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Analysis of Agricultural and Non-Agricultural Loan Operations of the District Central Cooperative Banks in Tirunelveli Region, Tamil Nadu

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Abstract:

Cooperative Banking Structure has a unique position in the rural credit system in the state over the years, with a vast network, wide coverage and outreach extending to the remotest parts of the state. Rural credit cooperatives have remained as the prime Institutional Agencies in dispensation of credit for agriculture and rural development. In the post financial sector reforms, competition from the commercial banks and Regional Rural Banks forces the Cooperatives to become more efficient, vibrant and it is cost effective leveraging technology to reinvent themselves. Loan operation plays an important role in cooperative enterprise. A study of business failures in cooperatives would reveal that majority of such failures resulted from the lack of proper loan repayment. DCCBs occupy a place of significance in the cooperative credit delivery system. They act as 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 importance place as the functions of these institutions. Hence, the analytical study on the agricultural and non-agricultural loan operations of District Central Cooperative Banks in Tirunelveli Region have been undertaken. The results of the study will help in identifying the lacuna if any, in the Loan operation performance of the DCCBs and to frame loan operation policies and programme to the benefit of the banks and the community.

Keywords: *Loan Operation, Agriculture and Non-Agriculture.*

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 is for agricultural purpose, 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 below.

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 agriculture purposes. The non-agricultural purposes such as purchase of storage bins, setting up of go bar gas plants, purchase of shares in processing and industrial societies, industrial purposes, consumption loans and other. Short-term loans are given for the period up to 12 months while medium-term loans are given for one to three years. The member's 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) Loans issued Agriculture and Non-agriculture ii) Proportion of Agriculture and Non-Agriculture loan under ST and MT category
- iii) Proportion of loans Outstanding for Agriculture and Non-Agricultural purposes iv) Proportion of Agriculture and Non-Agriculture loan under ST and MT category and v) Proportion of Collection to Demand and Balance.

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

The institutional members include:

- Primary Agricultural Cooperatives Banks
- Urban Cooperative Banks
- Vegetable Growers Cooperative Societies
- Fisheries Cooperative Societies
- Housing Cooperatives
- Employees Cooperative Thrift and Credit Societies
- Public Distribution and Sales Cooperative Societies

- Primary Cooperative Agricultural and Rural Development Banks
- Industrial Cooperative Societies
- Joint Farming Cooperative Societies
- Milk Producers Cooperative Societies
- Weavers Cooperative Societies
- Primary Cooperative Marketing Societies
- Cooperative sugar mills
- Other Specialized Societies

2. Statement of the Problem

DCCBs occupy a place of significance in the cooperative credit delivery system. They act as a spokesperson of the cooperative movement at district level. The success or otherwise of the cooperatives in a district level largely depends upon the efficiency of the functioning of DCCBs. The founders of the movement envisioned the role of DCCBs beyond the boundaries of mere financing bank. DCCBs are expected to serve as a financing bank for the primaries in a district, guide them in their day to day operations, supply of necessary manpower and technology wherever it is required, voicing on behalf of primaries at policy level etc. Because of this integrated role, DCCBs are strategically located and integrated with the cooperative system.

Hence, they are not only acting as financing banks, but also act as development banks for the cooperatives at district level. To do these multifarious functions DCCBs should have a well-defined management system. In the total management of the DCCBs, financial management occupies a place of importance as the functions of these institutions are also governed by the Banking Regulation Act. Even a minor deviation from banking norms would attract penal actions from the law enforcing authorities. On the one side, DCCBs are expected to act as a financing bank for the primaries, which are in majority of the cases managed by untrained work force. On the other side, DCCBs are expected to follow the banking norms as well as implement the State Governments schemes and programmes for the development of the state. Most DCCBs that fail seem to do so because of problems in their loan portfolio. Non-performing loans grow to such extent that revenue fall off and loan expenses as well as operating costs absorb all the earnings that remain. The bad loan situations usually arise from combination of factors. In this regard, it is pertinent to study how these banks mobilize the resources and deploy them. Hence, loan operation of the DCCBs is an important issue and their loan operation performance is to be studied with their impact on NPA's in DCCBs. In this context, the questions apt to arise are:

- Whether the agricultural and non-agricultural performances of the banks are in a satisfactory manner in terms of loan operations?
- To find out the answer to these questions, an analytical study had to be undertaken. The results of such studies will help to find out the problem, difficulties, impacts, etc., and to frame financial policies by the DCCBs for the benefits of the farmers, the community and other stakeholders.

3. Review of Literature

Several individual researchers had studied a few facets of Agricultural and Non-agricultural loan operations of selected DCCBs in selected areas. To know how far the ground is already prepared and to identify the gaps therein, and to spell out the issues which need further intensive and comprehensive analysis, an attempt is made to review the related literature.

3.1. Gowthaman A. and Srinivasan T, (2010) in their article entitled, "Effective Funds Management by the Kumbakonam Central Cooperative Bank" has presented the DCCBs are modal centers of financial institution in the cooperative sector in a district. They have to mobilize the available resources and utilize them in the most efficient and profitable manner. As a consequence of this situation, efficiency in funds management has down considerably and profitability of the DCCBs in Tamil Nadu is found decreased. In this paper an attempt is made to analyze the funds management of the bank for the period of 1998-99 to 2007-08.

3.2. Surya Rao K, (2007) in his study, "Performance of Cooperative Banking. A study of DCCB - Eluru, Andhra Pradesh", applied ratio such as profitability analysis, productivity analysis, solvency position, and operational efficiency and SWOT analysis. The study revealed through productivity analysis that the rate of deposits per employee has lagged behind that of the loans per employee ratio. Thus, there is a need on the part of employees to mobilize deposit to meet loans demand in view of disparity in the growth rate in these two ratios. Accordingly the ratio values of deposits per employee, productivity of employees can be improved. The solvency ratios showed that the bank was maintaining an average cash reserve ratio of 11 per cent that is much more than the stipulated ratio of 6 per cent. The operational efficiency ratios concluded the satisfactory performance. Finally a SWOT analysis revealed various aspects of the Eluru DCCBs. The study suggested strengthening of the working capital and to increase the deposit from member societies. The bank should utilize the opportunity of expanding their lending operations. Depending on external sources of borrowing such as refinance from apex bodies could be minimized by promoting deposits mobilization.

3.3. Fulbag Singh and Balwinder Singh, (2006) in their study "Profitability of the Central Cooperative Banks in Punjab- A decomposition Analysis", they analyzed the profitability position of the Central Cooperative Bank in Punjab. Two different years have been studied with the help of a framework of Return on Equity (ROE) model. The sample of bank with high business volume and those with low business volume had been tested separately. The study could be concluded that as far as the profitability, performance was concerned, the central Cooperative Bank of Punjab had worked well. The miscellaneous income in comparison to the total income

has been in lower profile in these banks. The switching over to high yield non-farm sector advances has helped to register a positive trend in financial margin in almost all the banks. The implementation of prudential norms from 1996-97 have helped the banks to generate an awareness on the adverse effect of overdue/ non-performing assets in these banks.

3.4. Raja. S, (2005) in his study, "Performance Evolution of MDDCB Ltd- an Application of Structural and Growth Analysis", analyzed the pattern of each component of the financial statements such as balance sheet and profit and loss account over a period of time. The study found out that performance of the Madurai District Central Cooperative Bank (MDCCB) using structural and growth analysis. Macro mean has been used to exhibit the strength and weakness of each factor considered. The major result of the study is a macro mean which in respect of interest received constitutes 99% of the total income, 97% for interest paid, 21% in the case of operating expenses, 94% for spread and it is at 93% for burden. As regards book profit, it works out to be 7% the revolution of the growth rate analysis are that net loss has recorded the growth at 17%, operating expenses at 18%, spread at 13%, burden 20% advances and aggregate deposits at 6% each and fixed deposits and saving deposits at 9% each. The study concluded that the burden rate should be reduced by effecting cost control measure and spread rate be increased so that profitability can be at a higher rate.

4. Objectives of the Study

The specific objectives of the present study are:

1. To analyze problems and prospects of Agricultural and Non-agricultural loan operations in the DCCBs, and
2. To offer suitable suggestions for the development of the DCCBs

5. Methodology

Mainly-analytical method has been followed for studying the Agricultural and Non-agricultural loan operations of Tirunelveli (TIDCCB), Virudhunagar (VIDCCB), Thuthukudi (TUDCCB) and Kanyakumari (KADCCB) District Central Cooperative Banks in Tirunelveli Region, Tamil Nadu. The secondary data were collected from the profit and loss account and balance sheet for the selected DCCBs. The macro level data were collected from the office of the Joint Registrar of Cooperative Audit in Tirunelveli region, Tamil Nadu State Apex Cooperative Bank, Tamil Nadu State Cooperative Unions, National Federation of State Cooperative Banks, NABARD and RBI.

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, Tirunelveli region was purposively selected. The considerations kept in mind were that the Tirunelveli region of Tamil Nadu is popular for Agriculture, Fisheries, Dairy and Industrial growth. This region also covers, plain and coastal areas with different cropping patterns. Four districts of this region were served by the four District Central Cooperative Banks namely Tirunelveli, Virudhunagar, Thoothukudi and Kanyakumari DCCBs. These four banks were selected for the present study.

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 Agricultural and Non-agricultural loan operation of the four DCCBs in Tirunelveli Region. The results of this study will help in identifying the lacuna if any, in the Agricultural and Non-agricultural loan operations of the DCCBs and to frame financial policies and programme to the benefit of the banks and the community.

8. Period of the Study

The period of the study has been taken-up from the financial year 1998--99 to 2008-09 (11 years) as complete and comprehensive secondary data. The period of eleven years was considered for analysis.

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.

10. Frame Work of Analysis

The data collected were subduced into a digestible account by appropriate coding, computing and tabulations. The basic tools of statistical analysis mean, standard deviation and classification of loans were employed.

11. Results and Discussion

Banking institutions are intermediaries between depositors and borrowers. They are dealing with others money and they have a 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.

(Percentage)

Banks Year	TIDCCB		VIDCCB		TUDCCB		KADCCB		TOTAL	
	A	NA	A	NA	A	NA	A	NA	A	NA
1998-99	27	73	5	95	13	87	13	87	13	87
1999-00	18	82	6	95	12	88	14	86	14	86
2000-01	13	87	6	94	15	85	19	81	13	86
2001-02	18	82	7	93	13	86	18	82	16	84
2002-03	19	81	3	97	9	90	19	81	15	85
2003-04	18	82	4	96	10	89	17	83	13	87
2004-05	26	74	6	94	13	87	20	80	20	80
2005-06	15	85	7	93	19	81	18	82	16	83
2006-07	18	82	7	93	20	80	14	86	13	87
2007-08	15	85	8	92	23	76	17	83	18	82
2008-09	16	84	10	91	28	72	17	83	20	80
Mean	18	82	6	94	16	84	17	83	16	84
SD	4.4	4.37	1.9	1.76	5.89	5.76	2.3	2.3	3	2.6

Table 1: Issue of Loans-Agricultural and Non-Agricultural
A: Agricultural; NA: Non-Agricultural

The loans issued by the banks for non-agricultural purposes had decreased from 87 percent in 1998-99 to 80 percent in 2008-09. Average per year was about 84 percent. However, fluctuations in figures were noticed. Comparatively, VIDCCB gave more of non-agricultural loan followed by TUDCCB, KADCCB and TIDCCB. The average yearly loan issued by the banks per year was 16 percent for agriculture purposes. It is concluded that only less than 20 percent of the loan of DCCBs were for agriculture purposes and majority portion were for non-agricultural purposes.

(Percentage)

Banks Year	TIDCCB				VIDCCB				TUDCCB				KADCCB				TOTAL			
	ST		MT		ST		MT		ST		MT		ST		MT		ST		MT	
	A	NA	A	NA	A	NA	A	NA	A	NA	A	NA	A	NA	A	NA	A	NA	A	NA
1998-99	9	72	18	1	4	92	1	2	11	78	2	9	16	77	2	5	9	83	4	4
1999-00	10	81	8	1	5	92	1	3	12	73	0	15	10	81	2	7	11	81	3	5
2000-01	6	85	7	2	5	91	1	3	14	71	1	14	19	73	2	6	11	81	2	5
2001-02	11	80	7	2	7	91	0	2	13	66	0	20	22	66	2	9	14	78	2	6
2002-03	12	80	7	1	3	94	0	3	9	81	0	9	20	61	3	9	12	81	3	4
2003-04	15	82	3	1	3	92	0	4	10	78	0	11	12	78	2	9	12	82	1	5
2004-05	14	74	12	0	6	91	0	3	13	77	0	10	13	76	13	6	13	77	7	3
2005-06	13	85	1	0	6	90	1	3	17	74	2	7	19	72	11	5	12	80	4	3
2006-07	13	81	5	1	6	91	1	2	19	72	1	8	10	83	3	4	11	84	2	3
2007-08	11	85	4	0	7	91	1	1	23	67	0	9	14	79	1	6	17	79	1	3
2008-09	11	83	5	0	9	88	1	3	28	63	0	9	14	76	1	9	18	76	2	4
Mean	11	81	7	1	6	91	1	3	15	73	1	11	15	74	4	7	13	80	3	4
SD	3	4	5	1	2	2	0	1	6	6	1	4	4	4	4	2	3	2	2	1

Table 2: Proportion (loan issued) of Agricultural and Non-Agricultural loan under ST and MT category
ST- Short Term; MT- Medium Term; A: Agricultural; NA: Non-Agricultural

It is clear that ST loan dominated than the MT loans. On an average 93 percent were ST loan and only 7 percent were MT loans of the ST loan non-agricultural loan dominated with an average of 80 percent ST non-agricultural loans decreased over the study period. Of the total 7 percent of MT loans 3 percent were for agricultural purposes 4 percent for non-agricultural purposes.

(Percentage)

Banks Year	TIDCCB		VIDCCB		TUDCCB		KADCCB		TOTAL	
	A	NA	A	NA	A	NA	A	NA	A	NA
1998-99	50	49	43	57	17	83	33	68	39	62
1999-00	51	49	41	60	13	87	32	68	36	64
2000-01	39	62	37	62	18	83	34	66	34	67
2001-02	42	58	33	68	25	75	36	64	35	65
2002-03	43	58	27	73	24	77	40	61	34	66
2003-04	41	59	28	73	23	77	36	64	32	68
2004-05	41	59	29	71	25	75	44	56	35	64
2005-06	44	56	32	68	30	70	38	63	36	64
2006-07	39	61	29	71	19	81	53	48	38	62
2007-08	35	65	26	73	19	81	55	45	36	63
2008-09	38	62	22	78	29	71	57	43	38	62
Mean	42	58	32	68	22	78	41	59	36	64
SD	4.8	5.0	6.5	6.4	5.3	5	9	9.3	2.1	2.1

Table 3: Proportion of loans Outstanding for Agricultural and Non-Agricultural purposes
A: Agricultural; NA: Non-Agricultural

The loans outstanding by the banks for non-agricultural purposes ranged between 62 percent and 68 percent during the study period. Average per year about 64 percent. However, fluctuations in figures were noticed. Comparatively, the TUDCCB gave more of non-agricultural loans followed by VIDCCB, KADCCB, and TIDCCB. The average yearly loan outstanding by the banks per year for agricultural was 36 percent. It is concluded that major portion of non-agricultural purposes.

(Percentage)

Banks Year	TIDCCB				VIDCCB				TUDCCB				KADCCB				TOTAL			
	ST		MT		ST		MT		ST		MT		ST		MT		ST		MT	
	A	NA	A	NA	A	NA	A	NA	A	NA	A	NA	A	NA	A	NA	A	NA	A	NA
1998-99	20	43	30	6	21	52	22	5	15	66	2	17	25	56	8	12	21	53	18	9
1999-00	21	43	30	6	18	54	23	6	12	73	1	14	24	56	8	12	19	55	17	9
2000-01	15	55	24	7	16	56	21	6	16	70	2	13	26	54	8	12	18	58	16	9
2001-02	16	52	26	6	15	62	18	6	25	43	0	32	29	51	7	13	20	53	15	12
2002-03	20	53	23	5	11	65	16	8	23	53	1	24	33	47	7	14	21	55	13	11
2003-04	22	55	19	4	12	67	16	6	22	54	1	23	31	48	5	16	21	57	11	11
2004-05	16	56	25	3	13	66	16	5	24	55	1	20	27	41	17	15	19	54	16	10
2005-06	21	52	23	4	13	63	19	5	29	59	1	11	32	47	6	16	23	55	13	9
2006-07	15	56	24	5	15	66	14	5	18	73	1	8	48	34	5	14	26	54	12	8
2007-08	13	63	22	2	9.4	70	17	3	18	71	1	10	51	32	4	13	25	56	11	7
2008-09	16	60	22	2	9	74	13	4	29	62	0	9	54	26	3	17	28	54	10	8
Mean	18	54	24	5	14	63	18	5	21	62	1	16	34	45	7	14	22	55	14	9
SD	3.2	6	3	2	4	7	3	1	6	10	1	7	11	10	4	2	3	2	3	1

Table 4: Proportion (loan outstanding) of Agricultural and Non-Agricultural loan under ST and MT category
ST- Short Term; MT- Medium Term; A: Agricultural; NA: Non-Agricultural

It is clear from the table that ST loans dominated than the MT loans. On an average 77 percent were ST loans and only 23 percent were MT loans of the ST loan non-agricultural loans dominated with an average of 55 percent. However, the fluctuations in figures were noticed over the study period. Of the Total 23 percent of MT loans, 14 percent were for agricultural purposes and 9 percent for non-agricultural purposes.

(D-Rs. Lakhs) and (C and B in Percentage)

Banks Years	TIDCCB			VIDCCB			TUDCCB			KADCCB			TOTAL		
	D	C%	B%	D	C%	B%	D	C%	B%	D	C%	B%	D	C%	B%
1998-99	5887	70	30	8436	82	18	4146	75	25	16320	93	7	34789	84	16
1999-00	6879	69	31	9493	81	19	4803	79	21	17346	92	8	38521	84	16
2000-01	7002	72	28	10391	81	19	4401	71	29	21389	95	5	43183	85	15
2001-02	7232	72	28	12001	87	13	6481	80	20	28999	93	7	54713	87	13
2002-03	7856	79	21	11686	85	15	6261	72	28	30170	94	6	55973	87	13
2003-04	7777	77	23	13396	87	13	8043	70	30	35631	93	7	64847	87	13
2004-05	8150	86	14	15823	95	5	7927	85	15	37973	94	6	69873	92	8
2005-06	8985	87	13	13160	95	5	8210	84	16	41229	88	12	71585	89	11
2006-07	10673	82	18	19654	96	4	8635	85	15	49763	96	4	88726	93	7
2007-08	12461	86	14	18241	93	7	8905	86	14	40870	94	6	80477	92	8
2008-09	14592	90	10	21698	92	8	9124	88	12	49957	94	6	95370	92	8
Mean	8863	79	21	13998	89	11	6994	79	21	33604	93	7	63459	88	12

Table 5: Proportion of Collection to Demand and Balance
D-Demand, C%-Collection Percent, B%-Balance Percent

It is evident from the above table that the overall percentage of balance to demand of the selected banks ranged between 7 to 16 percent. The average annual overdues of the TIDCCB and TUDCCB was high (21 percent) and was low with KADCCB. Comparatively, the KADCCB had higher collection amount than the other three banks. The overall figure shows that the banks had about 11 percent of the loan demands as overdues.

12. Findings

The present study, "A comparative study on the agricultural and non-agricultural loan operations of the DCCBs in Tirunelveli Region, Tamil Nadu State" is an analytical one. The study was conducted in Tirunelveli Region, Tamil Nadu state. Among the five Cooperative Regions in Tamilnadu, Tirunelveli Region (South Region) covering four DCCBs was selected and secondary data were used for the analysis. A decadal period was covered by this (1998-99 to 2008-09). Statistical tools of statistical like Mean and Standard Deviation were used for analysis. The major findings and conclusion are presented in the following paragraphs.

12.1. Issue of Loans, Agricultural and Non-Agricultural

The total loans issued of the selected banks for non-agricultural purposes had decreased from 87 percent in 1998-99 to 80 percent in 2008-09. Average per year was about 84.3 percent. VIDCCB gave more of non-agricultural loan followed by TUDCCB, KADCCB and TIDCCB. The average yearly loan issued by the banks per year was 16 percent for agricultural purposes. It is concluded that only less than 20 percent of the loan of DCCBs were for agricultural purposes and majority portion were for non-agricultural purposes.

12.2. Proportion of Agricultural and Non-Agricultural loan under ST and MT category

The total ST loan dominated than the MT loans. On an average 93 percent were ST loan and only 7 percent were MT loans of the ST loan non-agricultural loan dominated with an average of 80 percent ST non-agricultural loans decreased over the study period. Of the total 7 percent of MT loans 3 percent were for agricultural purposes 4 percent for non-agricultural purposes.

12.3. Proportion of loans Outstanding for Agricultural and Non-Agricultural purposes

The total loans outstanding of banks for non-agricultural purposes ranged between 62 percent and 68 percent during the study period. Average per year about 64 percent. TUDCCB gave more of non-agricultural loans followed by VIDCCB, KADCCB, and TIDCCB. The average yearly loan outstanding by the banks per year for agricultural was 36 percent. It is concluded that major portion of non-agricultural purposes.

12.4. Proportion of Agricultural and Non-Agricultural loan under ST and MT category

The total ST loans dominated than the MT loans. On an average 77 percent were ST loans and only 23 percent were MT loans of the ST loan non-agricultural loans dominated with an average of 55 percent. On an average Total 23 percent of MT loans, 14 percent were for agricultural purposes and 9 percent for non-agricultural purposes.

12.5. Proportion of Collection to Demand and Balance

The total overall percentage of balance to demand of the selected banks ranged between 7 to 16 percent. The average annual overdues of the TIDCCB and TUDCCB was high (21 percent) and was low with KADCCB. The KADCCB had higher collection amount than the other three banks. The overall figure shows that the banks had about 11 percent of the loan demands as overdues.

13. Suggestions

13.1. Staff Orientation

The bank should have a proper policy of recruitment, promotions and increment to staff. The bank employees can be trained in such a way that they can improve their talents; a cordial relationship should be maintained between the bank employees and the customers. It is essential in the present competitive money market conditions.

13.2. New Branches

In order to collect more deposits and for diversified lending the DCCBs have to open more new branches. Effective and trained staff should be posted in the branches.

13.3. Members Education

The DCCBs must arrange for member education programmes thro' the primary cooperatives. The reorganization of the cooperative education programme on sound lines should receive first priority. Continuous, persistent and systematic education efforts should be made in order to enlighten the members, to develop a social vision in them, to build a feeling of awareness of and pride in cooperative membership, to make them realize the importance of their attending membership meetings and participation in the democratic decision-making process and to develop leadership among them. Without their intelligent participation, cooperatives lose not only its democratic character but also its efficiency and dynamism.

13.4. Timely and Adequate Issue of Loans

For timely and adequate dispensation of production credit, there must be coordination even from the time of credit planning.

13.5. Supervision over Utilization

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.

13.6. Other Suggestions

- The state cooperative bank as well as cooperative department should constantly monitor loss bearing DCCBs and provide necessary advice for their development.
- Branch-wise analysis on per employee business, accounts, service, cost of management and working results may be made scientifically.
- Recovery officers should not be politically pressurized so that they can recover loans properly.
- Proper information availability will enable the top management to adopt appropriate corporate strategy to achieve the banks goals. Therefore a robust and flexible management information system should be adopted.
- The audit should be undertaken regularly and cooperative department should insist on actions by the DCCBs on the objections raised in the audit department.

14. Conclusion

It is concluded that the selected DCCBs of this study conducted in the Tirunelveli region of the Tamil Nadu State zig-zag trends were found especially with reference to position in a) Issue of Loans-Agricultural and Non-Agricultural b) Proportion of Agricultural and Non-Agricultural loan under ST and MT category c) Proportion of loans Outstanding for Agricultural and Non-Agricultural purposes d) Proportion of Agricultural and Non-Agricultural loan under ST and MT category e) Proportion of Collection to Demand and Balance during the study period. There was more than a two-fold increase in the outstanding during the study period. It makes some steps to reduce its outstanding.

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