

**Role of Cooperative Banks (J&K) in Economic development of Rural Poor: A study of  
Baramulla Central Cooperative Bank Limited (BCCB)  
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**Abstract:**

The scheduled banks consist of commercial and co-operative banks. Co-operative banks are organized, controlled, planned, and managed on the principle of mutual co-operation. Co-operative Banks acts as a leader in financing the target groups in a rural area. In contemporary time there are several cooperative banks which are performing the significant and meaningful role of financial, supervisory, administrative and development in nature of expansion and development of cooperative credit system. The study examines the role of co-operative banks as a financial intuition in the state of Jammu and Kashmir. The study analyzes the performance of cooperative banks, functioning in J & K State. The study also finds the role of Baramulla Central Cooperative Bank Limited (BCCB) in providing microfinance to artisans to develop the indigenous handicrafts and to increase the livelihood of the artisan community.

Keywords: *Co-operative banks, financial Institution, performance, artisan*

**Introduction:**

In the present financial system, Cooperative banking occupies a prominent position and place. This type of banking is also regulated and controlled by the Central bank (RBI in India) as well as Commercial and Private sector Banks. Cooperative means are working together. The principle of cooperative is as old as human society. It is purely fundamental of domestic and social life. The efforts of Cooperative are ultimately the group in man, which facilitates him to survive together, work-together, and lend a hand to each other. The bank which accepts the deposits, provides loans and other financial services to cooperatives, and member-owned organizations are known as Cooperatives Banks. These banks are operated by the members for a general-purpose, i.e., to provide financial, economic and monetary service to agriculturists and micro-level people

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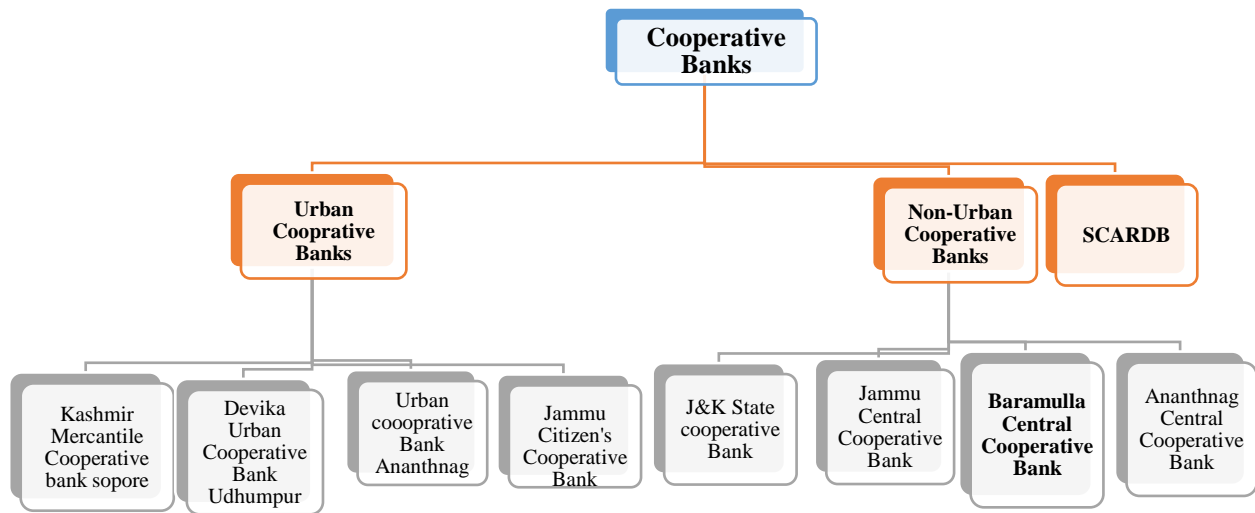
in the business. The bank works on principles of cooperation, such as democratic decision making, open membership, mutual help to members. Cooperative banks are governed equally by banking and cooperative legislation, as they are registered under the Cooperative Society Act, 1965 and regulated by National Bank for Agriculture and Rural Development (NABARD) & Reserve Bank of India (RBI). They work both in rural as well as urban areas, and grant provides credit to borrowers, businesses and retail traders.

Cooperative Banks provide a variety of services, namely accepting deposits both (saving and current deposits) and providing loans to the members and even non-members. The registered members are equal owners, patrons, and customers of the bank. The bank, at the same time, offers services like safekeeping protection of valuables (locker facility) and mortgage facility to the customers. Cooperative banks are generally established to grant financial support to micro-level people in business, retail trader, and farmers at a low rate of interest. The network of these banks is confined to a limited area. Cooperative banks, the customers or depositors are members that manipulate the credit policy by voting power.

In contrast to commercial banks which are incorporated as joint-stock companies, works for a profit motive, Cooperative banks work for service purpose to the members and non-members of the bank. Agriculture the mainstay of our country and its 70% population stay in a rural area. The Cooperative banks, which are the lifeblood of the economy and the instrument for Developmental programs, dominated the agricultural sector; cooperative banks play an essential role in bolstering the prevalent population and financing his business and individual needs. Cooperative organizations were set up not because there was capital to invest, but because people have certain collective wants and need as producers, as workers, as dwellers, as consumers, as savers, as borrowers, which they feel they can themselves fulfill through mutual efforts. A Cooperative is an independent union or association of persons united happily to meet their general economic, social and cultural needs, aspirations and objectives through a collectively owned and democratically controlled venture. Cooperatives are based on the values of self-help, self-responsibility, unity, equality, and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of sincerity and honesty, public responsibilities, and caring for others. The cooperative principles are guidelines by which cooperatives put their values into practice.

**Cooperative banking in Jammu and Kashmir:**

Cooperative credit organizations or institutions were established to achieve the goal of inclusivity and boost-up. In Jammu & Kashmir State, this form of credit system or mechanism is headed by State Cooperative Bank established in 1917 as a district co-operative bank for Srinagar and Ladakh and later designated as a top cooperative bank, Jammu & Kashmir State Cooperative Bank, since its beginning, has played a vital role in the establishment and enlargement or increase of credit structure and formal banking channels in the state, especially in Kashmir and Ladakh divisions. In Jammu and Kashmir State, Cooperative Institutions have been registered under The Jammu and Kashmir Cooperative Societies, Act of 1989, or The Jammu and Kashmir Self Reliant Cooperatives Act of 1999 as both the Acts are concurrently in force in the State. The State of Jammu and Kashmir has a good number of Public sector banks, Private sector banks, Cooperative banks & RRB and their ATMs (Automated Teller Machine). The state has a network of 2041 branches and 2511 ATMs as of 30-06-2018. There are nine banks under the Cooperative Sector in the Jammu & Kashmir. Out of nine, four are non-urban banks, and four are urban banks. Jammu & Kashmir State Cooperative Agriculture and Rural Development Bank (SCARDB) is the ninth bank. The four Non-urban cooperative banks namely, The Jammu and Kashmir State Cooperative Bank, Anantnag Central Cooperative Bank, Baramulla Central Cooperative Bank, and Jammu central cooperative bank advances short term agriculture loans, while as the four urban banks namely, Jammu Citizen's Cooperative Bank, Urban Cooperative Bank, Anantnag, Devika Urban Cooperative Bank, Udhampur and Kashmir Mercantile Cooperative Bank, Sopore finances farm and non-farm sector as well. The long term agriculture loans or advances are provided by J&KSCARDB. These cooperative banks are operating through more than 273 business units or branches and 18 extension counters. Below are mentioned details of Urban and Non-Urban Cooperative Banks:



S/no.	Cooperative Banks In J&K (Urban and Non-urban)	Branches
1	Jammu central cooperative Bank	89
2	Baramulla Central cooperative Bank ltd	35
3	Anantnag Central Cooperative Bank	35
4	J&K State Cooperative Bank	37
5	Devika Urban Cooperative Bank Udhampur	4
6	Kashmir Mercantile Bank Sopore	5
7	Urban cooperative Bank Anantnag	5
8	J&KSCARDB	51
9	Jammu Citizens cooperative Bank	11

Source: JKSLBC 2017-18

**Review of Literature:**

Agriculture plays a significant role and occupies a cardinal place in the Indian economy majority of the Country’s people is depending on agriculture in one way or the other the welfare of the people and their economic condition, and also the economic development of the country depend, to a greater extent, on the output, progress, and prosperity of the agricultural sector. In spite of

this significant role of agriculture, it is unfortunate to note the pathetic situation of agriculturists as half of the rural population live below the poverty line, and most of them remain indebtedness. Cooperative Societies as business organizations have completed 100 years of inception in J&K State. The establishment and growth of Cooperatives are regarded as one of the essential instruments for economic, social, and cultural development. (Iqbal, 05-05-2016)

The principle of cooperative is as old as human society. It is purely the basis of domestic and social life. Collective efforts are ultimately the group in man, which enables him to live together, work together, and help each other. The co-operative movement in India was accepted as the most suitable, appropriate and effective means for the achievement o' the goals of economic progress as early as in 1904 when the Primary Agricultural Credit Societies came into being under Cooperative Societies Act, 1904. The Act of 1912 made provisions for registration of District Central Co-operative Banks (DCCBs) which were established to finance the PACS and to act as their coordinator. But the present three-tier structure came into being in 1931 when the Central Banking Enquiry Committee emphasized the need for the creation of State Co-operative Banks to act as leaders of the cooperative movement and lenders of last resort. Now these days, the cooperative credit system of India has the largest network in the world and co-operatives have advanced more credit in the Indian agricultural sector than commercial banks. The co-operative societies in India are playing a multifunctional role in both rural as well as urban areas the basic structure of cooperative societies organized on a three-tier basis. Primary credits societies are working at the village level, above them are central Co-operative Bank workings at the district level, and then at the top, there are State Co-operative banks, the apex co-operative institutions working at the state level. In a developing and vast country like India, the cooperative is of great importance because it is an organization established for the poor, illiterate and unskilled people for their mutual help and sharing means of development and to overcome the constraints of agricultural development because agriculture has its maximum contribution in national income of the country. (Sonika, 2017)

**Objectives of the study:**

1. To assess the overall performance of Jammu & Kashmir Co-operative Banks,
2. To evaluate the effectiveness of Cooperative Banks in J&K State in mobilizing the deposits, lending advances, investments and recovery performance of banks,

3. To identify the problems faced and the techniques implemented by the Cooperative Bank.
4. To find the role of Baramulla central cooperative bank (BCCB) in the upliftment of rural poor

**Data Source:**

The present study mainly depends on a secondary source, but the information has also been obtained from primary sources, which include interviews and discussions with Customers, Staff and Managing director of Baramulla central Cooperative Bank (BCCB). Secondary data were collected from books, journals, reports, state-level banker's committee reports (SLBC), census 2011, economic surveys of J&K and website of Jammu, and Kashmir State Cooperative department. The period under consideration for the study is fifteen years from 2004-2005 to 2017-2018.

**Methodology:**

The compound annual growth rate (CAGR) of the data has been obtained to know the trend value of deposits of Baramulla's central cooperative bank. The CAGR has been calculated by using the formula

$$CAGR = \left( \frac{\textit{Final Value}}{\textit{Starting Value}} \right)^{\frac{1}{N}} - 1$$

This formula has an advantage over others in that it takes into consideration all the values from beginning to last. In other words, degrees of freedom are not lost, and this formula calculates an accurate growth rate. The trend was also calculated for loans and advances of the bank for the stipulated period. The human resource potential of the bank was determined by regression the number of employees with the providence of loan facilities. This was calculated by using a regression model under:

$$\ln E = b_0 + b_1 \ln B$$

Where,

E is the number of employees of the Baramulla Central Cooperative Bank,

B is the total business of Baramulla Central Cooperative Bank,

ln is the natural log

b<sub>0</sub> is intercepted and

b<sub>1</sub> is the slope coefficient.

The percentage of NPA was calculated to know the progress of the bank.

**Baramulla Central Cooperative Bank Limited (BCCB)**

The bank initially started its working with the establishment of its first branch in Baramulla town of Jammu and Kashmir State in 1920 under the J&K cooperative societies Act 1913, the first law on Co-operative movement in the State. With time the bank started its working beyond the jurisdiction of Baramulla town by opening its branches at Handwara and Sopore in 1940 and 1948, respectively. As we know that District Central Cooperative Banks at the district level play a role of bridge in the three-tier structure of Rural Credit Cooperative with State Cooperative Bank at the apex level and Primary Agricultural Credit Societies (PACS) at the village level. The same is the case with Baramulla Central cooperative bank. The rapid growth in customer satisfaction and increase in cooperative societies compelled the bank to open its new branches in erstwhile North Kashmir, which includes present Kupwara, Baramulla, Bandipora and some areas of Budgam district. Presently there are thirty-five (35) branches and a Head office of Baramulla central cooperative bank working with the strength of 121 permanent employees. Besides this, the bank has 65 cooperative societies in which 62 cooperative societies are functional.

**Table-1**

**Branches of Baramulla Central Cooperative Bank**

S/no	Name of Branch	Year of opening	S/no	Name of Branch	Year of opening
	Head office	09-07-1920	18	Chandanwari	26-06-1998
1	Baramulla	09-07-1920	19	Dangiwacha	07-10-1998
2	Handwara	13-12-1940	20	Sheeri	21-12-1998
3	Sopore	17-09-1948	21	E.C Kupwara	28-10-1999
4	Sumbal	01-12-1950	22	Tangmarg	20-03-2000
5	Magam Budgam	14-10-1959	23	Kralpora	01-01-2001
6	Kupwara	01-02-1962	24	Fruit Mundi Sopore	27-03-2001
7	Bandipora	01-02-1969	25	Magam Handwara	05-11-2001
8	Tangdar	26-09-1975	26	Ganastan	17-11-2001

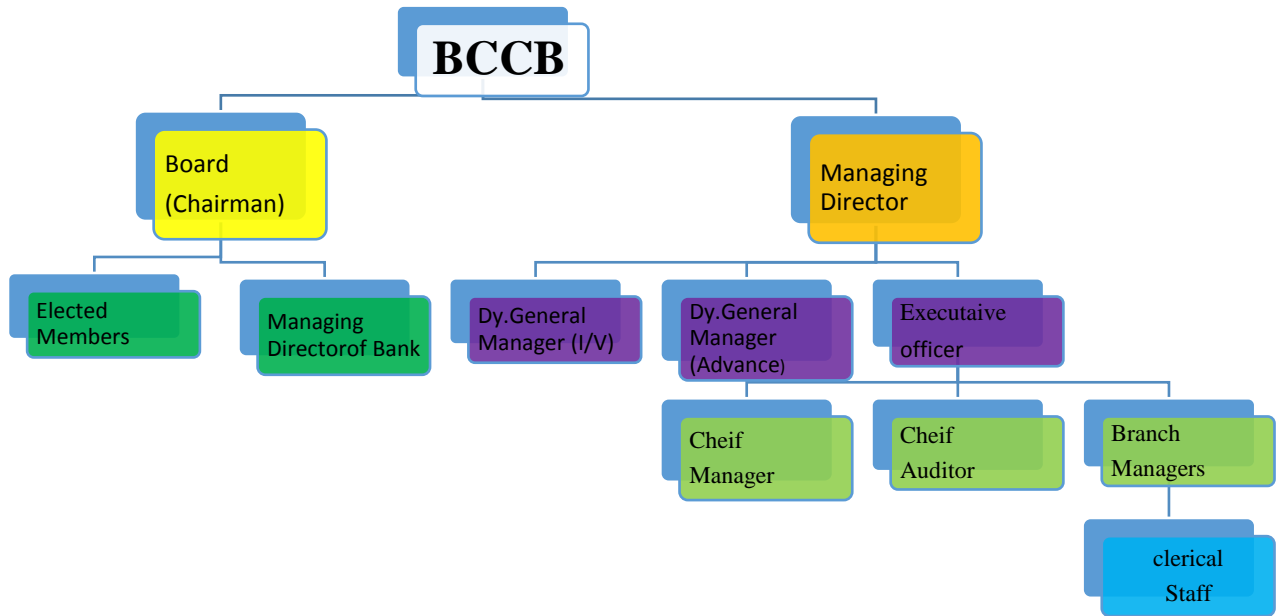
9	Hajin	11-02-1981	27	Vilgam	18-12-2001
10	Wagoora	20-02-1981	28	Naidkhai	02-01-2002
11	Trehgam	10-09-1983	29	H.M.T	26-06-2002
12	Sogam	26-10-1983	30	Nowpora	08-08-2003
13	Uri	01-12-1983	31	Palhallan	08-09-2004
14	Langate	05-03-1987	32	Lalpora	03-01-2005
15	Seloo	03-07-1987	33	Kalantra	08-08-2006
16	Pattan	05-09-1987	34	Dewar	18-07-2007
17	Tarathpora	24-12-19987	35	Ladoora	21-11-2009

Source: - Head office Baramulla Central Cooperative Bank Ltd

### **Management**

The Bank has a proper management/ board, either professional or non-professional. The professional board is selected by the Government of Jammu and Kashmir. The non-professional board is elected by the members of the respective cooperative societies of the Bank. The General Manager present Managing director of the bank is the one selected member of the board. The provisions for regulating the engagement and recruitment of staff of the bank and the scales of pay, grants, and other conditions of service, including disciplinary action, are the main functions of the Management of the Bank. There are some key posts which are mentioned in below onrogram:





**Table-2**

**Financial Position of BCCB (2004-2018)**

1	Particulars	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
2	<b>Deposits</b>	1126 5.9	1210 5.0	1539 6.0	1713 7.8	1784 7.8	2149 6.6	2467 3.0	2552 1.1	2823 1.9	2887 1.5	2960 5.5	2980 6.3	3063 3.9	3174 1.6	3006 6.1
3	<b>Borrowings</b>	269. 1	1095 .0	571. 0	807. 5	1407 .2	1216 .9	862. 5	1770 .5	1495 .3	522. 0	746. 4	2274 .3	2788 .0	2353 .2	2641 .4
4	<b>Loans</b>	2191 .0	2145 .0	2140 .0	2346 .0	3505 .9	2527 .8	2859 .1	3006 .5	3241 .1	2635 .6	3388 .4	3917 .8	4237 .8	2554 .2	3849 .3
5	<b>investments</b>	4164 .0	3891 .0	5579 .0	5730 .2	4272 .3	6776 .5	8087 .9	8286 .2	1015 1.5	1114 0.1	1158 6.0	1219 3.8	1210 0.5	1242 9.0	1129 4.8
6	<b>Total Business</b>	1757 6.4	1998 7.0	2417 5.0	2819 0.6	3176 1.8	3591 6.6	4002 8.5	4231 5.9	4465 2.5	4498 4.6	4673 1.4	4905 3.3	5130 0.6	5256 7.3	5089 1.0
7	<b>Branches</b>	32.0	32.0	32.0	33.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0
8	<b>Business per Branch</b>	549. 3	624. 6	755. 5	854. 3	907. 5	1026 .2	1143 .7	1209 .0	1275 .8	1285 .3	1335 .2	1401 .5	1465 .7	1501 .9	1454 .0
9	<b>Employees</b>	181. 0	182. 0	174. 0	168. 0	165. 0	156. 0	150. 0	150. 0	150. 0	148. 0	148. 0	148. 0	148. 0	142. 0	121. 0

10	<b>Business per Employee</b>	97.1	109.8	138.9	167.8	192.5	230.2	266.9	282.1	297.7	304.0	315.8	331.4	346.6	370.2	420.6
11	<b>Amt of NPA</b>	707.0	1301.0	1297.8	1289.1	2585.0	1834.8	2192.0	4469.2	4203.3	3875.6	3560.3	3904.7	4457.6	7480.2	12895.9
12	<b>Management cost</b>	361.4	378.0	406.5	412.6	454.0	411.7	418.2	479.3	548.0	610.4	651.6	695.1	745.2	812.6	849.8
13	<b>current Profit/Loss</b>	-64.5	-163.6	-80.3	2.1	-560.1	60.6	59.3	-190.0	-18.3	49.3	61.7	43.7	-1126.3	-1474.9	-5404.8
14	<b>Accumulated Losses</b>	-609.3	-772.9	-853.1	-851.0	-1411.1	-1350.5	-1291.3	-1481.3	-1499.5	-1450.3	-1388.5	-1344.8	-2741.1	-3946.0	-9350.9

Source: Head office Baramulla Central Cooperative Bank

**Major Government-sponsored Schemes of Bank:**

The state government, in its resolve to strengthen the cooperative movement, has started the implementation of Integrated Cooperative Development Projects (ICDP) funded by the National Cooperative Development Corporation (NCDC). Cooperative banks of the State implemented these projects and schemes. Following government schemes are financed by Baramulla Central Cooperative Bank for the upliftment of the weaker sections of the area:

- Kisan Credit Card (Agriculture and Horticulture)
- Handicrafts, Handlooms, Carpets
- Rashtriya Krishi Vikas Yojana (RKVY)
- Development for Commercial Poultry and Milk Cooperatives (Dairy Farms)
- Self Help Groups (SHGs) for Women empowerment
- Khadi village industry
- Schemes under District Industries Center (DIC)

**Data Analysis and Interpretation:**

The estimated log regression equation is as under:

Dependent Variable: LNE  
 Method: Least Squares  
 Date: 10/17/18 Time: 18:44  
 Sample: 1 15  
 Included observations: 15

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	7.802001	0.390419	19.98364	0.0000
LNB	-0.262713	0.037128	-7.075894	0.0000
R-squared	0.793874	Mean dependent var		5.040913
Adjusted R-squared	0.778018	S.D. dependent var		0.104987
S.E. of regression	0.049464	Akaike info criterion		-3.051564
Sum squared resid	0.031807	Schwarz criterion		-2.957157
Log likelihood	24.88673	Hannan-Quinn criter.		-3.052570
F-statistic	50.06828	Durbin-Watson stat		1.038517
Prob(F-statistic)	0.000008			

$$\ln E = 7.8 - 0.262 * \ln B$$

This estimated equation implies that a one percent change in the Business of the cooperative bank reduced its employment by 0.2 percent for the period in consideration. The results show that the bank does not progress its business and investments, and thus, its employment and human resource potential decreased during the calculated period.

The calculated CAGR of different variables is shown in the table-3

Table-3

Deposits	7.61609583
Borrowings	11.1513997
Loans	3.84579243
Investments	9.36253471
Bank Branches	0.66231972
Total Business	7.76516012
Employees	-2.1395415
NPA	17.2379
Management Cost	6.57722942

Source: Calculated from Table-2

The above table reveals that employment shows a negative growth of 2.13 percent, and NPA shows the highest increase of 17.23 percent, followed by borrowing of 11.15 percent. The least positive growth is demonstrated by bank branches of 0.66 percent, followed by loans of about 3 percent.

The overall indicators of growth rates show that the bank is not performing well.

**Conclusion:**

In this study, an effort has been made to evaluate the various perspectives of cooperative banks of Jammu and Kashmir so that their relative performance can be measured. After going through all the parameters, it is estimated and calculated that the cooperative sector of Jammu and Kashmir has not shown any growth in the last two decades. The management or the respective boards of the cooperative banks should focus on increasing market share, increase branches of the bank in rural and urban areas. The cooperative banks should also implement the latest banking technologies to catch the attention of new customers and satisfying old customers; new banking technologies will help to make a profit. There is a considerable need to adopt various strategies for the improvement of cooperative banks, such as to create bank websites, To open new ATMs, prepare themselves for competition with other nationalized banks, introduce a new financial scheme to every segment and section of the society, etc. Baramulla Central Co-operative Bank plays a role in the rural and urban banking system. But the bank is not performing well in the above calculation and discussed period.

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