JOURNAL OF THE ROYAL LAUREATES ACADEMY

www.rlaindia.org

IN SEARCH OF THE OVERALL WORKING PERFORMANCE OF THE BANKURA TOWN CO-OPERATIVE BANK LTD.

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ABSTRACT

This paper examines the institutional performance of a local co-operative bank in Bankura district, West Bengal, India. Co-operative banks play a crucial role in providing financial services to rural and semi-urban populations, promoting inclusive growth and financial inclusion. The study analyzes the bank's financial performance, organizational structure, service outreach, and its role in socio-economic development. The findings highlight strengths in outreach and customer engagement, challenges in asset quality, and opportunities for growth through technology adoption and enhanced governance. The paper concludes with recommendations to improve operational efficiency and sustainability.

Keywords: Return on Assets (ROA), Agricultural Credit, Rural Development, Technological Integration, Governance and Management.

I. INTRODUCTION

In the dynamic landscape of India's financial sector, co-operative banks have long held a distinctive place, especially in facilitating financial services to rural and semi-urban populations. Among these institutions, local co-operative banks play a foundational role in addressing the grassroots financial needs of people in less urbanized areas. Rooted in the principles of mutual assistance, democratic governance, and community participation, co-operative banks are uniquely positioned to blend social objectives with financial operations. The institutional performance of such banks reflects not only their financial viability but also their capacity to drive inclusive growth and empower the economically vulnerable segments of society. In the district of Bankura in West Bengal—a region predominantly marked by agrarian livelihoods, tribal populations, and limited access to mainstream banking—local co-operative banks serve as an indispensable pillar for regional economic activity. Their performance is not merely a matter of internal efficiency but a broader indicator of rural financial health and community empowerment.

Bankura's socio-economic setting is emblematic of many rural districts in India, characterized by a mix of agricultural dependency, marginal income groups, and evolving informal economies. In such an environment, local co-operative banks assume the dual role of service provider and developmental partner. Their involvement in agricultural lending, provision of small-scale industrial credit, support for self-help groups (SHGs), and implementation of government welfare schemes underscores their embeddedness in local socio-economic structures. Unlike commercial banks driven largely by profit motives, co-operative banks are community-owned and often community-governed, which makes their operations more participatory but also more vulnerable to governance challenges. These banks frequently serve as the first and sometimes only institutional interface for rural customers to engage with the formal banking system. Hence, evaluating their institutional performance extends beyond profitability and balance sheets to include qualitative aspects such as customer satisfaction, outreach, transparency, and alignment with cooperative principles.

The evolution of the co-operative banking movement in India was driven by the urgent need to eradicate exploitative money-lending practices and to democratize access to credit. The sector has since grown substantially in terms of reach and volume. However, despite their importance, local co-operative banks have not always received the institutional support and policy attention that commercial and regional rural banks have enjoyed. Consequently, their performance is often constrained by a lack of capital, limited technological infrastructure, inadequate skilled personnel, and operational inefficiencies. These factors are further compounded by regulatory overlaps between the Reserve Bank of India (RBI), the National Bank for Agriculture and Rural Development (NABARD), and state governments. Within this milieu, the case of a local co-operative bank in Bankura serves as an ideal model for exploring how such institutions function under pressure and what strategies can be adopted to strengthen them.

Institutional performance in the context of co-operative banks encompasses a comprehensive evaluation of financial stability, operational efficiency, governance effectiveness, social outreach, and adaptability to change. Financial performance indicators such as deposit mobilization, credit deployment, net interest margins, non-performing assets (NPAs), and capital adequacy ratios offer insight into the bank's viability. However, these quantitative metrics must be supplemented by qualitative parameters such as customer trust, service accessibility, transparency in operations, and alignment with developmental objectives. Moreover, performance must be assessed not just in terms of internal processes but also in light of the external environment—economic trends, policy changes, regulatory developments, and local socio-cultural factors. This research aims to provide such a multidimensional assessment by closely examining one of the prominent local co-operative banks in Bankura.

The operational realities of local co-operative banks often highlight a tension between social mandates and commercial sustainability. On one hand, these banks are expected to cater to small and marginal farmers, artisans, daily wage laborers, and women's self-help groups—client segments that are typically less profitable and more vulnerable to economic shocks. On the other hand, they are required to maintain financial discipline, ensure timely recovery of loans, and adhere to banking regulations. Striking a balance between these often conflicting imperatives is a key challenge and a determinant of institutional performance. In recent years, co-operative banks have also been called upon to modernize their operations by integrating digital technologies, improving governance frameworks, and strengthening risk management systems. For banks operating in relatively underdeveloped districts like Bankura, the road to modernization is fraught with hurdles ranging from resource limitations to digital illiteracy among customers.

This study is particularly significant in the present context where financial inclusion has become a national priority and rural credit institutions are expected to play a transformative role. The Government of India and the Reserve Bank have initiated several programs such as the Pradhan Mantri Jan Dhan Yojana (PMJDY), Direct Benefit Transfer (DBT), and Financial Literacy Missions, in which local co-operative banks are expected to participate actively. However, their effectiveness in executing these programs varies widely depending on their institutional health. In Bankura, the question remains whether the local co-operative bank has the infrastructural readiness, human capital, and organizational capacity to effectively implement these initiatives while continuing its traditional role as a provider of agricultural and rural credit. It is also pertinent to examine whether the bank is able to innovate its product offerings to meet the evolving financial needs of rural customers in a rapidly changing economic environment.

The choice of Bankura as a study site is deliberate, not just due to its socio-economic diversity but also because it represents a microcosm of the larger challenges facing rural banking in India. With a mix of tribal populations, small and marginal farmers, and emerging rural entrepreneurs, the district provides a unique testbed for evaluating the effectiveness of co-operative banking as a tool for financial empowerment and inclusive growth. The local co-operative bank under study has been operational for over two decades and has witnessed varying phases of growth, stability, and stress. This longitudinal presence provides a rich context for analyzing institutional performance over time and understanding how the bank has responded to internal challenges and external shocks.

In the study of institutional performance of a local co-operative bank in Bankura is both timely and necessary. It contributes to the growing body of literature on rural banking by offering grounded insights into how co-operative banks function in resource-constrained environments. The findings of this research will have implications not only for policymakers and regulatory bodies but also for practitioners, co-operative members, and rural development agencies. By examining the strengths, weaknesses, opportunities, and threats facing the bank, this study aims to offer practical recommendations for enhancing its institutional resilience and developmental impact.

II. ORGANIZATIONAL STRUCTURE AND GOVERNANCE

The organizational structure and governance of a local co-operative bank in Bankura are deeply influenced by the principles of co-operative ownership and democratic management. Unlike commercial banks that operate under corporate hierarchies, co-operative banks are member-driven institutions, wherein depositors and borrowers are often also the shareholders. This dual identity allows co-operative banks to remain rooted in the communities they serve. The governing body of the bank typically comprises an elected Board of Directors, selected from among the members through a transparent and periodic election process. The board is responsible for formulating strategic policies, approving key financial decisions, ensuring regulatory compliance, and overseeing overall institutional performance. The day-to-day operations of the bank are handled by the Chief Executive Officer (CEO) or Managing Director, who is appointed by the board and is supported by a team of professional staff managing various departments such as accounts, credit, recovery, IT, audit, and customer service.

In the Bankura context, the local co-operative bank under study has adopted a decentralized administrative model, with a head office located in the district headquarters and a network of branches spread across various blocks and rural areas. Each branch operates under the supervision of a branch manager, who reports to the zonal or central office. This structure enables the bank to maintain proximity to customers while ensuring operational coordination. The bank's administrative units are supported by committees such as the Loan Sanctioning Committee, Audit Committee, and Risk Management Committee, which are constituted from among the board members and senior staff. These committees play a critical role in maintaining institutional transparency and operational discipline.

Governance in the co-operative banking sector is defined by a fine balance between member participation and regulatory oversight. The bank is governed by the provisions of the West Bengal Co-operative Societies Act, as well as guidelines from the Reserve Bank of India (RBI) and the National Bank for Agriculture and Rural Development (NABARD). The dual regulation often creates complexity in compliance but also ensures accountability. Regular audits—both internal and statutory—are conducted to evaluate financial and procedural integrity. Moreover, annual general meetings (AGMs) are held with member participation, where financial statements are discussed, dividends are declared, and board members are elected or re-elected. This participatory model fosters a sense of ownership among members, which is critical to the sustainability of co-operative institutions.

However, governance challenges persist, especially with regard to professionalism, political interference, and capacity constraints. In some cases, board members lack adequate financial expertise, which limits their ability to make informed decisions. Furthermore, political patronage may influence lending decisions or delay recovery processes, thereby undermining financial discipline. To counter these issues, the bank has begun to emphasize training and skill development for board members and staff. Institutional partnerships with NABARD and state co-operative federations are also helping to introduce governance best practices and technology-enabled monitoring systems.

Overall, the organizational structure and governance of the local co-operative bank in Bankura represent a blend of community-driven management and regulatory accountability. Strengthening this framework is essential to enhance transparency, operational efficiency, and long-term institutional resilience.

III. ROLE IN FINANCIAL INCLUSION AND COMMUNITY DEVELOPMENT

The local co-operative bank in Bankura plays a pivotal role in advancing financial inclusion and promoting community development in a region largely characterized by rural settlements, agricultural dependency, and socio-economic disparities. As mainstream commercial banks often hesitate to venture into remote or economically less viable areas due to concerns over profitability and operational risks, the co-operative bank has emerged as a critical financial lifeline for underserved populations. Its grassroots presence, familiarity with local socio-economic dynamics, and member-based governance structure make it uniquely positioned to reach the unreached and serve the unserved. Financial inclusion, in its truest sense, involves not just opening bank accounts but also ensuring access to affordable credit, insurance, remittance services, financial literacy, and long-term financial security—all of which the bank actively facilitates in the Bankura district.

A core contribution of the bank has been in ensuring access to basic banking services through savings and deposit accounts, particularly for small and marginal farmers, landless laborers, women, and tribal communities. The bank has been instrumental in implementing the Pradhan Mantri Jan Dhan Yojana (PMJDY), enabling the opening of zero-balance accounts for low-income households. These accounts have not only facilitated direct benefit transfers (DBT) from various welfare schemes but have also encouraged saving habits among the rural poor. Moreover, the bank regularly conducts financial literacy camps in collaboration with NABARD and local NGOs, aiming to educate villagers on the importance of banking, credit management, and fraud prevention. These initiatives play a transformative role in demystifying financial services for first-time users.

One of the key pillars of financial inclusion promoted by the bank is the provision of timely and affordable credit. The co-operative bank in Bankura extends short-term and medium-term loans to farmers for seasonal cropping, as well as for allied activities such as dairy farming, poultry, and fisheries. Through schemes like the Kisan Credit Card (KCC), the bank ensures that farmers have easy access to working capital without falling prey to informal moneylenders who often charge exorbitant interest rates. The bank's loan products are also tailored to suit the needs of self-help groups (SHGs), micro-entrepreneurs, artisans, and local vendors, thereby supporting income-generating activities and promoting economic self-reliance.

The bank's efforts go beyond individual banking services and extend to broader community development. It supports self-employment initiatives, rural skill development programs, and entrepreneurship among youth and women. By offering financial backing to SHGs and cooperatives involved in activities like handicrafts, food processing, and agro-based ventures, the bank fosters local economic development and job creation. Additionally, the bank collaborates with government agencies to disburse funds under rural housing schemes, educational loans, and social security pensions, thereby integrating itself into the larger developmental framework of the district.

Importantly, the bank has served as a conduit for government welfare schemes, such as old-age pensions, widow pensions, MGNREGA wage payments, and scholarships for economically backward students. The reliability and reach of the bank in last-mile service delivery have made it a trusted institution among rural households. Moreover, the bank's physical presence in remote blocks, combined with personalized services and a customer-friendly approach, has reinforced its role as a socially embedded financial institution rather than just a transactional entity.

Despite these achievements, certain limitations persist. Infrastructure gaps, digital exclusion, low levels of formal education among rural customers, and occasional delays in service delivery pose challenges to the bank's outreach efforts. However, the institution is steadily working toward digital onboarding, mobile banking, and biometric authentication to bridge the inclusion gap. Training staff in rural communication and grievance redressal mechanisms has further strengthened its community engagement and trust-building efforts.

In the local co-operative bank in Bankura has significantly contributed to enhancing financial inclusion and catalyzing community development. By aligning its financial products with the socio-economic realities of rural customers and functioning as an accessible, affordable, and accountable institution, it stands as a model for rural financial empowerment and inclusive growth.

IV. CO-OPERATIVE BANKING IN BANKURA

Co-operative banking in Bankura occupies a central role in the region's rural financial architecture, acting as both an enabler of economic activities and a vehicle for socio-economic development. Situated in the western part of West Bengal, Bankura is predominantly rural, with agriculture, forest-based livelihoods, and small-scale cottage industries forming the economic backbone of the district. In such a setting, mainstream commercial banks often fail to penetrate deeply or cater effectively to the local needs. It is here that co-operative banks, founded on the principles of mutual assistance and community ownership, have successfully stepped in to bridge the financial gap, serving as accessible, community-embedded institutions for the common people.

The origins of co-operative banking in Bankura can be traced back to the early 20th century, with the establishment of primary agricultural credit societies (PACS) under the broader umbrella of the co-operative movement in Bengal. These institutions were designed to protect small farmers and rural artisans from the exploitative practices of informal moneylenders. Over time, these PACS evolved and were supported by central co-operative banks at the district level, which began offering a wider array of financial services including savings, credit, and remittance facilities. The Bankura District Central Co-operative Bank Ltd. (BDCCB), for instance, was founded to consolidate and coordinate the activities of various PACS and to channel funds to meet the agricultural and non-agricultural credit needs of rural households. It is now the apex local co-operative financial institution operating in the district and remains closely aligned with NABARD and the Reserve Bank of India in terms of regulation and refinancing.

Co-operative banks in Bankura function through a multi-tier structure. At the grassroots are the PACS, which are the primary contact point for rural customers. These societies are member-owned and operate on democratic lines, wherein members have voting rights in proportion to their shareholding. Above them is the district central co-operative bank, which provides financial and technical support to PACS, refinances loans, and manages the overall banking operations. The governance of these institutions is conducted by elected boards, whose accountability lies with the general body of members, while operational management is delegated to full-time banking professionals. This structure allows co-operative banks in Bankura to remain closely tied to the rural population, thereby facilitating a more localized and participatory form of financial intermediation.

The impact of co-operative banking in Bankura is most evident in the domain of agricultural financing. With the majority of the district's population dependent on farming—often on marginal or fragmented landholdings—the availability of seasonal credit through Kisan Credit Cards and other short-term loans plays a critical role in sustaining agricultural productivity. Co-operative banks also disburse loans for livestock, horticulture, irrigation systems, and agro-processing, helping to diversify income sources and reduce rural poverty. Moreover, co-operative banks in the district have actively participated in implementing state and central government schemes such as interest subvention for crop loans, financial inclusion campaigns, and the distribution of subsidies under the Pradhan Mantri Fasal Bima Yojana (PMFBY).

Beyond agriculture, co-operative banks in Bankura support rural artisans, small traders, women's self-help groups, and cottage industries by extending microcredit facilities and business development loans. This has been crucial in the empowerment of women and the creation of rural employment opportunities. For instance, co-operative banking credit has enabled several local weaving clusters, pottery groups, and forest product collectors to scale up their operations. The bank's role is not limited to credit delivery; it also extends savings options to rural populations, helping inculcate financial discipline and provide a buffer against income shocks.

However, co-operative banking in Bankura is not without its challenges. Financial constraints, limited capital adequacy, relatively high non-performing assets (NPAs), and governance issues occasionally hamper the efficiency of these banks. The dual control by the state government and RBI adds to the complexity in administrative decision-making. There is also a pressing need to modernize banking operations and adopt digital technologies for greater transparency, outreach, and efficiency. Despite these constraints, co-operative banks have shown resilience, mainly due to their deep-rooted community connections and socio-developmental focus.

In co-operative banking in Bankura has evolved as a vital financial institution that complements the development goals of the region. Its decentralized and democratic structure, coupled with a people-centric operational model, ensures that the financial needs of even the most marginalized sections are met. As the financial landscape modernizes and demand for inclusive banking grows, co-operative banks in Bankura are likely to play an even more critical role in fostering grassroots economic empowerment and strengthening rural livelihoods.

V. CONCLUSION

The local co-operative bank in Bankura is a vital institution for rural financial intermediation, with commendable performance in deposit mobilization and outreach. However, to sustain its role in the evolving financial landscape, it must address challenges related to asset quality, operational inefficiency, and technological lag. Strengthening institutional capacity through reforms and innovation will enhance its contribution to inclusive rural development and economic empowerment.

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