

CAPITAL MANAGEMENT IN URBAN CO-OPERATIVE BANK AT NAGAPPATTINAM

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INTRODUCTION:

Co-operative banking has been defined by various experts. The word “Co-operation” is derived from the Latin word “co-opari”, ‘Co’ means together to achieve common purpose. In broader sense, co-operation means living, thinking and working together.

It can be defined as the system of people voluntarily working together or in terms of equality to eliminate their economic exploitation (such as that of farmers by landlords, moneylenders). Ultimately the practice of principle of co-operation contributes to the development of human race. Co-operation is a joint or collective action of people directed towards some specified Goal in which there is common Interest (or) hope of getting some reward.

“Accepting, for the purpose of Lending or investment of deposits of money from the public, repayable on demand or otherwise, and withdrawal by cheque, draft, order or otherwise.”

Thus, the definition of banking makes it clear that the acceptance of deposits is the sine qua non for constituting banking business. It should be noted that the definition of banking is in terms of the nature of the business and does not vary due to differences in Legal status of the person who carry on business, such as statutory corporations, joint stock companies, firms or individuals.

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A co-operative credit Institutions is a voluntary association of members for self-help and caters to their financial needs on a mutual basis. Indian farmers need three types of credit, namely,

- i) Short term loan
- ii) Medium term loan
- iii) Long term loan

The short-term and medium term loan or requirements are met by the co-operative banking institutions like PACS, DCCBs and SCBs. Their long-term credit requirements are catered to by Land Development Banks.

Co-operative banks are private sector banks, it plays a limited role in the banking system of the country. In the field of rural credit, co-operatives are an important constituent multi-agency approach which have been evolved to meet the growing credit requirements of the rural sector. The existing co-operative structure in the country for short and medium term credit is composed of a pyramid type of a three-tier structure comprising state co-operative banks (SCBS) at the apex/state level, District Central Co-operative Banks (DCCBS) at the district level and Primary Agricultural Credit Societies (PACS) at the village level.

Urban co-operative banks finance small business in the urban areas. In smaller states / union territories, however, mainly on account of smaller jurisdictional coverage, there exists a two tier structure with SCB at the apex (state) level directly financing PACS at the base level.

STATEMENT OF THE PROBLEM:

Difficulties in Attracting Deposits and Recovery of loan are an important problem of the study. Crop failure, due to natural calamities, in-efficient supervision, and lack of interest are the major causes for the slow rate of the recovery of loan. The politicians also encourage the farmers not to repay co-operative loans with a view to achieve some political gains. The Association like Farmers Federations also encourage the farmers not to repay the loans at a fixed date. These agencies misdirect the farmers towards a narrow end, because of these the District Central Co-Operative Bank leads to worsen the recovery performance of loan. The inefficient supervision also leads to the misuse of loan. The inefficient supervision also leads to the misuse of loan by the farmers.

OBJECTIVE OF THE STUDY:

This study is carried out to investigate the disbursal and repayment of agricultural loans of the Urban Co-operative Bank at Nagapattinam during the year 2001-02-2011-12. More specifically the objectives are:

1. To compare the performance the sources of finance for the District central co-operative bank.
2. To enumerate various types of providing loan.
3. To examine the quantum of loan given for short, medium and their purpose.
4. To investigate the methods adopted by the district central co-operative bank in dealing with defaulters.

METHODOLOGY:

The present study is based on secondary data, Collected from Urban Co-operative Bank at Nagapattinam during 2001-02-2011-12 by researcher. For the purpose of Review of Literature datum collected through various magazines, journals, books, annual reports, economic survey, etc. The collected data are arranged in form of percentage tabulated, diagram used for purpose of analysis.

SCOPE OF THE STUDY:

The study has been made in order to record the various activities of urban co-operative bank. This study is intended to be of used to the Agricultural labourers in tapping the right sources of finance, i.e. a source of finance that provides the much required finance causing lease in convenience to the beneficiaries. The people performing non-agricultural operations can also considered from this study, as the Urban Co-operative Bank offers loans of various types. This study can aid the agencies such as companies, commercial banks and government, linked the loans. Today the banking sector encounters the critical position the presence of the volume of performing and Non-Performing Assets. (NPA).

PERIOD OF THE STUDY:

A case study of Urban Co-op. Bank, Nagappattinam during 2001-02-2011-12, has as its study period the last decade of the Twentieth century. In India economy a new thinking was introduced viz, the provision of increasing power to the private sector. The economy was shaped, controlled and directed by concepts such as liberalization, privatization and globalization. These economic measures were adopted in all the sectors of the economy.

During this study period the banking sector and more especially, co-operative banking sector received a new impetus.

SOURCE OF THE STUDY:

As was started in chapter I, due to the constraints of time, energy and money made the researcher have recourse to the secondary data. These data was largely collected from the annual report, published by the Urban Co-operative Bank, Nagappattinam.

In this study, these were referred to and additional information was obtained from the records maintained at the bank premises. Calculations were carried out on the data from the bank and the modified data were presented in tables to study the objectives.

TABLE-1

SHARE CAPITAL OF URBAN CO-OPERATIVE BANK, NAGAPPATTINAM

Year	Share Capital (Rs. In Lakhs)	Members
2001-02	389.47	471
2002-03	437.46	471
2003-04	498.30	471
2004-05	516.70	470
2005-06	645.73	470
2006-07	665.64	473
2007-08	783.52	475
2008-09	923.64	475
2009-10	993.11	490
2010-11	1133.15	490
2011-12	1189.17	492
Total	8175.89	5248

Source: Annual Report of Urban Co-operative Bank, Nagappattinam.

The above table shows the growth rate of share capital during the period 2001-02 to 2011-12. Of the total amount of 8175.89, the share of Urban Co-operative Bank is 389.47 lakhs during the period 2001-02. But it has been increased 437.46 lakhs and 498.30 lakhs during the 2002-03 and 2003-04 respectively.

TABLE-2

WORKING CAPITAL OF URBAN CO-OPERATIVE BANK, NAGAPPATTINAM

Year	Working Capital (Rs. In Lakhs)	Percentage of Working Capital
2001-02	5510.15	3.72
2002-03	6788.71	4.58
2003-04	8136.99	5.49
2004-05	8841.06	5.49
2005-06	10864.21	7.33
2006-07	13570.63	9.16
2007-08	15376.23	10.34
2008-09	15799.79	10.66
2009-10	19605.14	13.23
2010-11	21307.70	14.38
2011-12	22407.01	15.12

Total	148207.62	100.00
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Source: Annual Report of Urban Co-operative Bank, Nagappattinam.

The above table shows the working capital of Urban Co-operative Bank, Nagappattinam during the year 2001 to 2011. In 2001, the total amount of working capital is Rs.5510.15 lakhs, but it has been increased 21307.70 and Rs.22407.01 lakhs during the 2010 and 2011 respectively.

TABLE-3
SHORT-TERM LOAN FOR THE YEAR 2001-02 - 2011-12

Year	Short-Term Loan (Rs. In Lakhs)	Number of Persons
2001-02	1168.12	10805
2002-03	1314.97	12165
2003-04	2394.12	34766
2004-05	2170.01	31512
2005-06	2455.85	35663
2006-07	2092.12	30381
2007-08	2260.64	32828
2008-09	1802.98	17757
2009-10	1565.79	14487
2010-11	1978.89	13958
2011-12	885.07	6438
Total	20088.56	240760

Source: Annual Report of Urban Co-operative Bank, Nagappattinam.

The above table shows that the short-term loan provided by Urban Co-operative Bank, Nagappattinam for the period 2001-02 to 2011-12. In 2001-02, the bank has provided Rs.1168.12 lakhs for the paddy cultivation, but it has been increased 2092.12 lakhs and Rs.2260.64 lakhs during the year 2006-07 and 2007-08 respectively. The main reason for the increment of short-term loan was about 40% of Co-operative credit goes to small farmers. So the rate of interest changed by credit Co-operatives has always been the lowest in the markets, because of this the bank has developed the “Crop Loan System” under which loans are given on the basis of crops to be grown and the average under the crop.

TABLE-4
MEDIUM-TERM LOAN FOR THE YEAR 2001 - 2011

Year	Medium-Term Loan (Rs. In Lakhs)	Number of Persons
2001-02	62.39	312
2002-03	75.12	375
2003-04	85.15	426
2004-05	95.15	476
2005-06	76.27	381
2006-07	77.72	389
2007-08	109.09	505
2008-09	172.81	1845
2009-10	127.12	135
2010-11	52.47	384
2011-12	29.51	146
Total	954.8	5374

Source: Annual Report of Urban Co-operative Bank, Nagappattinam.

The above table shows that the medium-term loan provided by Urban Co-operative Bank, Nagappattinam for the period 2001-02 to 2011-12. During 2001-02 the bank issued Rs.62.39 lakhs but it has been increased Rs.101.09 and Rs.172.81 lakhs during the year 2007-08 and 2008-09. The main reason of this increment is about 30% of their medium term loans for everyone used for the productive purpose like construction of wells, purchase of machinery such as pump sets and purchase of agricultura implements.

TABLE-5
LOAN GIVEN TO NON-AGRICULTURAL ACTIVITIES

Year	Loan given to non-form sector (Rs. In Lakhs)	Number of Persons
2001-02	5.38	54
2002-03	8.50	85
2003-04	7.69	77
2004-05	7.10	71
2005-06	2.97	30
2006-07	4.96	50
2007-08	0.69	7
2008-09	2.95	30
2009-10	20.94	210
2010-11	72.18	725

2011-12	131.73	1320
Total	265.09	2659

Source: Annual Report of Urban Co-operative Bank, Nagappattinam.

The above table shows that the loan provided to the non-agricultural activities by Urban Co-operative Bank have also been financing agricultural marketing and processing. Activities which are important for the development of agriculture and rural areas. Co-operative credit supplied for non-agricultural Activities amounts to out Rs.5.38 lakhs in 2001, but it has increased Rs.72.18 Rs.131.73 lakhs during the period 2010-11 and 2011-12.

TABLE-6
LOAN OUTSTANDING AND RECOVERY

Year	Amount of Loan Outstanding (Rs. In Lakhs)	Recovery of Loans (Rs. In Lakhs)	Percentage of Recovery over Loan Outstanding
2001-02	5054.59	1882.47	4.17
2002-03	5376.14	1185.47	4.44
2003-04	6336.00	2373.33	5.23
2004-05	7711.18	2088.24	6.37
2005-06	9590.41	3377.00	7.92
2006-07	10882.90	2996.68	8.99
2007-08	13449.93	3749.89	11.11
2008-09	13331.15	3303.33	11.01
2009-10	15532.15	3621.09	12.83
2010-11	16486.27	3847.87	13.62
2011-12	17322.20	2753.46	14.31
Total	121072.92	31178.83	100.00

Source: Annual Report of Urban Co-operative Bank, Nagappattinam.

The above table shows the mounting outstanding and poor recovery of loans for the period of 2001-02 to 2011-12. In 2001-02, the bank recovered 37.24% of the loan, but it was decreased to 15.89% in the year 2011-12. From the above table it was very clear that the recover performance was poor, because the interruption of politicians, Association like Farmers Federation etc.,

TABLE-7
NET PROFIT

Year	Net Profit (Rs. In Lakhs)
2001-02	25.68
2002-03	20.87
2003-04	15.71
2004-05	63.20
2005-06	39.34
2006-07	10.29
2007-08	193.50
2008-09	945.41
2009-10	266.90
2010-11	307.44
2011-12	1229.71
Total	8175.89

Source: Annual Report of Urban Co-operative Bank, Nagappattinam.

In the above table shows that the net project of the Urban Co-operative Bank at Nagappattinam. In 2001-02 the profit of the bank was 25.68 lakhs, but it has increased 1229.71 lakhs during the year 2011-12. In 2003-04 and 2006-07, the bank has facing a net loss. The main reasons for this net loss was non-repayment, overdue and default of loans and so on.

FINDINGS, SUGGESTIONS AND CONCLUSIONS

Findings of the analysis:

In the light of the discussion made in the previous chapter of the study, the findings are summarised in this chapter some useful suggestions are given to improve the Urban Co-Operative Bank at Nagappattinam.

The findings of the study could be as follows:

- The study shows that there has been a steady increase in the working capital from Rs.5510.15 lakhs in 2001-02 to Rs.22407.01 lakhs in 2011-12.
- The study reveals that the level of share capital has increased from rs.389.47 in 2001-02 to Rs.1189.17 lakhs in 2011-12.

- c. The study states that the Urban Co-operative Bank at Nagappattinam is maintaining different types of loans like short medium term loans. All types of loans are significantly increasing. It shows a good performance of UCOB.
- d. Important findings are that, Urban Co-operative Bank at Nagappattinam caters the needs of the farmers. This bank has given more importance to agricultural and allied activities.
- e. Profitability of Urban Co-operative Bank is on an increasing trend. In the year 2001-02, the bank earned Rs.25.65 lakhs but it has increased Rs.1229.71 lakhs during the period 2010-2011, which shows that the better performance of the bank.
- f. This bank has provided loans to non-agricultural activities also.
- g. This study has proved that there is positive relationship between short-term and medium-term loan.
- h. The study also shows the repayment and outstanding of loan.

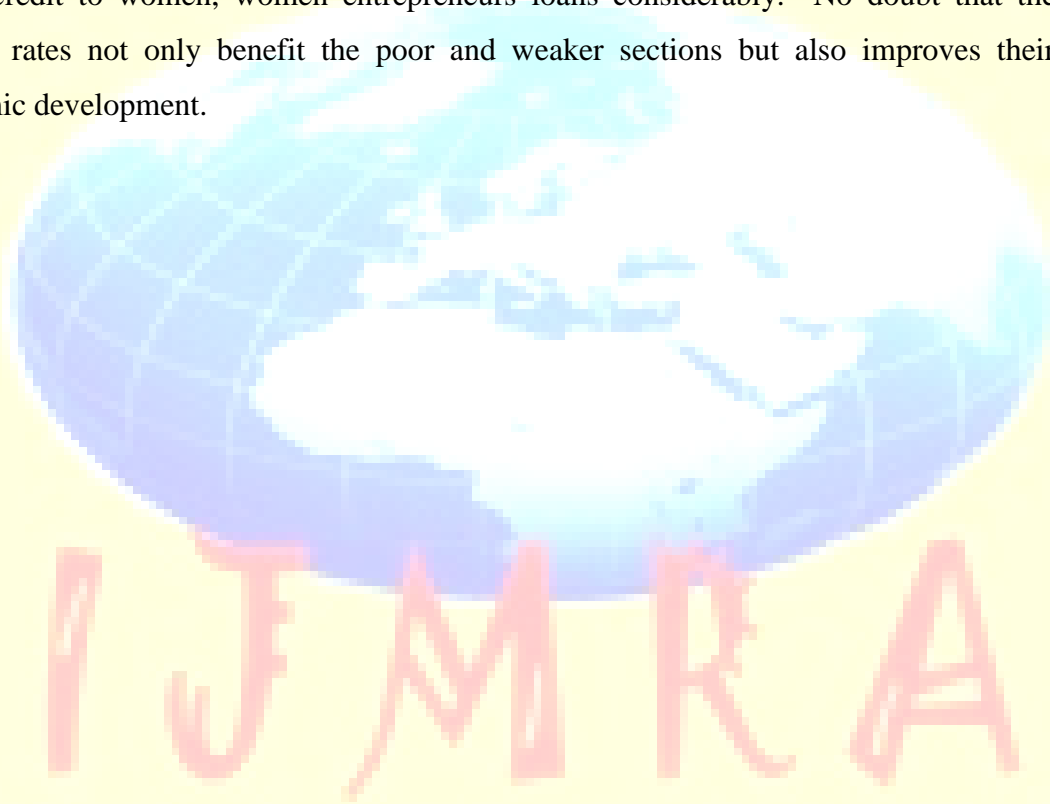
SUGGESTIONS:

In the light of the above finding the following may be presented as some of the feasible suggestions for further improvement of the performance of Urban Co-operative Bank at Nagappattinam.

- i. The members should know the goals, objectives and priorities outlined in the plans.
- ii. The banking is a service industry, where staff plays vital role in improving quality of service. So as to ensure efficient working of these banks, recruitment of adequate and right type of staff in the urgent need of the hour.
- iii. The staff should given training on various aspect like lending, recovery etc.
- iv. One of the saddest point to note is non-availability of Technically qualified staff due to the salary which is very less as compared to those paid in commercial banks.
- v. The research and development bring the banking structure nearest to its goals. The research can be made in the areas of utilization of loans, causes of overdues deposit mobilization, lending norms mechanization etc.

CONCLUSION:

Nagappattinam Urban Co-operative Banks have a unique role in the banking system in India. The Urban Co-operative Bank are the forerunner inculcating banking habit amongst the people in semi-urban and rural areas. In the provision of loans and service of the bank has been Tremendous. The level of deposit, loan and profit structures are of main indicators for the performance of the bank. The ultimate aim of the co-operative institution is to enable the farmer and middle class people to improve their living standards. The Government has reduced the interest rates on short-term crops loans, revamped micro credit to women, women entrepreneurs loans considerably. No doubt that the cut in interest rates not only benefit the poor and weaker sections but also improves their socio-economic development.



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