



A STUDY ON MANAGERIAL PRACTICES IN LENDING OPERATIONS OF DISTRICT COOPERATIVE CENTRAL BANK LTD NO.1764, VIZIANAGARAM

Commerce

**Dr. SURAGALA.
SANYASI RAO**

READER & HOD OF COMMERCE M.R.COLLEGE(A), VIZIANAGARAM, A.P.

ABSTRACT

Since DCCBs are financing agencies to Primary Co-operative Societies, they have to channelise their owned and borrowed funds in an effective manner. In order to accomplish this, the Deliberative Wing of the Bank has to prepare a well-knitted plan of action in co-ordination with the Executive Wing. This Plan of action should be prepared on the basis of the needs of the affiliated societies, availability of internal and external sources of finances and policy-guidelines of the NABARD and other financing agencies.

In this study, one can see the managerial practices and their effectiveness in channelising the funds in different forms of loans for various agricultural and non-agricultural needs. The effectiveness of each of the managerial practices is evaluated on the basis of loan adequacy, timely supply, simplification of procedures and minimisation of problems of functionaries. In addition, opinions are obtained from the beneficiaries and officials of implementing machinery as a supporting evidence. Further, trends and dimensions of various advances are also taken into consideration in the process of evaluation.

KEYWORDS:

I) INTRODUCTION

The Co-operative Central Bank (No.1764) at Vizianagaram hereinafter called 'The Bank', is one of the Oldest Central Co-operative Banks in India. It was established on 6th November 1916, i.e., within four years of the passing of the Amended Co-operative Credit Societies Act of 1912.

Since DCCBs are financing agencies to Primary Co-operative Societies, they have to channelise their owned and borrowed funds in an effective manner.

In this study, one can see the managerial practices and their effectiveness in channelising the funds in different forms of loans for various agricultural and non-agricultural needs. The effectiveness of each of the managerial practices is evaluated on the basis of loan adequacy, timely supply, simplification of procedures and minimization of problems of functionaries. In addition, opinions are obtained from the beneficiaries and officials of implementing machinery as a supporting evidence. Further, trends and dimensions of various advances are also taken into consideration in the process of evaluation.

II) OBJECTIVES OF THE STUDY

- To know the lending practices of District Cooperative Central Banks in general
- To measure and compare the efficiency of Cooperative Banks
- To know different type of loans offered to different set of beneficiaries
- To know the satisfaction level of the beneficiaries from Bank's lending practices
- To suggest the appropriate measures to improve the efficiency in Lending Operations of District Cooperative Central Banks

III) REVIEW OF LITERATURE

Though the literature on co-operative Credit is plenty, studies on the 'Performance Evaluation of Central Co-operative Banks' is peripheral. The then Government of India had appointed the Committee of Cooperation¹ under the chairmanship of Sir E.D. Maclagan in 1914 to review the progress made by the Co-operatives. It suggested for the federated financing agencies or the Central Financing agencies. The Royal Commission on Indian Agriculture², 1928, examined the problems of agriculture in general and it dealt with cooperation as an important of its comprehensive enquiry.

In 1931, the Central Banking Enquiry committee³ was appointed to examine the existing state of affairs of the co-operative movement. It made suggestions for the improvement of the working of the co-operative societies and recommended for establishment of the RBI in 1934 with an Agricultural Credit Department. The Co-operative Planning Committee⁴ (1945) headed by Sri R.G. Saraiya suggested the ways of improving the financial strength of Central Co-operative

Banks. The All India Rural Credit Survey Committee⁵ appointed in 1951 under the leadership of Sri A.D. Gorwala suggested integrated scheme of rural credit, State partnership, etc. for strengthening central co-operative banks.

The All India Rural Credit Review Committee⁶ (1966) appointed under the Chairmanship of Sri B. Venkatappaiah undertook a comprehensive study of the performance of the CCBs. It suggested reorganisation of CCBs at the rate of one bank for one district, increase of share capital assistance by the State Government, improved procedure for streamlining crop loan system, etc.

The RBI constituted a committee to review arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARD) 1981. It stressed the need for existence of CCBs. The Brahm Perkash Committee (1998) emphasized the need to make Cooperatives self-reliant, autonomous and fully democratic institutions and proposed a Model Law.⁷ The Task Force (Khapoor Committee, 1999), however, recognizes that the Co-operative Banks, as they exit now, do not have access to the Capital market as in the case of Commercial Banks⁸. NABARD had appointed an Expert Committee headed by Prof. V.S.Vyas in August 2000, it suggested to review the emerging scenario in rural credit and preparation of workable comprehensive plan of action for a more effective rural credit by an expert body⁹. The Government of India Constituted a Task Force headed by Prof. A.Vaidyanathan (Vide Government of India notification dated 05 August 2004) to formulate a practical and implementable plan of action to rejuvenate the rural Cooperative credit structure¹⁰.

Singh and Singh (2006) studied the funds management in the District Central Co-operative Banks (DCCBs) of Punjab with specific reference to the analysis of financial margin. Dutta and Basak (2008) suggested that Co-operative banks should improve their recovery performance, adopt new system of computerized monitoring of loans, implement proper prudential norms and organize regular workshops to sustain in the competitive banking environment. Chander and Chandel (2010) analyzed the financial efficiency and viability of HARCO Bank and found poor performance of the bank on capital adequacy, liquidity, earning quality and the management efficiency parameters.

The review of fore-going literature on co-operatives reveals that most of the studies are made on working of the co-operatives on an aggregate basis and studies on micro-level problems seem to be very few. Hence, the proposed study on managerial practices in lending operations of the District Co-operative Central Bank Limited, Vizianagaram is an attempt to investigate, assess and analyse the role of managements in the efficient performance of the Central Co-operative Bank. The District Co-operative Central Bank Limited, Vizianagaram (hereafter called as 'The Bank') has been selected for the

purpose of this study.

IV) RESEARCH METHODOLOGY: Type of Research - Descriptive research is used in this study in order to identify the lending practices of bank and determining beneficiaries level of satisfaction. The method used was questionnaire and interview of the experienced Secretaries and Branch Managers .

Collection of data:

- | | |
|----------------------------|---|
| 1.Primary Data | 2. Secondary Data |
| a.Observation Method | a. Annual reports of the bank |
| b.Interview Method and | b.Manual of instructions on loans advances. |
| c.Structured Questionnaire | c.Books |
| | d.Articles and Research Papers |
| | e.Internet |

3.SAMPLING SIZE: Secretaries=50,Beneficiaries=3000 Respondents

V) TYPES OF ADVANCES

The Bank has been providing ST, MT and LT loans for agricultural and non-agricultural purposes. While the ST loans are repayable within a period of one year, the MT loans are repayable between 3 and 5 years period and LT loans repayable between 5 and 15 years period.

VI) CROP LOANS

Consequent upon the re-organisation of Societies into viable units, the agricultural credit has been directed towards production needs of the agriculture. Accordingly, loans for various agricultural operations of different crops are provided on the basis of credit needs of the agriculturists at different stages.

The AIRCSC observed that most of the agriculturists of our country are in the clutches of private money-lenders who exploit them by charging exorbitant interest rates, taking crops in lieu of loans by using unethical means such as under-weighting, lower prices etc. In order to get rid of the squeezing of the private money-lenders, the committee opined that production-oriented credit should be provided through cooperatives¹³.

13. Report of All India Rural Credit Survey Committee, RBI, 1954, p.954.

VII) SCALES OF FINANCE

Scales of finance indicate per acre rate of expenditure required for each crop. It helps in assessing the credit requirements of every farmer for each season for different crops. The scales of finance in the Bank area are divided into two components, viz., 'A' component and 'B' component. 'A' component indicates the cash component which is supplied to meet the expenditure involved on labour at various stages of agriculture, whereas 'B' component is supplied in kind, i.e., fertilisers.

VIII) DATA ANALYSIS AND INTERPRETATION

(A) ADEQUACY OF SCALES OF FINANCE FROM THE VIEWPOINT OF BENEFICIARIES

Having mentioned about the trends in scales of finance and their components, it is of use to probe into the adequacy of scales of finance fixed by the Management. For this purpose, opinions have been ascertained from 3000 sample beneficiaries by administering questionnaires to them. Since 65 per cent of the sample beneficiaries, including some of the Directors of the Societies, expressed that they were not aware of the existence of scales of finance and its importance, the assessment about adequacy is made on the basis of expenditure incurred for cultivation during Kharif and Rabi seasons of 2012-13.

(B) TECHNICAL GROUP COMMITTEE MEETINGS

The scales of finance for various crops are decided upon once in a year in the TGC meeting. The due dates for disbursement and recovery of loans for both the seasons of Kharif and Rabi are decided in these meetings. Till 1961, the TGC consisted of representatives of Agricultural Department, Primary Societies, agriculturists and the Bank Management.

(C) DELAY IN CONVENING TECHNICAL GROUP MEETING

TGC meeting should be convened once in a year, preferably at the end of November, to provide timely finance to agriculturists to meet their coming year's requirements. Any delay of TGC meeting causes delay in other operations and results in untimely supply of finance.

(D) PREPARATION AND SUBMISSION OF NORMAL CREDIT LIMIT STATEMENTS

Since the particulars mentioned in the land records of the members are the basis for preparing NCLS, every Society maintains the Land Cultivation Register(LCR) in triplicate¹⁴, which is prepared on the basis of land particulars recorded in the pass-book issued to members and (Pahani) records maintained by village administration officer. It shows the particulars of land owned and leased by the members of the Societies.

In order to ascertain whether the disbursement of loans is taking place on time, the opinions expressed by the beneficiaries are presented hereunder in Table-1.

- I) Majority of the farmers, i.e., 83 per cent of beneficiaries opined that they were not getting the disbursement of loans on time. Only 17 per cent of them stated that they were getting the loans on time.

TABLE-1 THE DISTRICT CO-OPERATIVE CENTRAL BANK LIMITED, VIZIANAGARAM DELAY IN DISBURSEMENT OF LOANS

Land holding	Delay involved in Days					Total
	No delay	15	30	45	60	
Small farmers	210 (16.2)	290 (22.5)	530 (41.1)	130 (10.1)	130 (10.1)	1290 (100.0)
Medium farmers	120 (14.0)	230 (26.7)	340 (39.5)	80 (9.3)	90 (10.5)	860 (100.0)
Big farmers	180 (21.2)	180 (21.2)	280 (32.9)	130 (15.2)	80 (9.4)	850 (100.0)
Total	510 (17.0)	700 (23.3)	1050 (38.3)	340 (11.4)	300 (10.0)	3000 (100.0)

- ii) Majority of farmers, comprising 38.3 per cent of the sample, expressed that the loans were disbursed with a delay of one month, whereas 23.3 per cent of the sample expressed that 15 days delay was common for them. In significant percentage of respondents, i.e., 11.4 per cent and 10 per cent stated that the delay varied between 45 days and 60 days.
- iii) It was also ascertained that due to seasonal conditions, the delay in disbursement of loans during Kharif season was more, compared to Rabi season. It is to be noted that the delay was less in respect of Medium Farmers and Big Farmers compared to Small Farmers. This may be, perhaps due to the repaying capacity of their loans by the Big Farmers.

As a considerable amount of delay is taking place in the distribution of Fertilisers to the beneficiaries presented in Table-2, there was some impact on their timely utilisation. Majority of the respondents (56 per cent) stated that there was delay in the use of fertilisers. It was revealed that the fertilisers were kept under stock to be used for the next crop season. Some respondents (24.3 per cent) stated that they sold out the fertilisers;

TABLE-2 THE DISTRICT CO-OPERATIVE CENTRAL BANK LIMITED, VIZIANAGARAM UTILISATION OF FERTILISERS – BENEFICIARIES RESPONSES

Size of holdings	Used on time	Delay in using	Sold out	Grand Total
Small farmers	180 (14.0)	760 (58.9)	350 (27.1)	1290 (100.0)
Medium farmers	230 (26.7)	400 (46.5)	230 (26.8)	860 (100.0)
Big farmers	180 (21.2)	520 (61.2)	150 (17.6)	850 (100.0)
Total	590 (19.7)	1680 (56.0)	730 (24.3)	3000 (100.0)

The remedial measures are suggested on the basis of the opinions expressed by the beneficiaries and Secretaries. In order to save the beneficiaries from the consequences of late distribution of fertilisers, the entire loan amounts should be disbursed in the form of cash.

IX) TRENDS IN DISBURSEMENT OF CREDIT

The information about term-wise trends in advances, i.e., Short

Term, Medium Term and Long Term (ST, MT and LT) advances during the period from 1981-82 to 2012-13 is presented in Table-3. For the purpose, the index of total advances (taking 1981-82 as the base year) and percentage of ST, MT and LT advances to total advances are calculated and presented in Table-3.

Table-3 reveals that there has been an increase of 2723.9 per cent in total advances during the period under study, recording an average annual growth of 7.68 per cent. The total advances were increased from Rs.1074.55 lakhs in 1981-82 to 29269.79 lakhs in 2012-13.

TABLE-3 THE DISTRICT CO-OPERATIVE CENTRAL BANK LIMITED, VIZIANAGARAM TERM-WISE TRENDS IN ADVANCES

(Rs. in Lakhs)

Year	ST Advances	% to Total Advances	MT Advances	% to Total Advances	LT Advances	% to Total Advances	Total Advances	Index of Total Advances
1981-82	870.74	81.0	203.38	18.9	0.43	0.1	1074.55	100.0
1991-92	1570.37	59.9	81.40	3.1	971.71	37.0	2623.48	100.0
2001-02	7459.00	73.0	720.04	7.0	2037.27	19.9	10216.31	100.0
2010-11	15363.99	90.2	670.66	4.0	994.48	5.8	17029.13	100.0
2011-12	21903.34	92.8	396.57	1.7	1299.87	5.5	23599.78	100.0
2012-13	28207.60	96.4	14.62	0.1	1047.57	3.5	29269.79	100.0

SOURCE: Annual reports of the bank from 1981-82 to 2012-13

With regard to the Short Term advances, there has been a continuous increase from Rs.870.74 lakhs in 1981-82 to Rs.28,207.60 lakhs in 2012-13. The share of ST advances in total advances varied between 53.8 per cent and 82.0 per cent. It is to be noted that the percentage of ST advances to total advances was more than 60 in the entire study period.

MT advances decreased from Rs.203.38 lakhs in 1981-82 to Rs.14.62 lakhs in 2012-13. MT advances also showed a decreasing trend, which varied between 03.1 per cent and 18.9 per cent during the period under study.

In case of Long Term advances, there was a meagre amount sanctioned as LT advances up to the year 1986-87 and after implementation of the "Single Window Credit Delivery Scheme" in the year 1987, LT advances suddenly went up to Rs.971.71 Lakhs in 1991-92 and further increased to Rs.2037.27 lakhs in 2001-02 and further decreased to Rs.994.48 lakhs in 2010-11 and again raised to Rs.1299.87 lakhs in 2011-12 and further decreased to Rs.1047.57 lakhs in 2012-13. Thus, it can be stated that in order to provide integrated co-operative credit structure and to strengthen the co-operative movement, the "Single Window Credit Delivery Scheme" was implemented in the year 1987 in A.P.

X) SUGGESTIONS

1. Strict adherence to the time schedule of convening of the TGC Meetings will not only help timely disbursement of loans but also influences the recovery prospects as well.
2. In view of the ever-escalating costs of various inputs of agricultural operations, scales of finance have to be revised upward from time to time.
3. The resources crunch should not be a determinant factor in fixing the scales of finance, which instead should be fixed strictly according to the provisions of the crop loan manual.
4. Periodical special Gramasabha meetings have to be arranged by the higher cadre of the bank staff with the coordination of other Govt. departments, particularly when the Management is an elected one, to effectively review about sanction and distribution of loans to genuine eligible numbers, the recovery of overdue loans, coverage and execution of legal action against defaulters, deposit mobilization and supervision over working of Societies etc.
5. The practice of disbursement of loans in time (fertilizers, pesticides, etc.) is meant for creating an awareness among the farmers to use the funds in their agricultural operations. In regions where the use of fertilizers etc. is established, this practice of disbursement in kind is to be dispensed with the loans be better disbursed in cash.
6. The co-operative institutions have to extend loan facilities to non-member depositors in addition to their members on rolls. Such broadening of the credit base will not only reduce the risk element but also improves the income generating capacity, as such loans usually entail greater percentage of interest than crop loans.

XI) LIMITATIONS:

1. The study is based on the of past two or three years only
2. The data for study mainly based on a single bank.
3. As majority of the beneficiaries are members of the societies affiliated to the bank.
4. The time period of research was limited.

XII) REFERENCES:

1. Report of the Committee on Co-operation, 1915.
2. Report of the Royal Commission on Indian Agriculture in India, 1928.
3. Report of the Central Banking Enquiry Committee, Government of India, 1931.
4. Report of the Co-operative Planning Committee, GOI, 1945.
5. Report of the All India Rural Credit Survey Committee, RBI, Bombay, 1951.
6. Report of the All India Rural credit Review Committee, RBI, 1966.
7. Chowdry Brahm Perkash Committee 1998,
8. Task Force to study the functioning of Co-operative Credit System and suggest Measures for its strengthening (Jagadish Khapoor Committee, 1999).
9. Expert Committee on Rural Credit (Vyas Committee, August, 2000).
10. Task Force on Revival of Co-operative Credit Institutions, 30 December 2004, Chapter-1 & 3, Para 1.02 & 3.51, Pages 5 & 41