banks have become active in urban and semi-urban areas as much as rural.

Gulbarga is considered as the hub of northeast Karnataka, popularly called Ishanya Karnataka. It is surrounded by prominent pilgrimage places like Mantralaya in Andhra Pradesh and Sholapur in Maharashtra, and places of archaeological importance like Aihole, Badami and Bijapur. The North East Karnataka Road Transport Corporation is headquartered in Gulbarga.

2. Review of Literature

(Bhulal & Dhanna, 2017) has examined the performance of cooperative banks in Himachal Pradesh with special reference to Himachal Pradesh State Cooperative Bank. The bank recorded modest growth initially which it could not retain over the last few years. The parameters for evaluation were higher CD Ratio, returns to shareholders and operational efficiency.

(Soni & Saluja, 106-113) has concluded that the cooperative banks have played a pivotal role in the development of agriculture in Chattisgarh. While liberal loans were issued to this sector, banks encounter enormous challenges during recovery.

According to (Karigoleshwar & Waghmare, 2013), customers in Gulbarga have accepted ebanking services offered by commercial banks. Anytime and anywhere banking, convenience and customized solutions were identified as the positive attributes. However, customers were sceptical about the security concerns.

(Gowda & Kumar, 2011) concluded that borrowers in Gulbarga approach Urban Cooperative Banks due to easier availability of credit and customized service. The lending norms have been perceived as borrower-friendly, by its members. The nature of services by these banks has drastically improved with the usage of technology.

3. Research Methodology

Objectives

1. To evaluate the growth in membership in the cooperative banks in Gulbarga district.
2. To assess the trend in change of membership.
3. To understand the relationship between the change in membership and credit disbursement.

Hypothesis

1. H_0^1 : There is no significant relationship between membership and credit disbursed.
2. H_0^2 : There is no significant growth in the membership in the cooperative banks in Gulbarga district

3. H_0^3 : There is no significant change in the credit disbursed.
- Scope Of Study
1. This study was conducted using secondary data provided by Bangalore-based Karnataka State Co-operative Urban Bank Federation Ltd.
 2. This study is conducted for Urban Cooperative Banks from Gulbarga district only.
 3. The data being used is for three years only i.e. between 2014-15 and 2016-17.

Limitations

1. Only secondary data used.
2. The study is confined to Gulbarga district only.
3. The study is undertaken based on the data shared by Karnataka State Co-operative Urban Bank Federation Ltd.

ANALYSIS AND INTERPRETATION

Table 1: Membership and Credit Disbursement

Bank	Membership			Credit		
	2014-15	2015-16	2016-17	2014-15	2015-16	2016-17
Krishna PSB Ltd, Shahapur Dist Yadgiri	3714	3789	3929	849.14	801.09	807.61
Abhivruddhi Mahila Co-Op Bank Ltd,(Mahila)	3196	3244	3259	572.19	707.82	656.25
Sri Chatrapathi Shivaji Co-op Bank Ltd Gulbarga	4520	4688	4921	1902.74	2222.71	2759.28
Sri Shadakshari Shivayogi SiddarameshwaraSah Bank, Aland	1750	1750	1780	80.9	80.9	88.6
Sir M.Vishweshwaraiah SB Gulbarga	2936	4000	4118	3341.5	3953.18	4801.62
Sri Basaveshwara Co-Op Bank Ltd, Kalburgi	6384	6843	5300	1292.62	1178.41	1195.44
Sri Ganesh Co-Op Bank Ltd, Gulbarga	2796	2804	2840	1483.34	1441.78	1550.96
SreeMahathma Basaveshwara Co-Op Bank Ltd, Afzalpur	1087	1068	1192	185.73	233.35	290.26
SreeVeerabhadreshwara CB Ltd, Chincholi	1523	1517	1512	294.64	355.77	322.15

The above table contains the no. of members and the loans & advances of all the Urban Cooperative Banks in Gulbarga district in Karnataka for the three years 2014-15, 2015-16 and 2016-17.

In all the three selected years, there has been a positive correlation between the no. of members and the credit disbursed. The values are 0.41, 0.47 and 0.57 for 2014-15, 2015-16 and 2016-17 respectively.

Table 2: Anova Single-factor for membership.

Summary						
Groups	Count	Sum	Average	Variance		
Column 1	9	27906	3100.667	2708522		
Column 2	9	29703	3300.333	3252635		
Column 3	9	28851	3205.667	2222076		
ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	179560.7	2	89780.33	0.032914	0.967666	3.402826
Within Groups	65465858	24	2727744			
Total	65645419	26				

From Table 2, the f-value is less than f-critical value. Therefore, null hypothesis is accepted. There is no significant growth in the membership.

Table 3: ANOVA Single-factor for credit.

Summary						
Groups	Count	Sum	Average	Variance		
Column 1	9	10002.8	1111.422	1089521		
Column 2	9	10975.01	1219.446	1497794		
Column 3	9	12472.17	1385.797	2312328		
ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	343869.2	2	171934.6	0.105274	0.900491	3.402826
Within Groups	39197135	24	1633214			
Total	39541004	26				

From Table 3, the f-value is less than f-critical value. Therefore, null hypothesis is accepted. There is no significant growth in the credit disbursed.

3. There is no significant change the credit disbursed by these cooperative banks.
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4. Findings and Suggestions

1. With a positive correlation between membership and credit, there has been an increase in the loans availed as membership increases. The null hypothesis is rejected and alternative hypothesis is accepted.
2. There is no significant growth in the membership in the Urban Cooperative Banks in Gulbarga district.

5. Suggestions

1. The Urban Cooperative Banks in Gulbarga District can undertake a fresh membership enrolment drive.
2. These banks can focus on quality lending that can ensure consistent revenues.

3. The Urban Cooperative Banks in Gulbarga should introduce attractive schemes, credit and non-credit, in order to increase its customer base.

6. Conclusion

The Urban Cooperative Banks in Gulbarga have not made much of an impact at the State level. However, with the banks largely retaining their members without much visible change and business generated being not noteworthy, these banks have enormous growth potential. Banks should focus on quality credit that can foster development of the region, backed by quality repayment.

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