A Study on the Benefits and Challenges of Cooperative Banking Finances to Borrowers in Nagaland; A Descriptive Study

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Abstract
Banking industry plays a dynamic role in an economy. The usage of financial instruments like investments and loans are the key to the success of business activities worldwide. It accepts deposits from the savers and lends the same to the borrowers. Banking system promotes the growth and development of the overall sector of the economy. It allows expansion of economic activities, provides employment opportunities, increase generation of income and improves the living standard of the people. It also defines the economic conditions of the countries of the world. In India, the Government of India started the Cooperative movement in 1904 to tackle the problem of usury and rural indebtedness. This paper studies the lending practices of the banks to its borrowers. In this regards, financial inclusion based on loan disbursements to borrowers is considered a policy priority for improving the living standards of the people in particular and the economy in general. Cooperative banking finances are safe and plays a vital role in the banking and financial system worldwide. It aims to provide mutual help to both the savers and borrowers and ensures sustainability of the cooperative banks. It also studies the different types of loans that are available with the banks. Furthermore, suggestions in regards to adopting the latest banking techniques are also being made. This paper emphasizes the active participation of cooperative banks and its impact in terms of finances to the borrowers in Nagaland with special reference to Phek District.

Key Words: Cooperative Banks, impact, lending practices.
I. INTRODUCTION

Agriculture is the backbone of the Indian economy where about 58% of the Indians depend on the agricultural sector for their livelihood. Gross Value Added by agriculture, forestry, and fishing was estimated at Rs. 19.48 lakh crore (US$ 276.37 billion) in FY20. Share of agriculture and allied sectors in gross value added (GVA) of India at current prices stood at 17.8% in FY20. The Indian food and grocery market contributes 70% of the sales and is the world’s sixth largest. The Indian food processing industry is one of the largest industries in India and accounts for 32% of the country’s total food market; Principal agricultural commodities export for April-December 2020 was US$ 28.47 billion. (Anonymous 2021)

Co-operative banks are regulated by the Reserve Bank of India (RBI) under the Banking and Regulation Act, 1949 and Banking Laws (Application to Cooperative Societies) Act, 1965. They are registered under the State Cooperative Societies Act of 1912. Co-operative banking system in India aims at providing mutual help and serves under the motto of ‘no-profit-no-loss’. They follow the cooperative principles of one person, one vote. A Board of Director is chosen democratically and then they are responsible for controlling the organization and manage their own operations, but most strategic decisions require approval from a central office. (Economics discussions)

Cooperative banks have made significant contributions to various sectors of the economy and have achieved voluminous growth. They help in changing the socio and economic life of the people residing in both rural and urban areas. They perform multiple functions like administration, supervising, financing and developing the credit system. They acts as a financial intermediary to agricultural and allied activities, small scale industries, and self-employed workers by providing easy and accessible loans and credit facilities to both its members and non-members.

II. REVIEW OF LITERATURE

Paolo Coccorese and Sherrill Shaffer in their study, “Cooperative banks and local economic growth” have studied the impact of cooperative banks on local economic development. His studies shows that cooperative banks plays a distinct role in enhancing the local economic performance – particularly employment, income and firms’ growth rates and plays a more effective role in comparison to conventional banks. This evidence upholds the view that their more widespread presence would be beneficial, especially in those areas that suffer from lower economic growth and accords with other studies underlining the decisive role of cooperative banks in supporting traditional credit provision to local borrowers.

Shaktikanta Das (2021) in his address “Financial sector in a new decade” said that banks need to address the financing needs of new sunrise sectors without undermining the traditional sectors of the economy. He further stressed on the importance to bear in mind that unlike the global financial crisis (GFC) of 2008 when
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financial sector vulnerabilities impacted the real sector, this time the risk of contagion is from the real sector to the financial sector.

Victoria Duff (2019) in her study “Importance of Finance & Its Role Within Business” studies the strategic use of financial instruments, such as loans and investments are the key to the success of every business. Financial trends also define the state of the economy on a global level, so central banks can plan appropriate monetary policies. The study also found out that finance is the elixir that assists in the formation of new businesses, and allows businesses to take advantage of opportunities to grow, employ local workers and in turn support other businesses and local, state and federal government through the remittance of income taxes.

Marcela Vasquez-Leon et al (2017) in her study “Cooperatives, grassroots development, and social change: Experiences from rural Latin America” studied about cooperatives, grassroots development and social change based on the experiences from rural Latin America. It addresses issues and opportunities that present themselves to smallholder agricultural cooperatives in selected regions of Brazil, Colombia and Paraguay. It discusses how these enterprises react to confront the challenges of operating successfully in a global economy that will reward winners and leave poor performers out of the marketplace.

Zulfiqar Ali and Mansur Ahmed in their study (2014) “Public Sector Microfinance and Rural Wellbeing” studied the impacts of public microfinance on rural wellbeing using primary household survey data with microfinance programmes of the Bangladesh Rural Development Board (BRDB) as the main focus. The paper uses propensity score matching (PSM) technique to evaluate the performance of BRDB’s program. The result shows that program households are better-off compared with the control households in terms of per-capita annual earnings and spending and cultivable land holding. It constructs composite indexes for human capital, livelihood, non-land asset and women empowerment; and finds that program households are better-off in terms of all composite indexes except human capital index.

Lee Ladhar (2007), in his speech on Basel II and Credit Risk Management points out the significance of credit risk in the banking operations. The study found out that credit risks claims the largest share of the regulatory capital. In this regards, Basel II framework provides the right incentives and creates an enabling environment to manage credit risks.

Kalyankar (1983) in his paper titled, “Wilful Default in Loans of Cooperatives” emphasized that in primary agricultural credit society’s level, working capital, irrigation facility and cropping are the main contributory factors for overdues. To examine the specific progress made by Central Co-operative Bank of Parbhani District, socioeconomic factors were also taken into consideration.
III. OBJECTIVES

- To study the benefits of cooperative banking finances to borrowers in Nagaland.
- To identify the challenges faced by the borrowers.
- To suggest policy implications and conclusion.

IV. RESEARCH METHODOLOGY

The study is theoretical and based on observation and secondary sources (interaction with the bank officials and employees, annual reports of the banks, government reports, libraries, various books, published articles, academic journals, magazines and web sources).

Results and Discussions

Nagaland is a beautiful state in North-East India. It attained its statehood on 1st December 1963, becoming the 16th state of India. The state has an area of 16,579 square kilometres (6,401 sq mi) with a population of 1,980,602 according to 2011 census of India. Nagaland covers an area of 16,579 sq. kms and lies between 25°06’ and 27°04’ latitude North of Equator and between the longitudinal lines 93°020’ and 95°015’ east. The state is known for its diverse cultures and traditions. 70% of the economy of the state comes from the agricultural sector.

Nagaland is a home to 16 major tribes namely, Angami, Ao, Chakesang, Chang, Khiamniungan, Konyak, Kuki, Lotha, Phom, Pochury, Rengma, Rongmai, Sangtam, Sumi, Yimchunger, Zeliang. Indian English is the official language and is the medium of education in Nagaland. The largest religion of the Nagas is Christianity. As of 2019, there are 12 districts in Nagaland. Nagaland has a high literacy rate of 80.1 percent. Nagaland is known in India as the land of festivals.

The most famous festival is the Hornbill Festival. It is celebrated every year between 1 and 10 December. All the Naga tribes take part in the festival. The state is rich in flora and fauna and is bordered by Arunachal Pradesh to the north, Assam to the west, Manipur to the south and Myanmar to the east. Kohima is the capital city of Nagaland and Dimapur, also known as the commercial hub of Nagaland is the largest city. Pfutsero, a sub division of Phek District is the highest altitude town and is the coldest place in Nagaland. (Tourism in North East India)

The Nagaland State Cooperative Bank: An Overview

The Nagaland State Co-operative Bank Ltd. is a Government of Nagaland undertaking. The foundation of this bank was laid on 25th October 1966 by Late Akum Imlong, the then Hon’ble Minister for Cooperative Banks and was established on 04th November 1966. The Reserve Bank of India granted license to the bank on 06th April 1967. The bank was formally inaugurated by Late Dr. Hokishe Sema, the then Hon’ble Minister of Finance, Government of Nagaland on 21st April, 1967. It is the second largest banking sector with 21 branches in different parts of Nagaland with its head office at Nagaland State Cooperative Bank building, Circular Road, Khermahal, Dimapur. It is a fully computerized bank having the facilities of NEFT/RTGS, DBT, with a total number of 18 ATMs (17 ATMs + 1 Mobile ATM) across the state.
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**TABLE 1**

| Sl.No. | Name of the Branch | Address | Telephone No. | Date of Opening |
|--------|-------------------|---------|---------------|-----------------|
| 1.     | Dimapur (Main)    | Jasokie Market 1st Floor, G.S. Road, Dimapur | 03862-225252 | 21.04.1967 |
| 2.     | Mokokchung        | Near Police Point, Mokokchung Town | 0369-226292 | 05.03.1968 |
| 3.     | Kohima (Main)     | Opp. NST Complex Main Town, Kohima | 0370-2291472 | 01.06.1970 |
| 4.     | Tuensang          | Near D.C’s Office Tuensang Town | 03861-220451 | 17.05.1974 |
| 5.     | Wokha             | Near Treasury Office Public Ground Rd. Wokha | 03860-223134 | 24.10.1975 |
| 6.     | Medziphema        | SASRD Campus Rd, Medziphema Town | 03862-247261 | 26.01.1976 |
| 7.     | Zunheboto         | Near D.C’s Office Main Town, Zunheboto | 03867-220475 | 26.10.1976 |
| 8.     | Jalukie           | Main Market, Bus Stand, Jalukie, Peren | 03839-220247 | 12.01.1977 |
| 9.     | Tuli              | Opposite Police Station, Amguri Road, Tuli | N/A | 28.11.1979 |
| 10.    | Pfutsero          | High School Road, Pfutsero | 03865-262124 | 26.02.1980 |
| 11.    | Kiphere           | Near Treasury Office Kiphere | 03863-225526 | 20.05.1983 |
| 12.    | Phek              | Opp. Statistical Office New Town, Phek | 03865-223151 | 13.08.1985 |
| 13.    | N.S.A.            | Naga Shopping Arcade, Litapu Building, Dimapur | 03862-232425 | 09.05.1986 |
| 14.    | Changtongya       | Amguri Road, Changtongya Town | 0369-263247 | 05.09.1986 |
| 15.    | P.R.Hill          | Opp. Directorate of State Lottery Bldg. P.R.Hill Kohima | 0370-2221703 | 19.12.1987 |
| 16.    | Tseminyu          | Tseminyu New Town | 0370-235015 | 17.01.1991 |
| 17.    | Mon               | Opp. Post Office Main Town, Mon | 03869-221333 | 04.10.1991 |
| 18.    | H.S. Jn.          | High School Rd. Junction, Kohima | 0370-2270487 | 25.11.1993 |
| 19.    | Chozuba           | Opp. B.O.C. Chozuba Town | 03865-263132 | 10.08.1994 |
| 20.    | Chumoukedima      | 1st Gate Police H.Q., Chumukedima | 03862-240863 | 05.07.2002 |
| 21.    | H.O. Complex      | NSCB Administrative Bldg. Khermahal, Dimapur | 03862-230767 | 30.06.2009 |

Sources: Nagaland State Cooperative Bank Ltd. Nagaland.
Benefits of Cooperative Banking Finances to Borrowers in Nagaland

Cooperative bank plays a dynamic role towards meeting the demands of the economy. Its main aim is to include comprehensively the cooperative principles and a strong financial system in the state. The bank provides short, medium and long term loans. The bank also provides agricultural loans in the form of Crops loans (Society & KCC), Term loans-direct agriculture and Allied activities, VDB-Micro Finance (RFA) to Self Help Groups, Joint Liability Groups, and Farmers Club, implementing the Swaran Jayanti Gram Swarozgar Yojna, Agricultural Clinic and Agricultural Business Centre (ACABC). The bank also provides Non-Agricultural Loans in the form of Cash Credit, General Credit Card, SRTO/Car Loans, Personal Loans (CDL), and MSMF Loans, Loans are also provided to Government Sponsored Programs, Church Sponsored Programs, and Loans under Service Sector. (Nagaland State Co-operative Bank, Ltd.)

The Cooperative Banks Release Financial Assistance in a Phase Wise Manner

**TABLE 2**
**FINANCIAL ASSISTANCE GIVEN TO COOPERATIVE SOCIETIES DURING 2016-17**

| S N | Type of Scheme | Kohima | Dimapur | Mokokchung | Tuisang | Wokha | Zunheboto | Phom | Moring | Kiphiri | Longleng | Peren | Mangkolemba | Nagaland |
|-----|----------------|--------|---------|------------|---------|-------|----------|------|--------|--------|---------|-------|-----------|---------|
| 1   | MPC S Ltd     | 1      |         |            | 1       | 1     |          |      |        |        |         | 1     |            | 4       |
| 2   | Thrift & Credit |        |         |            |         |       |          |      |        |        |         |       |            |        |
| 3   | Agri & Allied |        |         |            |         |       |          |      |        |        |         |       |            | 3       |
| 4   | Weaving & Industrial |    |         |            |         |       |          |      |        |        |         |       |            | 1       |
| 5   | Fishery       |        |         |            |         |       |          |      |        |        |         |       |            | 0       |
| 6   | Handloom & Handicraft |    |         |            |         |       |          |      |        |        |         |       |            | 1       |
| Total|                | 1      | 1       | 1          | 1       | 1     | 1        | 1    | 1      | 1      | 1       | 1     | 1         | 10      |

Sources: Registrar of Co-operative Societies
The above table represents the financial assistance given to cooperative societies from the year 2016 to 2017 to 14 districts of Nagaland. The table shows that MPCS Ltd. has received the highest amount of financial assistance with Kohima, Wokha, Zunheboto and Peren Districts availing the scheme. Followed by Agriculture and Allied Scheme provided to Mokokchung, Tuensang and Phek Districts. Thrift and Credit scheme provided to Dimapur District, Weaving and Industrial Scheme provided to Mon District, Handloom and Handicraft Scheme provided to Longleng District.

TABLE 3
RELEASE OF FINANCIAL ASSISTANCE TO COOPERATIVE SOCIETIES UNDER INTEGRATED CO-OPERATIVE DEVELOPMENT PROJECT (ICDP) DURING 2018-19 (IN LAKHS)

| SN | District | No. of Assisted Societies | Loan | Share Capital | Subsidy | Total |
|----|----------|---------------------------|------|---------------|---------|-------|
| 1  | Kohima   | 41                        | 143.1| 100.17        | 42.93   | 327.2 |
| 2  | Peren    | 15                        | 52.5 | 57.22         | 19.36   | 144.08|
| 3  | Tuensang | 57                        | 149.37| 125.8        | 46.57   | 378.85|
| 4  | Kiphire  | 45                        | 82.24| 61.29         | 25.32   | 213.85|
| 5  | Longleng | 31                        | 42   | 37.84         | 13.2    | 124.04|
|    | Total    | 189                       | 469.21| 382.32       | 147.38  | 1187.91|

Sources: Registrar of Co-operative Societies

The above table 3 shows that Tuensang District of Nagaland has 57 assisted cooperative societies in the year 2018-19. The total amount of financial assistance given to the district inclusive of loan, share capital and subsidy is Rs.378.85 lakhs which is the highest in the state. Followed by Kohima District with has 41 assisted cooperative. The total amount of financial assistance given to the district inclusive of loan, share capital and subsidy is Rs.327.2 lakhs which is the second highest in the state. The least amount of financial assistance given was Peren District with Rs.144.08 lakhs to 15 cooperative societies in the district.

It is inferred from Table 2 and 3 that Cooperative banks are providing financial assistance to its branches established in different districts. In many ways these schemes have impacted the lives of the borrowers. With the various credit facilities, the borrowers are able to carry out a lot of activities in different sectors of the economy and improve their living standards. The Nagaland State Cooperative Banks gives its borrowers a stipulated period of time to repay back their loans. In cases of uncertainties or natural calamities, the borrowers are unable to repay back their loans on time. In such a situation, the bank extends the time period repayment of the loans. The borrowers can also avail new credit facilities with which they can carry out new activities. With this, they can repay back the loans to the banks.
Challenges

Cooperative banking services can be expanded in the state. This will expand its contribution to the state’s economy by generating more income and employment opportunities. A good number of research activities will expose the potentialities of the banks to the beneficiaries to avail the schemes provided by the banks. It will also help to know the impact and implementation of these schemes in practical field. However, there are some drawbacks. These drawbacks can be removed by adopting the following measures:

1. Many cooperative members do not avail the services provided by the banks due to limited knowledge about the various banking facilities provided by the banks. Therefore, the members should be well informed.
2. Ignorance about various credit facilities provided by the banks is also a major drawback. Therefore, the banks should revitalize the existing credit facilities so that its members can get timely credits to carry out its activities.
3. Another problem is that state cooperative banks do not ensure the borrowers of getting smooth credit facilities because of the restrictions imposed on them by the cooperative legislation to formulate their own policies to invest funds. Therefore, fewer restrictions should be imposed on the banks so that they can exercise its policies efficiently to invest funds.
4. Educational programmes, workshops and seminars can be conducted to impart the knowledge about banking techniques and usage of banking facilities to both its members and non-members. This will increase the performance of the banks and also increase the enrollments of new members to the banks.
5. Limited mobility of resources which is mainly caused due to low credit recovery level and high cost of transaction is also a major constraint. Therefore, credits taken by the borrowers should be repaid back on time and cost of transactions should be lowered.
6. Interest rates should be administered on timely basis. This will benefit both the banks and the borrowers.

V. FINDINGS

It is observed that the bank provides satisfactory and quality services to the borrowers:

- Bank follows a simple procedure to avail loans.
- Fewer formalities and easy repayment policies.
- Timely processing of loans by the banks.
- Installment policies of loan repayments by the borrowers.
VI. SUGGESTIONS

- To expand the banking penetration in the state.
- To establish more branch networks of cooperative societies in more regions of the state.
- To improve the customer services of the banks.
- To introduce new schemes to attract new customers while satisfying the present ones.
- To expand the banking facilities to meet the demands of more customers.

Limitations

- The study is descriptive and is based on observation and secondary sources.
- The provided data are of the past years.
- Limited time period to gather information.

VII. CONCLUSION

This study can be concluded that cooperative banks have their own share of benefits and challenges. It is observed that the success of cooperative banks is determined by a number of variables like, expansion of man power in the banks, proper implementation of its policies and programmes, providing quality customer services, effective communication, satisfaction level of its customers, usage of latest banking techniques, introduction of new schemes while successfully implementing the old schemes, active participation of its members in workshops and training programs organized by the banks, enrollment of new members while satisfying the old members and implementing support packages to benefit its members as well as non members, reasonable prices of its products, timely issuance of credit facilities to borrowers, lower interest rates on loans and higher interest rates on deposits. The result reveal that the borrowers of cooperative bank of Nagaland are benefitted from the banking finances provided by the banks however there is also its own share of problems and challenges faced by the borrowers.

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