

SWOC Analysis on Short-Term Cooperative Credit Institutions: With Special Reference to PACS

K.Ushasree¹, Dr.S.Vijayulu Reddy²

¹Research Scholar, Department of Commerce, Government Degree College, Karvetinagaram, Affiliated to S.V.University, Tirupati District, Andhra Pradesh.

²Principal, Government Degree College, Karvetinagaram, Chittoor District, Andhra Pradesh.

ABSTRACT

The enactment of the Cooperative credit societies Act, 1904 gave a definite structure for cooperatives in India. Although the era of cooperatives started long ago, till date they are considered inept with commercial banks in providing quality services to their customers. Lack of professionalism, Limited area of operations, Lack of technical knowledge, Poor customer services can be considered as hindrances of the cooperative credit institutions in India. Cooperative institutions are also criticized for their policy circles in the back-drop of a fast-changing financial system.

KEYWORDS: SWOT Analysis, Agricultural credit, Cooperatives.

INTRODUCTION

The Cooperative credit Societies bill, based on the recommendations of the Edward Law Committee with Mr. Nicholson as one of the members, was enacted on 25th March 1904 whose operations are restricted to credit disbursement only. By 1911, there were 5,300 societies in existence with a membership of over 3 lakhs¹. Cooperatives subsequently, expanded their operations into Marketing Cooperatives, Housing Cooperatives, Farming Cooperatives and Producers Cooperatives etc.

The growth of cooperatives was affected by the First World War, also resulted the banking crisis in India. A Committee was appointed by the government of India under the chairmanship of Edward Maclagen in October 1914, to evaluate the state of cooperatives and to recommend the necessary measures for the sustainability of the cooperatives. The committee recommended building a strong three-tier structure in every province with primaries at the base, the central cooperative banks at the middle and the provincial cooperative bank at the apex, basically to provide short-term and medium-term finance¹.

Cooperatives have occupied a transcendent position in catering agricultural credit for the underserved rural population, in the past centurial. The share of Credit cooperatives in Agricultural credit has sharply declined from 60% in the fifties to mere 14 % in 2019 due to increasing share of commercial banks

(74%) and Regional Rural Banks (12%). In spite of their smaller share of 11 percent of total agricultural credit, Cooperatives are covering 19% of farmers (2.60 accounts) who are small and marginal farmer².

The co-operative banks having extensive networks, with reach in remote areas, play a Significant role in the Indian economy, especially in creating banking habits among the lower and middle-income groups and in rural credit delivery. This sector with uneven Geographical spread and detailed stratification has substantial heterogeneity. In both financial position and performance within and across different strata”³.

OBJECTIVES

1. To examine the structure of Cooperative Credit Institutions in India
2. To perform SWOC Analysis on the Cooperative Credit Institutions in India
3. To analyze the growth of Cooperative Credit Institutions from 2001-02 to 2020-21.

METHODOLOGY

The present study has been conducted on the basis of secondary data which is being collected from numerous published sources like news articles, books and from websites of RBI, NABARD etc. The present study attempts to examine the Strengths’, Weakness’, Opportunities’ and Challenges of Cooperative Credit institutions by applying SWOC analysis technique.

RESULTS AND DISCUSSIONS

1. Structure of Cooperative Credit Institutions

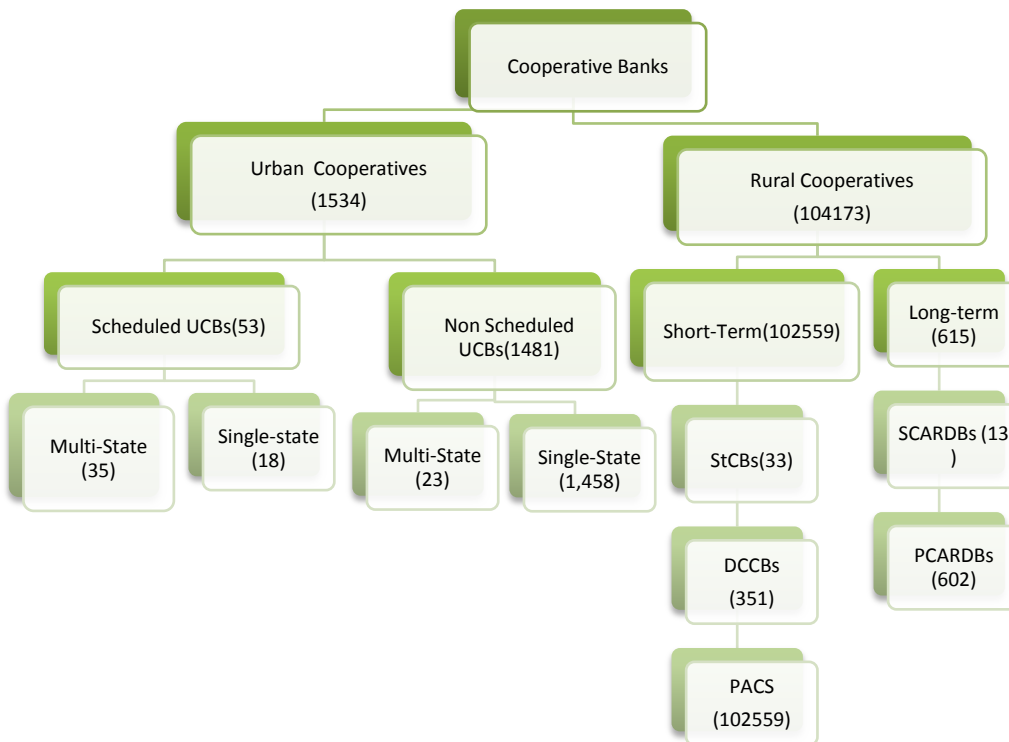


Figure 1: Structure of Cooperatives in India

Source: RBI, Report on trend and progress of banking in INDIA, 2021.

Note:

1. StCBs: State Co-operative Banks
2. DCCBs: District Central Co-operative Banks
3. PACS: Primary Agricultural Credit Societies
4. SCARDBs: State Co-operative Agriculture and Rural Development Banks
5. PCARDBs: Primary Co-operative Agriculture and Rural Development Banks.

Figure1 depicts the structure of the cooperative credit institutions in India. Cooperative banks are classified into two categories namely Urban Cooperative Banks and Rural Cooperative Banks. UCBs are again categorized into Scheduled UCBs and Non Scheduled UCBs which operates in two – tier structure at state level and multi state level. The Rural Cooperatives are categorized into Short term and long term structure. The Short term Cooperatives operate with a three-tier structure, A State Co-operative Bank (StCB) at the apex level, The Central Co-operative Bank (DCCB) at the Intermediate Level and Primary Co-operative Credit Societies (PACS) at base level. Long term Cooperatives operate with two- tier structure, State Co-operative Agriculture and Rural Development Banks (SCARDBs) at the apex level and Primary Co-operative Agriculture and Rural Development Banks (PCARDBs) at the district level.

2. SWOC Analysis on Cooperative Credit Institutions:

SWOC Analysis is a strategic planning technique; it is sometimes called situation assessment or situational analysis. SWOC analysis is considered as a great tool for understanding, evaluating a situation and decision making in an organization and for individuals. It is deliberated to identify the internal and external factors to achieve the objectives or for decision making⁴.

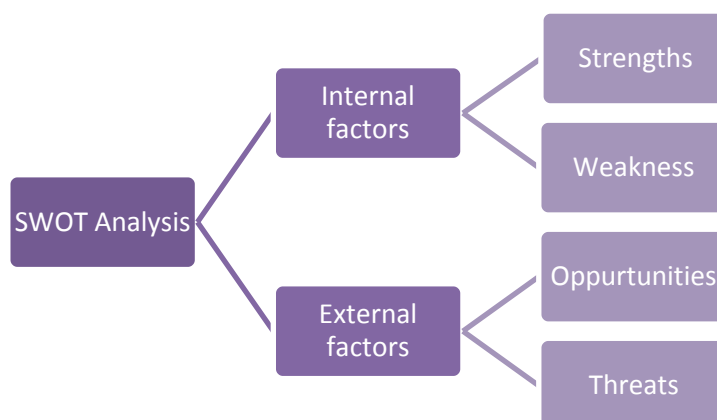


Figure 2: Internal and external factors

Strengths and Weakness:

The first two sections of the SWOC Analysis are usually within the control of the organization. Strengths are defined as traits, skills and advantages possessed by the institutions that are considered as positive. They are internal factors which drive towards obtaining objectives or targets of the institutions

which include human competencies, financial resources, services, good will etc. They are the answers for the questions like “what do you do better than anyone else? What do your customers see as your strengths?”⁵

Weaknesses are the adverse or unfavorable factors, traits within the organization, considered as barriers in an organization or individual which retains the institutions in reaching their objectives. They are the answers for questions like “what could you improve? What should you avoid?”⁵

Opportunities and Challenges:

The next two sections of the SWOC Analysis are external factors, beyond the control of the organization. Opportunities can be defined as the circumstances created within the environment of the business which benefits the organization in its development. They are answers for the questions like “what is happening in your community that can be advantageous?”⁵

Challenges are motivational in nature, as they stimulate the institutions or individuals to thrive harder for attaining their objectives. They can be defined as the tasks to be accomplished by utilizing maximal potential and skills.

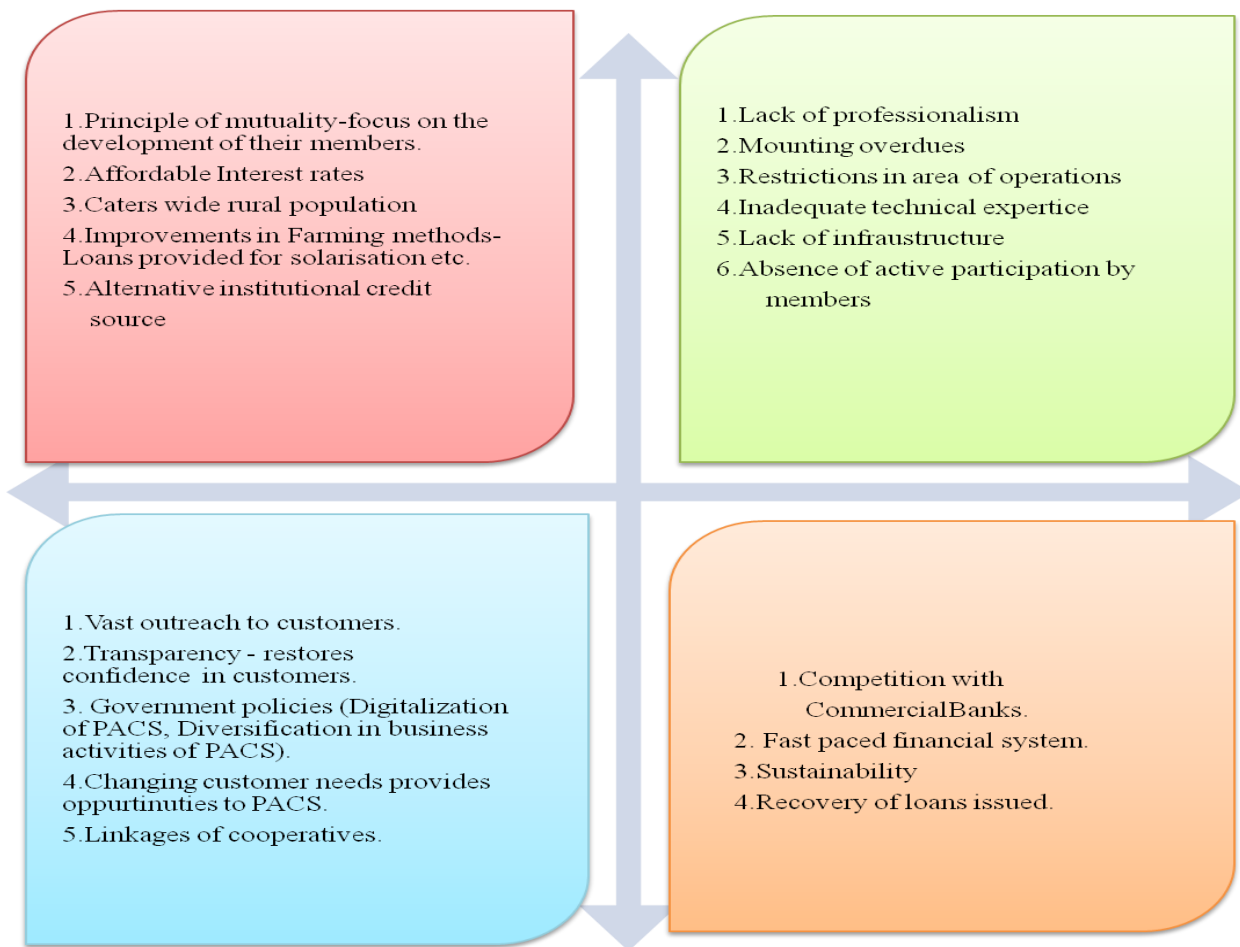


Figure 3: SWOC analysis on Short-term Cooperative Institutions

Source: Compiled by the researcher

Table 1: Progress of Short-Term Cooperatives during 2002 - 2021

Particulars	StCBs		DCCBs		PACS	
	2001-02	2020-21	2001-02	2020-21	2001-02	2020-21
No. of Cooperatives	30	33	368	351	99000	102559
Membership (in no's)	122464	1122077	1986370	5479395	99918	137969
Owned Funds	6323	27476	14148	57969	5594	42310
Deposits	35500	217585	68090	176711	13481	170922
Borrowings	11550	100482	18818	100755	22890	143044
Working Capital	51899	344294	100851	530126	51899	334718
Loans and Advances						
i. Issued	34287	186451	55998	276311	25698	229443
ii. Outstanding	32111	166328	59269	282812	35557	216862
Percentage of Recovery of Loans to Demand	81	94.4	66	70.2	56	69.3

Note:

StCBs: State Co-operative Banks

DCCBs: District Central Co-operative Banks

PACS: Primary Agricultural Credit Societies

Source: RBI Report on trend and progress of banking in INDIA, 2002 and 2021.

Table 1 unveils the progress of short term cooperative credit institutions during the study period 2002-2021. The number of StCBs witnessed an increase from 30 in 2002 to 33 in 2021, whereas the number of DCCBs declined from 368 in 2002 to 351 in 2021. PACS have increased to 102559 in 2021. The membership of StCBs registered a ten folds rise in 2021 when compared to 2002, DCCBs witnessed a four folds rise and the membership of PACS rose to 1025590 in 2021. Owned funds of StCBs, DCCBs and PACS rose to 27476, 57969 and 42310 in 2021 respectively. Deposits of StCBs expressed a growth by 512.9%, DCCBs increased by 159.52% and PACS witnessed an increase by 1167.87%. Borrowings of StCBs, DCCBs and PACS accounted to 100482, 100755 and 143044 crores in 2021 respectively. In 2021, Working capital of StCBs, DCCBs, PACS increased by 563.39%, 425.65% and 544.94% respectively. The Loans and Advances issued and outstanding of StCBs stood at 186451 and 166328

crore in 2021. The Loans and advances issued and outstanding of DCCBs accounted to 276311 and 282812 crore in 2021 respectively. PACS witnessed an increase in both Loans, Advances issued and outstanding which was estimated at 229443 and 216862 crore in 2021.

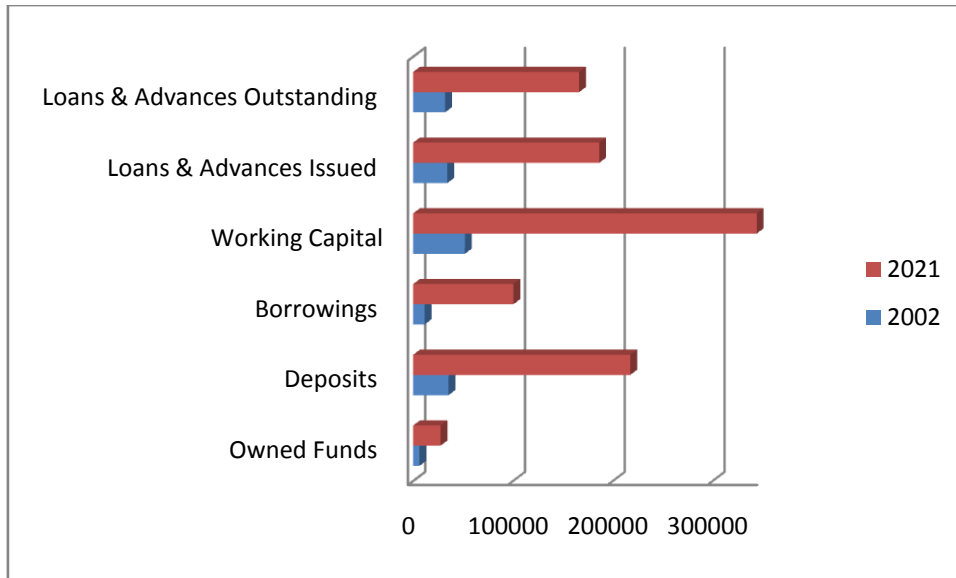


Figure 4: Owned funds, Deposits, Borrowings, Working capital, Loans & Advances Issued, Outstanding of StCBs in 2022 and 2021

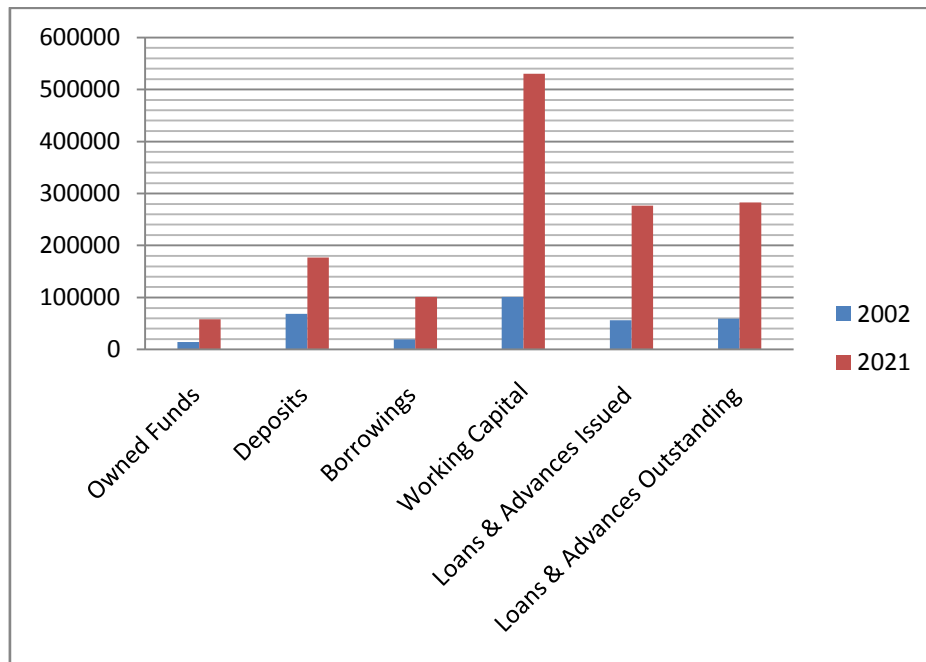


Figure 5: Owned funds, Deposits, Borrowings, Working capital, Loans & Advances Issued, Outstanding of DCCBs in 2022 and 2021

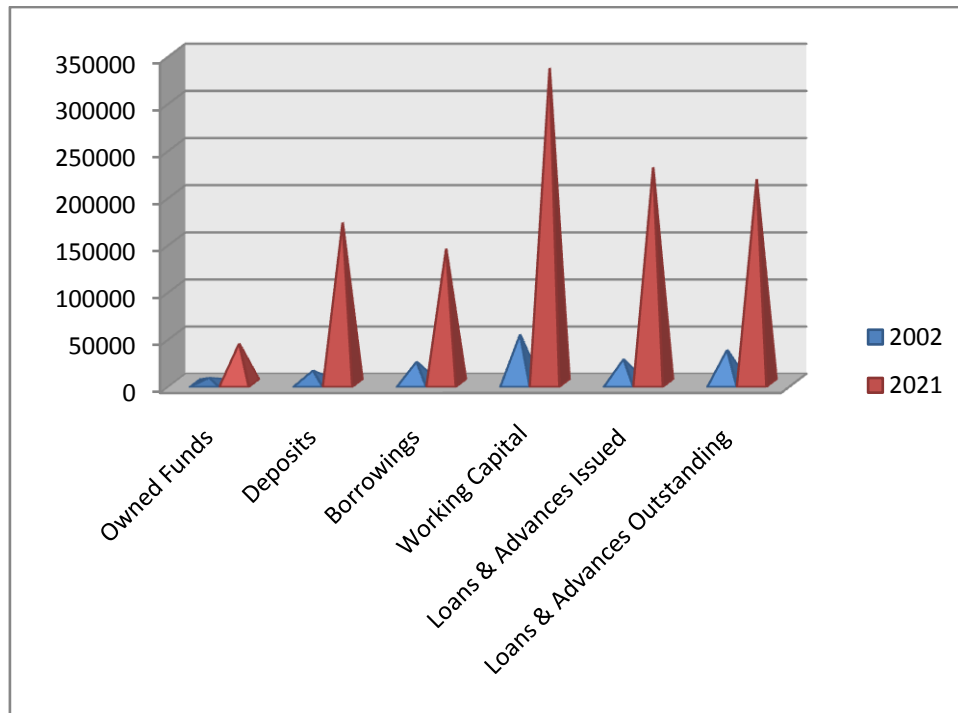


Figure 6: Owned funds, Deposits, Borrowings, Working capital, Loans & Advances Issued, Outstanding of PACS in 2002 and 2021

CONCLUSION:

Although PACS battling with numerous stumbling blocks, 46,930 of them are profit-making as of march 31, 2019, with combined profit of rs.5949 crore as per NAFSCOB data.² The Government of India, is taking necessary measures periodically to strengthen India’s cooperative architecture and to enhance the sustainability of PACS. The new National Policy on Cooperatives include digitalization of PACS, Reduction in surcharge for Cooperative societies from 12% to 7%, Diversification of business activities of PACS, Training and education in the cooperative sector etc . Hope the new national policy is the end of hard times for cooperatives.

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