



A Study of Non Performing Assets in District Central Cooperative Banks in Tamilnadu

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ABSTRACT

Cooperatives banks play an important role in the socio – economic development of rural masses. The short term and long term Cooperative Banking Structure meet the demand for agriculture and allied agricultural credit need of the farmers in India. At present, the Cooperative Credit Delivery System (CCDS) consists of both short-term and long-term credit structures. The STCCS consists of 31 State Cooperative Banks (SCBs) at State level, 370 District Central Cooperative Banks (DCCBs) at the district level and 1,00,604 PACS at the village level. The DCCBs being the middle tier between SCBs and PACBs, occupy a position of strategic importance. The working performance varies across bank branches. Overall performance analysis gives a concrete idea to augment the deposits and improve the performance of lending. It ultimately tends the bank to reach the smooth credit creation, which is the essence of banking. Further, it paves the way to streamline the operations of DCCBs and to set right the mismatches between the growth of DCCBs throughout the country. At the same time, it is very crucial to lead the affiliates for whom the central cooperative banks have been federated at District level. With this background, the present study aims to build a knowledge base on the Non Performing Assets of DCCBs.

KEY WORDS: Cooperatives banks, Cooperative Credit Delivery System, District Central Cooperative Banks, Cooperative Banking Structure, Non Performing Assets.

1. INTRODUCTION

Cooperatives Banks plays an important role in the socio-economic development of rural masses. A small beginning was made with the enactment of first Cooperative Credit Societies Act in 1904 and now the cooperative system has completed a century. At present, there are more than 5.49 lakh cooperative societies functioning with the membership of 22.95 crores (NCUI: 2013-14) and deeply penetrated in the rural economy. The Short term and Long-term Cooperative Banking Structure meet the demand for agriculture and allied

agricultural credit needs of the farmers in India. The short-term Cooperative Banking Structure consists of 31 State Cooperative Banks (SCBs) at the State level, 370 District Central Cooperative Banks (DCCBs) at the District level, and 95,626 Primary Agricultural Cooperative Societies/ Banks (PACBs) at the village level. The All India Federation of SCBs is functioning at Mumbai as an advocacy body. Here, the DCCBs being the middle tier between SCBs and PACBs, occupies a position of strategic importance.

Cooperatives in Tamil Nadu

Tamil Nadu has the privilege of being pioneer in cooperative movement in the country because of the opening up of a first village Cooperative Credit Society in Thiroor in Thiruvallore District in 1904 which marked the advent of Cooperative Movement in Tamilnadu. The Short-term Cooperative Banking Structure consisted of a three-tier structure comprising the Tamilnadu State Apex Cooperative Bank at the State level, 23 District Central Cooperative Banks with 722 branches at the district level and 4522 Primary Agricultural Cooperative Banks at the primary level. This structure meets the credit needs of the farmers living in 16317 villages (NABARD: 2013-14).

The Credit Cooperative institutions in their pursuit to serve the grass root level people can not remain immune to the fast changes that take place around them. To be able to survive and grow in the competitive environment, these institutions will have to manage and master the change effectively lest they will be left in the lurch. The need of the hour is to continuously improve their competencies to equip them to face the challenges. The only option before them is to perform or perish and considering the noble cause for which they were carved out, the former alternative has to be taken to its logical conclusion.

2. RELATED WORK

(Varalakshmi D., Venkateswarlu P., 2016). Another research paper attempts to study the growth of The Krishna District Cooperative Central Bank Ltd., through selective indicators, it analyses the Deposits, Credits and C/D Ratios of the Krishna DCCB.

Murugaboopathy M., Jeyakumaran M., Inayath Ahamed S.B., 2018). A study on District Cooperative Central banks in TamilNadu showed that these banks play a vital role in providing credit for agriculture and to rural people. It also pointed out that the cumulative losses of 12 out of 23 banks in Tamil Nadu have cumulative loss more than Rs 500 crores as on March, 2006.

(Suryawanshi J.R., 2018) A study on the progress of district central cooperative banks in Marathwada region of Maharashtra indicated that some district central cooperative banks are working well and some are not,

poor recoveries and bad debts are responsible for unsatisfactory functioning

(Raut S.D., Anap V. N., Yadav J. M., 2020). Another study on the performance of District Central Cooperative Banks in Maharashtra state showed that major problems faced are lack of funding by the state government, less value of produce and in - efficiency in administration and management.

Statement of the problem

The working performance varies across bank branches. Overall performance analysis gives a concrete idea to augment the deposits and improve the performance of lending. It ultimately tends the bank to reach the smooth credit creation, which is the essence of banking. Further, it paves the way to streamline the operations of DCCBs and to set right the mismatches between the growth of DCCBs throughout the country. At the same time, it is very crucial to lead the affiliates for whom the central cooperative banks have been federated at District level. With this background, the present study aims to build a knowledge base on the Non Performing Assets of DCCBs.

3. METHODOLOGY

The study is descriptive in nature. The secondary sources of data have been collected for the study. NAFSCOB'S Basic Data on District Central Cooperative Banks, Reports of National Cooperative Union of India, Dossier on Cooperatives, various Reports of NABARD have been referred to elicit data and details pertaining to the profile, extent of overdue and NPAs of Financial Institutions functioning at National Level. NABARD State Focus Paper, TNSC Bank's Annual Report, Potential Linked Credit Plan for sample Districts, Annual and Audit Reports of DCCBs have been referred to elicit data regarding the performance of banks, trend of overdue and NPAs at State level and sample DCCBs level.

4. SAMPLING TECHNIQUE

Multi stage random sampling technique was followed for the study. In the First Stage, Agro – Climatic Zones were identified. There were three Agro – Climatic Zones in Tamilnadu viz., Southern Plateau & Hills (Zone X), East Coast Plain & Hills (Zone XI) and West Coast &

Hills (Zone XII). In the second stage, These Agro Climatic zones have been further divided into Regions depending upon land, irrigation pattern, rainfall distribution, cropping pattern, physical ecological and social characteristics etc. Region I and II have fallen under Zone X, Region III, IV and V under Zone XI, and Region VI and VII under Zone XII. Totally there were 7 regions falling under these three zones. In the third stage, the DCCBs under these regions were listed out. In the fourth stage, one DCCB having highest numbers of affiliated PACSs have been purposively selected because of major focus of DCCBs on the promotion of PACSs. Hence, seven DCCBs in Tamilnadu (Salem, Trichy, Kancheepuram, Kumbakonam, Thirunelveli, Kanyakumari and Nilgiris) have been chosen for this study.

Statistical Tools Used

Statistical Package for Social Sciences (SPSS) was used for analyzing the data. The statistical tools such as: Correlation and Regression Analysis have been employed to analyze and interpret the data. Compound Average Growth Rate, Ratio analysis etc. were employed for analyzing the secondary data.

Hypotheses

The following hypotheses have been framed for the present study based on the findings of the research studies reviewed as well as the researcher's own grasp of the field situation.

1. HO-1: The growth of share of capital, deposits, borrowings, loans and advances did not affect significantly the growth of net profit.
2. HO-2: Changes in the working capital have no significant effect on the changes in loans and advances.
3. HO-3: Changes in working capital have no significant effect on the changes in total assets
4. HO-4: Changes in the NPAs have no significant effect on the changes in loans and advances

Findings:

In KKI DCCB, share capital, and borrowings has a negative effect on net profit whereas total deposits and loans and advances have positive effect on net profit. However these independent variables did not

significantly affect the net profit as indicated by the t-test results so that hypothesis was accepted.

- In NGI DCCB, loans and advances, share capital, borrowings and total deposits have a positive effect on net profit. However these independent variables did not significantly affect the net profit as indicated by the t-test results so that hypothesis was accepted.
- In TCY DCCB, share capital and deposits have a negative effect on net profit whereas borrowings and loans and advances have positive effect on net profit. However these independent variables did not significantly affect the net profit as indicated by the t-test results so that hypothesis was accepted.
- In KKM DCCB, share capital and loans and advances have a positive effect on net profit whereas borrowings and deposits have negative effect on net profit. However these independent variables did not significantly affect the net profit as indicated by the t-test results so that hypothesis was accepted.
- In TNVI DCCB, share capital, borrowings, loans and advances and deposits have positive effect on net profit. However these independent variables did not significantly affect the net profit as indicated by the t-test results so that hypothesis was accepted.
- Regression analysis of overall sample DCCBs revealed that share capital has a negative effect on net profit whereas borrowings, loans and advances and total deposits have positive effect on net profit. However these independent variables did not significantly affect the net profit as indicated by the t-test results so that hypothesis HO was accepted.
- Working capital was found to have moderate positive correlation with loans and advances (.637) for KKI DCCB. Overall sample banks have high positive correlation (0.955) between the working capital and loans and advances. The hypothesis was rejected that the working capital was found to have significant effect on loans and advances at 1 percent level in KKI DCCB only. In rest of the DCCBs, HO was accepted that the working capital was found to have significant effect on loans and advances at 1 percent level.
- Working capital was found to have high positive correlation with total assets for all selected sample DCCBs except Kancheepuram DCCB. As per the results of t-test, it was found that the working capital

was found to have significant effect on total assets at 1 percent level in Kanyakumari and Kumbakonam. In rest of the DCCBs, the hypothesis was accepted as the working capital have significant effect on the changes in total assets.

- Gross NPAs was found to have high positive correlation with loans and advances for all selected DCCBs except Tirunelveli. It indicates that Gross NPAs was found to have significant effect on loans and advances at 5 percent level for all banks except Tirunelveli, Kanyakumari and Kanchipuram DCCBs. So, the hypothesis was rejected in these banks. The hypothesis was accepted in Salem, Nilgiris, Tirchy and Kumbakonam DCCBs.

5. CONCLUSION

It was found that right from the origin of DCCBs in India, Government of India, RBI, NABARD, and State Governments took several measures for streamlining as well as strengthening the DCCBs. But still, the problem of poor recovery had been continuing. The increasing trend in NPA severally affected the profitability, liquidity, and solvency of these banks. The present study found that the imbalance between the loan accounts of DCCBs and affiliated cooperative institutions was the main factor which shows the lack of credit discipline in STCCS. The imbalance occurs when a PACB receives interest and repayment from a sub-set of its members and pays in the amount towards its borrowings from the DCCB. Imbalance also occurs when a PACB collects the loans and used the cash to fund its overheads over and above the actual interest spread available to it. Imbalance bred cover deficit because of these both DCCB and affiliated Cooperative Institutions especially PACBs become ineligible for further borrowing. The loan waiver schemes of Government also contributed for weak credit discipline in the Short-term Cooperative Credit Structure. Hence, as reported by RBI, the reduction in the level of NPAs should be treated as national priority so as to save the Short-term Cooperative Credit Structure.

Conflict of interest statement

Authors declare that they do not have any conflict of interest.

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