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## LOAN OPERATIONAL PERFORMANCE OF THE DISTRICT CENTRAL COOPERATIVE BANKS IN COIMBATORE AND SALEM DISTRICTS, COIMBATORE REGION, TAMILNADU

*Dr.P. Athmakaran Reddy, Assistant Professor, Dept. of Accounting & Finance, Wollo University, Ethiopia.*

### Abstract

Finance and financial management plays an important role in all types of organization. Financial management also plays an important role in cooperative enterprise. Cooperative banking structure has unique position in the rural credit system in the state over the years, with a vast net work, wide coverage and outreach extending to the state. Loan operation plays important role in the cooperative enterprises. DCCBs occupy a place of significance in the cooperative credit system. They act a spokesperson of the cooperative movement at District level. Inefficient functioning of cooperatives is due to bad debts, excessive overdue or otherwise investment. Therefore, the loan operation occupies an important place as the function of these institutions. Hence, the analytical study on the loan operation performance of the District Central Cooperative Banks in Coimbatore and Salem Districts, Coimbatore Region has undertaken. The results of the study will help in identifying the lacuna if any, in the loan operation performance of DCCBs and to frame loan operation policy and program toe the benefits of banks community.

**Key Word:** *Loan Operation, District Central Cooperative Banks (DCCBs).*

### 1.1 INTRODUCTION

The DCCBs usually provide loans to their affiliated cooperatives and individuals. They advance loans to the PACSs both for short-term and medium-term purposes. “Bulk of the short-term loans are for agricultural purposes such as seasonal agricultural operations, purchase of agricultural implements, marketing of crops, processing of agricultural produce and other agricultural purposes. Short-term loans for non-agricultural purposes such as industrial purposes, consumption loans and other purposes are also given.

The medium-term loans are provided for agricultural and non-agricultural purposes. The medium-term loans for agricultural purposes are given for purposes like sinking of or repairs to wells, purchase of machinery, purchase of cattle, animal husbandry activities, minor improvements to lands and other agricultural purposes. The non-agricultural purposes such as purchase of storage bins, purchase of shares in processing and industrial societies, industrial purposes, consumption loans and others”(Govt. of India: 1972). Short-term loans are given for the period upto 12 months while medium-term loans are given for one to three years. The member societies are entitled to draw funds under the limits sanctioned from time to time



according to its requirements. The loan operations of the banks are studied under the following headings.

- i) Beneficiaries
- ii) Loans issued
- iii) Proportion of each loan to total loans
- iv) Loan outstanding
- v) Over dues

## **1.2 STATEMENT OF THE PROBLEM**

The success of banks, by and large, depends upon the proper management of funds. The management of a bank has to manage the funds efficiently, direct them into profitable lines and control their use and investment. It has to keep a constant watch on the flow of funds to make sure that not only they are used to the best advantages but also that no financial difficulty arises in due course. It was noted that in India, nearly 49.3 per cent of agricultural credit is purveyed by the cooperatives and contributions of the DCCBs in this respect is considerable. Of late the DCCBs have also diversified their loans portfolio and are trying to meet competitions under globalization. Hence funds management of the DCCBs, an important issue and their financial performance is to be studied with their impact on solvency, profitability, productivity, etc., In this context, the questions apt to arise are. What is the proportion of owned funds and borrowed funds to total working capital? How the working fund is raised? What is the nature of flow of funds? To what extent are the dues recovered? What is the net business result? How are they working in terms of profitability? Whether the financial performances of the banks are in satisfactory manner in terms of solvency, productivity and other operational aspects?

To find out the answers to these questions, an analytical study had to be undertaken. The results of such studies will help to find out the problems, difficulties, impacts, etc., and to frame financial policies by the DCCBs for the benefit of the farmers, the community and other stakeholders.

## **1.3. STUDIES RELATED TO WORKING OF DCCBS**

**1.3.1. Sundhararaman R. and Malaikolunthu S,** (2010) studied on “A study on the working of Thiruchirapalli District Central Cooperative Bank”. The important findings of study were share capital, deposits, working capital increased and borrowings of the bank decreased. The profitability of the bank a fluctuating trend was observed during the period. The study has analyzed the performance evaluation with regard to deposit mobilization, issue of loans and advances, recovery of loans, financial aspects and views of employees of the bank. The study has revealed that the financial viability and profitability of the bank is moderate.

**1.3.2. Joel Eduvinraj D,** (2005) made a study on “Managerial effectiveness of the Kanyakumari District Central Cooperative Bank”. The major findings of the study revealed some important implications for planners and all those who are interested in the quality improvement of effectiveness of managers. Managerial effectiveness in central cooperative banks is a multi-faced phenomena and the effectiveness of managers or managerial effectiveness called forth urgent attention. Managerial effectiveness can be better judged in terms of certain behavioral attitudes of managers regarding their respective roles in the bank.



**1.3.3. Thanikodi R,** (2005) analyzed “Central Cooperative Banks in India. Problems and Remedies,” revealed the problems of Central Cooperative Banks in India and has given remedies to overcome the problems. The mobilization of more share capital from associate members, individuals to be admitted as permanent members, management should be made federal by ensuring majority members, management should be made federal by ensuring majority member of PACBs, new branches should be opened to cater to the needs of borrowing societies, identifying and access the saving potentials in systematic way, linking of loans with savings and recovery with harvest of crops and sufficient assistance from the state governments were some of the suggestion. Ultimately it will affect the operational efficiency of banks. He concluded that the success of the CCBs is to be judged by the manner in which they have promoted the healthy functioning and development of PACBs in rural areas. It is possible only by having a strong DCCB; the internal and external defects of the CCBs should be removed with a collective effort from the government, management, employees and public.

#### **1.4 OBJECTIVES OF THE STUDY**

The specific objectives of the present study are:

1. To analyze loan operation performance of NPA’s in the DCCBs, and
2. To offer suitable suggestions for the development of the DCCBs

#### **1.5 METHODOLOGY**

Mainly-analytical method has been followed for studying the loan operational performance of Coimbatore (CDCCB), Salam (SDCCB), District Central Cooperative Banks in Coimbatore and Salam Districts, Tamil Nadu. The secondary data were collected from the profit and loss account and balance sheet for the selected DCCBs.

#### **1.6 SAMPLING**

The present study has adopted the purposive sampling method for the selection of sample banks. Among the five cooperative regions (Chennai, Coimbatore, Trichy, Madurai and Tirunelveli) categorized by the Registrar of Cooperative Societies, Coimbatore region was purposively selected. The considerations kept in mind were that the Coimbatore region of Tamil Nadu is popular for Agriculture, Dairy and Industrial growth. Coimbatore and Salam banks were selected for the present study.

#### **1.7 SCOPE OF THE STUDY**

A strong network of the District Central Cooperative Banks is a prerequisite for the sound performance of the three tier cooperative credit structure. DCCBs not only provided much needed financial assistance to PACBs but also ensured the smooth flow of credit to various sectors in the district. The success of these banks depends on efficient management of funds. The study has mainly focused attention to study the loan operation of the two DCCBs in Coimbatore Region. The results of this study will help in identifying the lacuna if any in the loan operation of the DCCBs and to frame financial policies and programme to the benefit of the banks and the community.



### **1.8 PERIOD COVERED BY THE STUDY**

The period of the study has been taken-up from the financial year 2002--03 to 2011-11 (11 years) as complete and comprehensive secondary data. The period of eleven years was considered for analysis.

### **1.9 TOOLS USED FOR DATA COLLECTION**

For collecting the required secondary data from the selected DCCBs, a comprehensive schedule was prepared and used. The schedule was pre-tested and finalized.

### **1.10 FRAME WORK OF ANALYSIS**

The data collected were subdued into a digestible account by appropriate coding, computing and tabulations. The basic tools of statistical analysis like average, growth index, growth rate and trend were employed.

### **1.11 RESULTS AND DISCUSSION**

Banking institutions are intermediaries between depositors and borrowers. They are dealing with others money and they have greater moral responsibility to keep their integrity and honesty. It will create overall problems to the banker when the money lent as loans has become non-recoverable. Their liquidity and profitability will be affected. Further loans cannot be issued in time. When the capital is locked idle, it will lead to erosion of financial resources.

#### **1.11.1 Beneficiaries**

The selected banks were helping the affiliated member societies and individuals. The institutional members include.

- a) Primary agricultural cooperative banks
- b) Urban cooperative banks
- c) Cooperative sales societies
- d) Labour contract cooperative societies
- e) Housing cooperatives
- f) Employees cooperative thrift and credit societies
- g) Public distribution and sales cooperative societies
- h) Primary Cooperative Agricultural and Rural Development Banks
- i) Industrial cooperative societies
- j) Cooperative farming societies
- k) Milk producers cooperative societies
- l) Weavers cooperative societies
- m) Primary cooperative marketing societies
- n) Cooperative sugar mills
- o) Other specialized societies

#### **1.11.2 Total loans and advances issued**

The total loans advanced by the banks are presented in following table.

**Table-1**  
**Loans and Advances Issued**

(Rs.in Lakhs)

YEAR	SDCCB			DDCCB			TOTAL			TREND
	Amt.	GI	GR	Amt.	GI	GR	Amt.	GI	GR	
2002-03	106412	100	-0.0	50381	100	-0.0	156793	100	-0.0	169156
2003-04	118611	225	11.5	32577	121	-35.0	151188	92	-3.7	185731
2004-05	145265	276	22.5	66742	249	105.0	212007	129	40.2	202307
2005-06	138415	263	-4.7	41911	156	-37.0	180326	110	-14.9	218882
2006-07	190792	363	37.8	68966	257	64.6	259758	158	44.0	235457
2007-08	163064	310	-15.0	94262	351	36.7	257326	157	-0.94	252033
2008-09	199306	379	22.2	64738	241	-31.0	264044	161	2.61	268608
2009-10	243656	463	22.3	101405	378	56.6	345061	210	30.7	285183
2010-11	264470	503	8.54	121468	452	19.8	385938	235	11.8	301758
2011-12	298198	567	12.8	144934	540	19.3	443132	270	14.8	318334
<b>AVG</b>	<b>186818</b>	<b>345</b>	<b>11.8</b>	<b>78738</b>	<b>285</b>	<b>19.8</b>	<b>265557</b>	<b>162</b>	<b>12.5</b>	

**Amt. = Amount, GI= Growth Index, GR= Growth Rate**

The total loans and advances issued by the selected DCCBs during the study period had increased from Rs.156793 lakhs in 2002-03 to Rs.443132 lakhs in 2011-12; an increase of about 170 per cent. However, fluctuations in figures were noticed. Comparatively, the DDCCB had lowest loan operations. The SDCCB had high growth rate compared with the other banks. The average lendings of the banks per year were Rs186818.9 lakhs and Rs78738.4 lakhs for SDCCB and DDCCB respectively. The loans and advances of the selected DCCBs had very high fluctuations over the trend value during the study period. The projected loans and advances of the banks for the year 2022-23 stand at Rs.417785 lakhs. The linear trend of  $Y=252032 + 16757x$  was worked out.

### 1.11.3 Total Loans Outstanding

The total of ST, MT and LT loans outstanding of the banks is provided in the following table.

**Table – 2**  
**Loan Outstanding**

(Rs.in lakhs)

YEAR	SDCCB			DDCCB			TOTAL			TREND
	Amt.	GI	GR	Amt.	GI	GR	Amt.	GI	GR	
2002-03	53679	100	-0.0	49171	100	-0.0	102849	100	-0.0	97513
2003-04	58643	110	9.2	48731	99	-1.0	107374	104	4.4	109769
2004-05	64031	119	9.1	55166	112	13.0	119197	115	11.0	122025
2005-06	74940	140	17.0	55471	113	0.6	130411	127	9.4	134282
2006-07	81146	151	8.2	40806	83	-26.0	121952	119	-6.0	146539
2007-08	98014	183	20.8	49996	102	23.0	148011	144	21.0	158795
2008-09	110916	201	13.2	64201	131	28.0	175117	170	18.0	171051
2009-10	129111	240	16.4	60679	124	-5.0	189790	184	8.4	183308
2010-11	162598	303	25.9	81702	166	35.0	244301	237	29.0	195565
2011-12	194240	362	19.5	99764	203	22.0	294005	286	20.0	207821
<b>AVG</b>	<b>102732</b>	<b>191</b>	<b>14.0</b>	<b>60568</b>	<b>123</b>	<b>8.9</b>	<b>163301</b>	<b>159</b>	<b>12.0</b>	

**GI= Growth Index, GR= Growth Rate**

It is clear from the above table the total loans outstanding of the selected DCCBs had increased from Rs. 102849.7 lakhs in 2002-03 to Rs.294005 lakhs in 2011-12; an increase of about 185 percent. It was almost increasing year after year. During the year 2011-12, the SDCCB and DDCCB had Rs. 194240.5 lakhs, and Rs. 99764.77 lakhs of loans outstanding respectively. Comparatively, the DDCCB had low level of loans outstanding. A linear trend of  $Y=158795 + 12257x$  evidences a steady progress. The trend values in loans outstanding almost match with the actual loans outstanding. This leads to the conclusion that the loans outstanding increased every year uniformly during the study period. The projection for the year 2022-23 is Rs.281360 lakhs.

#### **1.11.4 Over dues**

Recovery of credit is very essential for ensuring smooth flow of recycling of credit. Timely recovery of advances not only keeps the business running with uninterrupted flow of funds but also reduces the bad debts and keeps the borrowers (both individual and cooperative societies) eligible for obtaining the credit in future. Thus, the efficiency of the working of the central bank depends upon its performance on the recovery front.

The incidence of over dues in the agricultural credit system has been increasing over the years and has been steadily eroding the financial soundness of the system. This continues to be the big issue. It had attracted considerable attention and had been examined by several committees and research workers. The first major comprehensive study on the subject was undertaken in 1974 by a committee set up by RBI under the chairmanship of Dr.C.D. Detey. Various other



committees have also subsequently dealt with this issue in general terms but the study by C.D.Detey still remains the most comprehensive document on the subject. Irrespective of the reference date, the level of over dues is among the most important indicators of the financial health of a lending institution. The important causes for the over dues were crop failure due to natural calamities, inefficient supervision over the end use of credit, absence of proper linking of credit with marketing, willful defaulters and lack of interest on the part of management of CCBs in initiating recovery. The management of overdue is the most important task for the banker as it affects the profitability as well as erosion of the working funds. The success of the banking also depends more on the control over the over dues. The accumulation of overdue will result in mounting of non-performing assets and will reduce the banks performance significantly. This area assumes importance now ever before with the introduction of stringent Non-performing assets (NPA) norms. Hence the attention of the bank management is always drawn to this aspect levels of over dues in the credit system could be measured either in relation to demand for the year or in relation to 'outstanding' at the end of the year. The over dues of the selected banks in relation to the demands during the respective years are presented below.

**Table-3**  
**Over dues**

(Rs. in lakhs)

Year	SDCCB			DDCCB			TOTAL			TREND
	Amt.	GI	GR	Amt.	GI	GR	Amt.	GI	GR	
2002-03	5076	100	-0.0	7157	100	-0.0	12233	100	-0.0	102601
2003-04	6368	323	25.4	9220	468	28.8	15588	790	27.4	111772
2004-05	4336	220	-31.9	11576	587	25.5	15912	807	2.0	120943
2005-06	3717	188	-14.3	4892	248	-57.7	8609	437	-46.0	130114
2006-07	2891	147	-22.2	3083	156	-37.0	5974	303	-31.0	139284
2007-08	3538	178	22.3	5097	259	65.3	8635	438	44.5	148455
2008-09	5076	257	43.4	6017	305	18.0	11093	563	28.5	157626
2009-10	6368	323	25.4	7602	386	26.3	13970	709	25.9	166796
2010-11	4336	220	-31.9	8763	445	15.2	13099	665	-6.2	175967
2011-12	3717	188	-14.3	9276	471	5.8	12993	659	-0.8	185138
<b>AVG</b>	<b>4542</b>	<b>215</b>	<b>0.21</b>	<b>7268</b>	<b>342</b>	<b>9.0</b>	<b>11810</b>	<b>547</b>	<b>4.4</b>	

**GI= Growth Index, GR= Growth Rate**

The above table reveals that the total over dues of the selected DCCBs had increased from Rs.12233lakhs in2002-2005 to Rs.12993 lakhs in2011-12; however the amounts showed a fluctuating trend. This reduction in the overdue position may be attributed to the strict implementation of NPA norms resulting in high collection. Decreasing over dues is a positive



sign for the bank's development. The trend analysis results shows a linear trend of  $Y=148455+91701x$  evidencing a steady growth in over dues. The anticipated over dues of the banks in 2022-23 are Rs.1065465lakhs.

### **1.11.5 Non-Performing Assets**

Banking institutions are intermediaries between depositors and borrowers. They are dealing with others money and they have greater moral responsibility to keep their integrity and honesty. It will create overall problems to the banker when the money lent as loans has become non-recoverable. Their liquidity and profitability will be affected. Further loans cannot be issued in time. When the capital is locked idle, it will lead to erosion of financial resources. Such Non-Performing Assets (NPA) have assumed greater attention among commercial and cooperative banks.

Loans and advances are assets of the banks as they play an important part in gross earnings and net profits of banks. The share of advances in the total assets of the banks forms more than 60 percent and as such it is backbone of banking structure. Bank lending is very crucial for it makes possible the financing of agricultural, industrial and commercial activities of the country. The strength and soundness of the banking system primarily depends upon health of the advances. In other words improvement in assets quality is fundamental to strengthening the working of banks and improving their financial viability (NABARD: 1998).

The first foundation of NPAs was constituted in England by the recommendation of the Bazlay Committee. The implementation of prudential norms in Indian banking system based on the recommendations of the Narismham Committee in 1991, RBI has constituted significant steps towards introduction of transparency in accounting practices and bringing the norms to internationally accepted standards.

“A Non- Performing Asset (NPA) is defined generally as a credit facility in respect of which interest or installment of principal has become past due. A credit facility may be treated as past due it remains outstanding for a period of 30 days after due date. For instance, if due date for payment of interest/principal is 31 March, then loan becomes past due as on 30 April” (RBI: 2001).

The Narismham committee defined NPA as an advance where as on the balance sheet date.

- ✓ In respect of term loans, interest remains past due for a period of more than 180 days.
- ✓ In respect of overdraft and cash credits accounts remain out of order for a period of more than 180 days.
- ✓ In respect of bills purchased and discounted, the bill remains overdue and unpaid for a period of more than 180 days.
- ✓ In respect of other accounts, any amount to be received remains past due for a period of more than 180 days.

An amount is considered past due when it remains outstanding 30 days beyond the due date. This quantum of NPA as a percentage of advances is one of the critical indicators of the quality of a bank's loan portfolio and hence its overall health.

No other single indicator simply reflects the status of quality of assets and its impact on bank's viability than the figure of net NPAs.

Net NPAs are derived from Gross NPAs by excluding (i) balance in interest suspense Account (ii) DICGC/ECGC claim received and kept in suspense Account pending adjustment (for final settlement), (iii) part payment received and kept in suspense account and (iv) total provision





held. In fact after publication of the Narasimham Committee Report (1991) profitability and its related issues including reduction of NPAs received priority on the agenda of all banks.

The committee further recommends that in view of the different practices hitherto followed by banks and financial institutions in this regards they would be given a period of 3 years beginning with the year 1991-92 to conform an a uniform basis to the above norms.

Bankers are now required to recognize such loans faster and then classify them as problem assets. The basic factor to determine whether an account is NPA or not is the record of recovery but not the availability of security.

Loans and advances given by banks are classified as standard assets, sub-standard assets, doubtful assets and loss assets. The sub-standard assets, doubtful assets and loss assets together are called non-performing assets. When assets are non-performing a provision is required to be maintained.

- Standard assets – This is not an NPA. It does not disclose any problems and does not carry more than normal credit risk attached to the business. Thus, in general, all the current loans, ST agricultural and non-agricultural loans which have not become NPA may be treated as standard assets. No provisions are required.
- Sub-standard Assets – This is an NPA for a period not exceeding two years. Provisions to be made – 10% of outstanding balance minus interest debited and not collected during the year minus unrealized interest of corresponding previous year in use of new NPAs identified during the year cover will not be available for sub-standard assets.
- Doubtful assets – An asset which remained overdue for a period exceeding 3 years (3-4 years 4-6years and above 6years) in respect of both agricultural and non-agricultural loans should be treated as doubtful. In case of all types of term loans, where installments are overdue for more than 3 years, the entire outstanding in term loans should be treated as doubtful. 100% provision is to be made depending upon the period for which an assets has remained overdue/ NPA, 20%, 30% and 50% of the secured portion i.e., estimated realizable value of the out standings.
- Loss Assets- Loss assets are those where loss is identified by the Bank/ Auditor/ RBI/ NABARD inspectors but the amount has not been written off wholly or partly. In other words, an asset which is considered unrealizable and/ or of such little value that its continuance as a doubtful asset is not worth-while should be treated as a loss asset. The entire loss assets should be written off. If the assets are permitted to retain in the books for any reason, 100% of the out standings thereof should be fully provided for.

The following table presents the Non- Performing Assets of the selected bank.

**Table – 4**  
**Non – Performing Assets**

(Rs. in lakhs)

Year	SDCCB			DDCCB			TOTAL			TREND
	Amt.	GI	GR	Amt.	GI	GR	Amt.	GI	GR	
2002-03	6555	100	-0.0	14087	100	-0.0	20642	100	-0.0	286469
2003-04	10122	154	54.4	27856	197	98.0	37978	184	84.0	26390
2004-05	7500	114	-26.0	10030	71	-64.0	17530	85	-54.0	24311
2005-06	11800	180	57.3	16270	115	62.0	28070	136	60.0	22233
2006-07	7857	120	-33.0	12479	89	-23.0	20336	99	-28.0	20154
2007-08	7458	114	-5.1	12648	90	1.4	20106	97	-1.0	18076
2008-09	7555	115	1.3	12713	90	0.5	20268	98	0.8	15997
2009-10	11122	170	47.2	11417	81	-10.0	22539	109	11.0	13918
2010-11	8500	130	-24.0	10944	80	-4.0	19444	94	-14.0	11840
2011-12	12800	195	50.6	8338	59	-24	21138	102	8.7	9761
<b>AVG</b>	<b>9126</b>	<b>139</b>	<b>12.3</b>	<b>13678</b>	<b>97</b>	<b>3.6</b>	<b>22805</b>	<b>110</b>	<b>6.9</b>	

GI= Growth index, GR= Growth rate.

The non- performing assets of the selected banks during the study period had increased from Rs. 20642 lakhs in 2002-03 to Rs.21138.41 lakhs in 2011-12; The average growth rate in NPA was 6.9 percent. However, the DDCCB had lower growth rate and the SDCCB had higher growth rate. Non-performing assets of the banks were higher than trend values during the period of study. Linear trend revealed that the growth rate in NPA was comparatively higher which not a satisfactory trend. The projection for the year 2022-23 is calculated at Rs.(-)16132 lakhs.

### 1.12 FINDINGS

The present study, “Loan Operational Performance of District Central Cooperative Banks in Coimbatore and Salam Districts, Coimbatore Region, Tamilnadu State” is an analytical one. The study was conducted in Coimbatore Region, Tamilnadu state. Among the five Cooperative Regions in Tamilnadu, Coimbatore Region (North Region) covering five DCCBs was two selected and secondary data were used for the analysis. The major findings and conclusion are presented in the following paragraphs.

#### 1.12.1 Loans and Advances Issued

The total loans and advances issued by the selected DCCBs during the study period had increased from Rs.156793 lakhs in 2002-03 to Rs.443132 lakhs in2011-12; an increase of about 170 per cent. However, fluctuations in figures were noticed. Comparatively, the DDCCB had lowest loan operations. The SDCCB had high growth rate compared with the other banks. The average lendings of the banks per year were Rs. 186818.9 lakhs and Rs78738.4 lakhs for SDCCB and DDCCB respectively. The loans and advances of the selected DCCBs had very high fluctuations over the trend value during the study period.



### **1.12.2 Loans Outstanding**

The total loans outstanding of the selected DCCBs had increased from Rs. 102849.7 lakhs in 2002-03 to Rs.294005 lakhs in 2011-12; an increase of about 185 percent. It was almost increasing year after year. During the year 2011-12, the SDCCB and DDCCB had Rs. 194240.5 lakhs, and Rs. 99764.77 lakhs of loans outstanding respectively. Comparatively, the DDCCB had low level of loans outstanding. The trend values in loans outstanding almost match with the actual loans outstanding. This leads to the conclusion that the loans outstanding increased every year uniformly during the study period.

### **1.12.3 Over dues**

The total over dues of the selected DCCBs had increased from Rs.12233lakhs in 2002-2005 to Rs.12993 lakhs in2011-12; however the amounts showed a fluctuating trend. This reduction in the overdue position may be attributed to the strict implementation of NPA norms resulting in high collection. Decreasing over dues is a positive sign for the bank's development.

### **1.12.4 Non-performing Assets**

The non- performing assets of the selected banks during the study period had increased from Rs. 20642 lakhs in 2002-03 to Rs.21138.41 lakhs in 2011-12. The average growth rate in NPA was 6.9 percent. However, the DDCCB had lower growth rate and the SDCCB had higher growth rate. Non-performing assets of the banks were higher than trend values during the period of study.

## **1.13 SUGGESTIONS**

Based on the findings and conclusion, the following suggestions are offered for the better financial performance of the DCCBs under study.

- ✓ Non-performing asset of the selected banks during the study period had increased. Due to this the banks were running on loss during most of the years. Therefore the banks should improve their recovery performance with help of adopting new recovery methods. Such as the farmers should be providing with the agricultural loans in time by adopting the seasonal lending and the Primary Agricultural Cooperative Societies should be guided in lending and recovery.
- ✓ The banks should meet their total establishment expenditure out of non-interest income. For this purpose the banks have to introduce many fee based products like bank guarantees letter of credit etc..
- ✓ The borrowed loans from the Tamilnadu State Apex Cooperative Bank should be lent to the Primary Agricultural Cooperative Credit Societies at the higher level in the form of short-term loan, Medium-term loan; Profit is liable through this method.
- ✓ Proper supervision over the end use of loan is required to check credit delinquencies. The working of PACBs can be considerably improved by proper supervision and inspection by the DCCBs. Supervisor should ensure that the loans are used only for the purpose for which they have been obtained.
- ✓ The DCCBs may go for CBS implementation which will strengthen the bank with technology based products like ATM, Debit card, internet banking, mobile banking etc.



## 1.14 CONCLUSION

Invariably selected two DCCBs of this study conducted in the Coimbatore region of the Tamilnadu State, DDCCB was satisfactory comparing SDCCB. The 'KRA's (Key Result Areas) with reference to loan operational performance was not up to the mark.

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