

Short term Agriculture lending operation in Kumbakonam Central Co-Operative Bank Ltd

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ABSTRACT

In India, the various levels of co-operative credit structure have been systematically arranged so that the members can easily assimilate the true spirit and working of the co-operative movement, particularly the practical part of this movement, it helps to raise productivity, enlarge employment and poverty reduction in rural areas. This article highlights short term agriculture lending operation in Kumbakonam central co-operative bank.

KEY WORDS Kumbakonam central co-operative bank ltd, Short term lending Operations, Over dues, Recovery, percentage of growth, percentage of overdues.

INTRODUCTION

Co-operative banking system is basically an imported concept but it has come to occupy a pivotal and prominent role in the economic liberation of millions of people of our nation. It has emerged as a social and healthy banking institution providing need-based quality banking services essentially to the middle and lower middle classes and the marginalized sections of the society. Co-operative Banks have assisted in boosting the growth rate of Indian economy by providing a fillip to agricultural production in the country by making available cheap and hassle free agricultural finance. For instance, Co-operatives supply 46 percent of the total rural credit including agricultural credit. Such banks are aimed at meeting the credit requirement of member societies. Central banks act as intermediary between the state level apex Co-operative bank and village level primary Co-operative societies. The primary Co-operative credit societies in compact areas federate themselves into banking unions and organized central banks to collect funds from the urban areas and divert it to village societies. Thus, every district in a state government having one or more banking is unions or central bank.

ORGIN AND GROWTH OF D.C.C.B IN

INDIA

The first D.C.C.B was registered in Uttar Pradesh in 1906 as a primary society. In Rajasthan, like the first D.C.C.B bank was started in 1910 at

Ajmer. The period from 1906 to 1918 may be called the period of origin of the D.C.C banks in India. As in the period these banks came into be established in many parts of the country. The decade from 1919 to 1929, which was roughly the period between the end of the First World War and the onset of the world depression, was marked by the expansion of Co-operative banking system. The number of D.C.C banks went on increasing between 1919 and 1929. These banks increased from 233 in 1919-20 to 588 in 1929-30 while their membership increased from 1.22 lakhs to 1.91 lakhs. The total working capital moved from Rs 6.43 crore to Rs 30.90 crore. However during the period of depression in the thirties, there was a great setback in their working. There was a significant increase in the over dues of these banks. There membership both of the individuals and the societies has also declined. The membership both of the individuals declined from 0.90 lakhs in 1929-30 to 0.85 lakhs in 1936-37, while that of the societies from 1.01 lakhs to 0.90 lakhs. The number of these banks, however, increased from 588 in 1929-30 to 611 in 1936-37 because of the registration of new banking unions in the former princely states in Uttar Pradesh and Bihar. The whole structure of the central finance agency was haphazard in most states, which needed reorganization. The capital structure of the D.C.C banks was very weak. Their own resources were meager and their dependence upon apex Bank was very large. The loan operations of these banks also showed unsatisfactory features like large proportion of advances to individual members and non-satisfaction of the needs of primary credit societies etc.

GROWTH OF D.C.C.B IN INDIA (AFTER INDEPENDENCE)

The National Government after coming into power in 1947 began taking steps for the expansion and reorganization of the Co-operative credit structure in particular. Finding the structure of the central financing agency very weak, the Rural Credit Survey Committee in 1954 in their report suggested that each state should draw up plans for the rationalization and strengthening of D.C.C banks in several of their aspects including financial and administrative. So, in the fifties the emphasis was on the structural re-organization of

D.C.C banks and strengthening of their capital base. During the first plan period, therefore, the state began to follow the progress of re-organization and amalgamation of the D.C.C banks. This process of one D.C.C Bank for one district began to follow in all the states. And wherever more than one bank or banking union existed in one district, the same was amalgamated so as to form one strong and viable unit. Where a D.C.C Bank was serving more than one district is area was curtailed and new banks were registered in such district. Their share capital base was also strengthened by Government contribution in large measures. Further, their finance position was also strengthened by government grants for various purposes.

In the sixties, the emphasis was on re organization of the leading policies of the D.C.C banks and strengthening of their deposit position. With a view to rationalize the loaning policies of Co-operatives at all levels, the crop loan system was introduced in 1966. The banks were entrusted with the major responsibility for the successful implementation of the Co-operative loan system. The production-oriented system of leading for identified.

The state Government continued to grant marginal, to D.C.C banks to help them for improving marginal competence. In the seventies, the emphasis was:

- ☞ On the rehabilitation of weak D.C.C banks.
- ☞ On ensuring financing to small farmers D.C.C banks
- ☞ On extensive branch expansion to attract deposits,
- ☞ On diversification of their loaning business and
- ☞ Re-organization of primary agricultural societies into viable units.

The Co-operative credit and banking structure in Tamil Nadu consist of two parts, one dealing with short – term and the other with long term credit. The farmer in Tamil Nadu state is a type of pyramid or federal in character, based on a three-tire system with primary credit societies at the bottom, the District Central Co-operative Bank (D.C.C banks), Constituting the middle-tire and state Co-operative Bank covering the entire state at the apex level. The D.C.C banks hold a position of great importance as they form the back of the three-tire structure. They are the strongest units in the Co-operative credit and banking system. The D.C.C banks also play a vital role in the development of

the Co-operative movement in the entire district. They are as a fulcrum of finance for the affiliated societies in the district by providing them funds when in shortage and by serving as a clearinghouse for the funds when in surplus. They are also helpful in extending banking facilities both in rural and urban areas in calculate thrift and saving habits among the people. The Central Co-operative Banks are the federation of primary Agricultural Co-operative Banks and Co-operative of other types in their respective areas there are 18 Central Co-operative Banks in Tamilnadu as on 31-03-92. Subsequently 2 more Central Co-operative Banks have been started on 02-09-93 at the end of the year 1999-2000, there were 367 Central Co-operative Banks in India having 13,030 branches out of which 731 branches were in Tamilnadu. The Central Co-operative Banks finance PAC Banks from their own resources of share, reserves and deposits and form the credit limit sanctioned by the NABARD through the INSACB. The D.C.C banks advance loans and financial assistance to all types of Co-operative functioning in their respective areas/circle.

Objective of the Study

1. To find out the growth percentage of short term agriculture lending performance .
2. To assess the percentage of overdues.

Area of study:

The study was conducted among the area of Short term agricultural lending operations in KCCB Ltd at three districts (Tanjore, Thiruvarur, and Nagapattinam).

Period of the study:

The study covered period of 10years from 2004-05 to 2013-14.

Limitations of the study:

1. The major limitations of the study related Short term Agriculture lending and recovery operations only.
2. This study related to 10 years only.
3. In this study covered 3 districts (Tanjore, Thiruvarur, and Nagapattinam)

Data analysis:

The data collected from the bank records, it's analysed with the help of trend ratio for sb A/c also rank correlation technique is used to find out

the relationship between the 3 districts of jewel loan.

Profile of KCCB Ltd.,

The **Kumbakonam Central Co operative Bank Ltd (KCCB)** commenced on 08.02.1913 in Kumbakonam Town. The bank operations are covered with 15 Taluks in Three Districts. (Thanjavur, Thiruvarur, Nagapattinam Districts). The KCCB Ltd to have a 33 branches with including Head Office from Three Districts. The bank mobilizes resources in the form of Share Capital from affiliates and Deposit from individual & Institutional Customers as well as from affiliated societies. The bank borrows funds from TNSCB and NABARD for issue of crop loan, Jewel Loan, Employees societies' loan, SHGs loan and so on. Over the years the volume of business of the Bank has gradually increased. Recently, the Kumbakonam Central Co Operative Bank Ltd was celebrated Golden Jubilee (100th Year) Inaugural function held on 08.02.2012.

Literature Review on Co-operative Banks

A study namely "Recovery Performance of DCCB, Dharwad", was undertaken by **Vaikunthe L.D.2** in 1988. In order to examine the bank's recovery performance, the researcher has conducted a survey with 180 borrowing households, who were selected from different farmer groups such big; medium and small farmer and they were questioned about the reason for default in repayment of loan. The study revealed the fact that crop failure was the main reason behind the mounting overdues.

A Study on "Overdues in Co-operatives: A Case Study in Andhra Pradesh" by **Reddy B.R. and Laxminarayana10** was published in 1996. It depicted that viability and self reliance could be brought to Co-operatives only by adopting a more professional approach in the sanction and recovery of various loans. The author concluded by stating that Co-operatives should function as efficient business units, motivated by a sense of social purpose based on the fundamental principles of Cooperation.

A research entitled, "A Study of Overdues, Recovery Performance and Erosion of Funds in Central Co-operative Banks" was undertaken by **Puyalvannan12** in 1997. The author analysed the overdues, recovery performance and erosion of funds in Central Co-operative Banks and stressed on the fact that, while lending is a fine art requiring sharp commercial acumen, Efficient and effective recovery of advances is perhaps a still finer art, requiring a high degree of specialization. The study concluded that in some of the CCBs, the

percentage of erosion of owned funds was high due to over dues. Further, too much of Government's interference in the working of the Co-operatives was considered to be the other cause for heavy overdue.

Amin G.H. (2008) in his article has emphasised that the future vision of cooperative credit institutions should be focused on moving on to the fast tracks of efficiency and productivity through promotion of professionalism, strengthening their financial resources base and at the same time upgrading their technological parameters including computerization of their operations coupled with the creation of good environment for the clientele and depositors. Such a scenario would enable the rural credit cooperatives to develop their competitive edge and to exploit the emerging opportunities emerging from the processes of globalization and liberalization.

ANALYSIS OF THE STUDY

MEANING OF LENDING OPERATIONS

The loan is generally provided at a cost, referred to as interest on the debt, which provides an incentive for the lender to engage in the loan. In a legal loan, each of these obligations and restrictions is enforced by contract, which can also place the borrower under additional restrictions known as loan covenants. Although this article focuses on monetary loans, in practice any material object might be lent. The lending policies of Central Co-operative Banks have undergone many changes due to the implementation of various Agricultural Development schemes. First, such schemes was the intensive Agricultural Development programme which was introduced in 1960. The scheme envisaged "Package of Practices" and meeting of credit needs, a marketing facilities and supply of inputs by Co-operative.

MEANING OF OVERDUES

Over dues means loans, bills of exchange and other obligations remaining unpaid past their due (or maturity) date. All financial arrangements become overdue one business day after their due date. Over dues are a term used in explain the non-payment of loans by the borrowers in time.

MEANING OF RECOVERY

Recovery means collection of a loan amount from a borrower in default. It is obvious that without prompt recovery co-operative societies cannot work smooth. They cannot prove themselves successful or financial strong without complete recovery. Drought situation creates financial strain on agriculturists, businessmen, processing industries, production industries, marketing societies, increase competition and

lower demand for funds make difficulties in loan recovery and interest collection of loans.

SHORT TERM AGRICULTURAL LENDING OPERATION – AN ANALYSIS

Table - 1

(Rs.in lakhs)

YEAR	THANJAVUR DISTRICT	THIRUVARUR DISTRICT	NAGAI DISTRICT	KCCB TOTAL	% of overdues
2004-05	248.82	89.43	300.49	638.74	78.62
2005-06	290.39	299.03	233.37	822.79	56.86
2006-07	7.14	8.51	12.71	28.36	97.52
2007-08	119.14	324.01	235.96	679.11	81.93
2008-09	304.23	528.07	593.71	1426.00	59.80
2009-10	11.15	56.62	84.03	151.80	96.76
2010-11	136.35	145.76	18.81	470.18	88.98
2011-12	46.89	309.18	185.12	541.19	91.66
2012-13	52.93	192.36	94.56	339.85	86.46
2013-14	66.26	117.38	98.94	282.58	87.18

Sources: Secondary Data/Report of KCCB

Table- 1 shows the Short term Agriculture loan issue by Kumbakonam Central Co-operative Bank during 2004-05 to 2013-14. During the year 2004-05 total amount of Short-term Loan was Rs.4,714.31 lakhs and in the year 2013-14 was Rs. 24,342.78 lakhs. The trend of crop loans provided shows a fluctuating and during the period of study. This may be to seasonal variation in rainfall.

The result shows the highest Short term Agriculture loan issued at Rs.24,342.78(516.36 per cent) in the year 2013-2014.

OVERDUE ON TERM LOAN

Over dues are a term used in explain the non-payment of loans by the borrowers in time.

Table - 2

(Rs.in lakhs)

YEAR	THANJAVUR DISTRICT	THIRUVARUR DISTRICT	NAGAI DISTRICT	KCCB TOTAL	Growth %
2004-05	1035.74	1509.29	2169.28	4714.31	100
2005-06	1040.82	1288.88	2682.74	5012.44	106.32
2006-07	2794.23	3136.23	4305.67	10236.13	217.13
2007-08	2063.16	2366.54	3922.41	8352.11	177.17
2008-09	2596.53	2520.95	4710.89	9828.37	208.48
2009-10	4082.30	4092.82	5907.78	14082.90	298.73
2010-11	4598.44	5319.39	7200.04	17117.87	363.11
2011-12	5459.85	4979.12	7627.84	18066.81	383.23
2012-13	6706.19	7463.68	10084.85	24254.72	514.49
2013-14	6110.31	7855.12	10377.35	24342.78	516.36

Sources: Secondary data/Report of KCCB

Table - 2 indicated the overdue on short term loans of the C.C.B over a period of ten years from 2004-05 to 2013-14. The amount of overdue during the year 2004-05 was Rs.638.74 . It is concluded that the highest overdue on short-term loans by Kumbakonam Central Co-operative Bank.

SUGGESTIONS AND RECOMMENDATIONS

The following important suggestions and recommendations are as under.

- ✓ The bank should increase its share capital base by collecting the capital from the existing share holders as well as from the public.
- ✓ In order to increase the deposits of this bank they should offer attractive new scheme to the depositor.
- ✓ Provision should be made for opening different types of necessary to the varying requirement of the depositors. Fixation of target for each branch can be made. Steps should be taken to mobilize deposits from educational institutions and local bodies.
- ✓ The banks should increase the rate of interest offered by the types of deposits.
- ✓ The loan operation of the bank did not progress in an appreciable manner. For this purpose, this bank should come out of the traditional lending operations, i.e. Agricultural loan operations etc., and should find new avenue for investment.
- ✓ The bank should reorient their loan pattern on the basis of short term loan system.

Loans should be given in installments and there should be a proper linkage between advancing and repayment of loans with sowing and harvesting seasons.

- ✓ The bank should make adequate provisions for bad and doubtful debts.
- ✓ The bank should take up of the work of supervision of primary societies and should guide them so that they may work efficiently and became viable units.

CONCLUSION

The present study concluded that, in India, entire economy as well as social life can be based on the principles and ideology of co-operation. The various levels of co-operative credit structure have been systematically arranged so that the members can easily assimilate the true spirit and working of the co-operative movement, particularly the practical part of this movement, it helps to raise productivity, enlarge employment and poverty reduction in rural areas. The co-operative sector has spread its activities in all spheres of the economy. Economic reforms has led to many changes in policies in Indian economy, co-operative societies are the most important element of protection of the rural poor population need to improve their competitiveness. In the context of economic reforms period when government policy is withdrawn its protective role. Co-operatives have to be self-reliant and the survival of co-operatives will finally depend upon their performance and competitiveness.

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