Review of Literature

Literature relating to commercial bank operations is reviewed. However, the amount reviewed is limited to literature on commercial banks and cooperative banks. Literature on cooperative banks has been included as their operational details are almost the same and they are controlled within the broad framework of Banking Regulation Act, 1949.
CHAPTER-II

REVIEW OF LITERATURE

Literature relating to banking institutions encompasses literature on commercial banks, co-operative banks, foreign banks, central bank and other national and international financial institutions. However, the present review is limited to literature on commercial banks and co-operative banks. Literature on commercial banks are included as the operational details of these banks are almost the same and they are controlled within the broad framework of Banking Regulation Act, 1949.

The review of literature is presented in two major sections, viz., those relating to commercial banks and those relating to co-operative banks. These two sections are further classified into review relating to (1) general performance, viability, profitability, and operational efficiency (2) cash management, statutory requirements and reserve management and (3) mobilisation and deployment of funds, cost of banking, collection and recovery of overdue and professionalisation of management.

Some of the notable studies relating to performance and viability of commercial banks are Anand (1980), Agarwal (1990), Dar (1985), Yadav (1990), Viswanath (1990) and Rajat Khatre and Sanjay Kumar Arora (1994). These studies evaluated the performance of commercial banks, trends in banking after nationalisation, status of banking facilities in rural and remote areas. Their major suggestions include the necessity to regulate the service charges including interest rates which are not uniform even in the nationalised banks.

The profitability of commercial banks was examined in detail by Varsha and Sampat (1979), Joshy (1986), Ojha (1987), Muralidharan (1987), Angadi (1987), Jayantha Kumar
2.1 Commercial Banks

a. Studies Relating to Performance, Viability, Profitability and Operational efficiency

Some of the notable studies relating to performance and viability of commercial banks were made by Gupta (1981), Ashok Kumar (1990), Pandey (1990), Agarwal (1990), Bal Ram Singh Yadav (1990), Vipin Kumar Agarwal (1990) and Rajat Khater and Sanjay Kumar Arora (1994). They evaluated the performance of commercial banks, trends in banking after nationalisation and the extent of deprivation of banking facilities in India to rural and remote areas. Their major suggestions include the necessity to regulate the service charges including interest rates which are not uniform even in the nationalised banks, need of developing a suitable model of 'performance budget' in these banks covering all major banking functions, necessity of taking measures to prevent qualitative deterioration in standards of customer services, professionalisation of management and measures to improve recovery performance and a complete shift in the current system of profit planning in banks.

The profitability of commercial banks was examined in detail by Varsha and Sampat (1979), Joshy (1986), Ojha (1987), Muralidharan (1987), Angadi (1987), Jayantha Kumar...
(1987), Bharot (1988), Voore (1991), Subhash Bhujbal (1991), Vijayakumar and Nazar Krishnan Bakshi (1993). They observed that the efforts to improve profitability should include simple and practically workable strategy, profit planning at the national level, and the volume of funds pre-empted in the form of cash reserve ratio and statutory liquidity ratio need to be seriously viewed.

A few detailed studies of trend and operational efficiency of commercial banks were made by Desai (1979), Ammannya (1986), Srikrishna (1989), Peeyush Kumar (1990), Sree Rama Murthy and Varsha Chattre (1990), Toor (1993) and Jayanthi Lal Jain and Balachandran (1996). The important observations of these studies include (1) improved cash management is necessary to eliminate avoidable loss of interest on surplus cash holdings (2) after nationalisation banking has not taken roots in our rural and remote areas in comparison with semi-urban and urban areas (3) investors are sensitive to interest rates (4) the business mix in the nationalised banks is of a highly varying nature (5) the factors involved in the operations of banks in India today are various kinds of risks such as those relating to non-paying and non-performing assets, interest rate risk, exchange risk, maturity risk, technology risk, etc.
b. Studies Relating to Cash Management, Statutory Requirements and Reserve Management

Some of the early studies to evaluate cash management and reserve management were done by Narasimhan (1984), Anil Kishora (1987), Kuttur (1987), Pandey (1987), Shankar (1991) and Bhole (1993). All these studies agreed that the ideal objective before all banks would be to achieve zero excess reserve, in terms of both cash reserve ratio and statutory liquidity ratio. They considered resource management in banks to be very important because deposits in excess of the stipulated levels of cash reserves brought no returns, and hence heavy reserves lead to resource crunch. They also pointed out that the operational efficiency in cash management is very much dependent on the efficiency and effectiveness of the system of planning and control at macro and micro levels.

c. Studies Relating to Mobilisation and Deployment of Funds, Cost of Banking, Collection and Recovery of Overdue and Professionalisation in Management

Mobilisation and deployment of funds have been studied by Rangarajan and Gupta (1973), Babathosh Banerjee (1974), Bharat Metha (1981), Agarwal (1987), Natarajan (1988), Syed Sharafat Hussain (1990), Sengupta (1991), Rajendra Naidu 1992) and Subramaniam (1993). They were of the opinion that too much
funds may lead to deterioration in funds management efficiency. They also suggested introduction of cost control and cost reduction measures.

Cost of banking was examined in detail by Thakker (1974), Shanker (1994) and Vijayakumar (1995) and they found that total cost of banks can be classified into cost of deposits, cost of advances, cost of interbranch transactions and head office relations and cost of bills department. They opined that a substantial reduction in expenditure can be achieved if banks alter their deposit mix to include a large percentage of low cost deposits. For better working of scheduled commercial banks in India, reduction in operating cost, ensuring high quality service, greater degree of supervision and infusion of high degree of morale among the employees were suggested by these authors.

A few studies on the collection and recovery of overdues in commercial banks were made by Satya Sundaram (1991), Bhagwan Rao and Sakariya (1994) and Gurumoorthy (1995). These studies noted that lack of effective credit appraisal mechanisms and follow-up strategies were highly responsible for overdues. The Governments' policy of compelling the nationalised banks to write-off these loans was questioned by these authors. They noted that unless the course of action like "waiver" is halted and if possible reversed, it would result in much sharper fall in the banks' profitability.
The necessity of professionalisation and training in banks was studied by Bhatnagar (1991), Rajeswari (1992), Sudhir Bhave (1993) and Mishra (1994). These authors felt that the survival and success of the training system in banks will depend upon its ability to adapt to the demands of future. They noted that the training should provide a brigade of well trained and experienced officers to main bank branches at district level. So also it was pointed out that a proper research work can go a long way in redesigning human resource management strategies for the future and to improve the quality of work through productivity gains and better employer/employee relations in the banking industry.

2.2 Co-operative Banks

(1) Studies Relating to Performance, Viability, Profitability, Trend and Operational Efficiency

One of the earliest studies in this direction was made by the All India Rural Credit Survey Committee (1954). The Committee found that the system of crop finance has assumed new significance by 1948-49 when the co-operative credit in the Bombay state was reorganised with the active support of the co-operators of the state. The Committee noted that under the new arrangements, the reorganised Bombay State Co-operative bank and the central financing agencies together
with the primary credit societies were expected to provide short-term finance to all credit worthy agriculturists. Instead of fixing credit limits on the basis of landed securities, special attempts were made to provide short-term finance on the basis of crop acreages and to link the time of repayment on the harvesting season, as was suggested by the Committee.

Venkitesan (1984) measured the extent of achievement of Primary Agricultural Credit Societies (PACS) in credit disbursement and other related aspects. He also studied short-term agricultural loans and its impact on agricultural production in Kerala. His study revealed that PACS working on profit had a strong resource base, high rate of deposit mobilisation, low borrowings, high distribution of agricultural advances and high rate of loan recovery compared to those incurring losses. The study also identified the major factors contributing to the resources of the PACS, such as live cropping pattern and occupational structure of the members, saving habits of the people, satisfaction to the beneficiaries arising from simplified loaning procedures and active participation of members in the affairs of the society.

Savaraiah and Thirupal (1984), tried to make an inter-comparison of financial performance of Prakasam District Central Co-operative Bank (DCCB) and Nellore DCCBs with the
help of statistical tools. They also evaluated the financial soundness of these two banks. The study noted that the DCCBs should acquire permanent capital of its own as speedily as possible and should aim at mobilising deposits from the public to the maximum possible extent to make these operations viable.

Sharma (1985), conducted a case study of the short-term agricultural credit of Rajastan Central Co-operative bank (CCB). He brought out the case that with regard to short term credit the CCBs should re-orient their loan policies and procedures on the basis of crop loan system. The study noted that loans should be given in instalments and there should be a proper link between advancing and repayment of loans with sowing and harvesting season.

Varma (1985) in his study observed that the overall performance of the Central Co-operative banks in Maharashtra is, a mixed one. In his opinion, their weaknesses are, overdues, poor recoveries, insufficient management, inadequate and untrained staff, lack of supervision, poor deposits, defective loan policies, defective book adjustments, inadequate bad and doubtful reserves, etc.

Shah (1986), in his study called for the establishment of Research and Development cells in co-operative banks as the
need of the hour essential for survival, especially in view of the competitive multi-agency banking concept which has come in the field of rural finance. He mentioned that the present profile of the functioning of the co-operative credit institutions, amply establish the rule of thumb as a modus operandi at all levels of management. Planning in co-operative banks is also asked to be more systematic without losing the sense of flexibility and entrepreneurial flair. He opined that co-operative banks have to be more imaginative on their approach in marketing and selling of banking services.

Narayanaswamy and Ramachandran (1987), studied the impact of income and expenditure on profitability with the help of key ratios developed by Varsha S. Varda and Sampat P. Singh. The study revealed that the profit of the bank has increased due to the rise in the volume of business over a decade and it can be attributed to higher rate of decline in spread ratio, a consequence of a fall in interest received. According to them, there is vast scope of increase in profit and profitability, if proper attention is paid on areas like recovery, deposit mobilisation, branch expansion, reduction in manpower and operating expenses, building up of more owned funds and scientific management of funds.

James Paul (1987), discussed and evaluated the operational efficiency of Ernakulam DCB and was of the opinion
that the bank was efficient in the mobilisation of funds which is evident from owned funds to borrowed funds ratio and the borrowed funds to working capital ratio. It was however found to be inefficient in the deployment of funds. Again the ratio of net profit to owned funds ratio showed a declining trend due to lack of efficient utilisation of funds. The liquidity position of the bank was reported to be very sound. He was of the opinion that the bank can improve its position by finding out new avenues for investment, better cash management and by taking all efforts to curtail the overdue position of the bank and by forming an extension wing to study the problems of its member societies.

Khusro Committee Report (1989), pointed out that the DCBs, besides exercising supervisory functions over the PACS, should extend them legal and other help when needed. It was suggested that DCBs will continue to function as the liquidity reservoir and balancing centre of PACS and at the same time perform the task of operating as a bank for other co-operative societies in the district. According to the Committee, the linking of share capital to borrowings at the DCB level for PACS may be fixed at 5 per cent, so that they are able to retain with them a part of the share capital received from their members. The ratio of cash credit to PACS was advised to be reduced from 2.50 per cent to 1 per cent.
Abdul Majeed (1989), conducted a study of Malappuram DCB in order to find out its credit operations. He examined the change in composition of loans issued by Malappuram DCB on the basis of priority, period, purpose and section wise classification of loans. He came to the conclusion that loans recovery was low and was declining over the period under study (1980-81 to 1987-88).

Dhanarajan (1989), made an attempt to study the trend in the profitability of Palakkad DCB (1977-78 to 1986-87) and to evaluate the impact of primary and secondary factors on spread and burden of Palakkad DCB. He found that the profitability of the bank showed a decreasing trend throughout the period as burden increased continuously.

Salim Uddin (1990), evaluated the working and impact of various co-operative financing institutions in Haryana State. He suggested that the professionalisation of co-operative management is the need of the hour and a well defined code of conduct for managers is also needed. The author also recommended that for the success of the movement, the central co-operative banks should have a balanced board of directors with diverse talents, sound policies and commitment for proper implementation. He also suggested that the cost of administration should be reduced and, various new practices be introduced for the sound functioning of the banks.
Sukumaran and Shaheena (1991), analysed the efficiency of the Palakkad DCB in managing the interest, spread, burden and profitability of the bank with the help of secondary data from annual reports. They observed that the excess reserves kept by the bank is an indication of ineffective management of funds within the bank.

Financial performance of Kottayam DCB was examined in detail by Bobby C. John (1991), with the objective of measuring the profitability. He was of the opinion that the operating profit ratio of the bank was not satisfactory. The study showed that non-interest income increased five fold whereas the non-interest expense increased six fold. The increase in manpower expenses was the main reason for increase in the non-interest expenses and the resulting declining trend in profitability. He suggested that the bank should take effective steps to reduce the cost of management and design its assets and liabilities mix to reduce the cost of funds and raise the return on funds.

Viswanathan and Radhakrishnan (1991), analysed the overall performance of DCBs in Kerala by examining the different sources of funds, the costs associated with raising these funds, different channels of flow of funds, revenue realised and their growth over the years. They suggested the reorganisation of the various activities by which the DCBs can
augment their income. Subscription of maximum reserve funds, lower level of fixed deposits, higher level of savings bank and current deposits and a moderate level of borrowings were some of the emerging suggestions on the source of funds.

Muthupandian (1995) conducted a study on the performance and economic viability of PACS in Kerala were studied by Suresh and Vinaikumar (1993). They also analysed the performance of PACS in general at the All India level and remarked that only a few states satisfied the norms stipulated by the RBI and NABARD. However, all the PACS in Kerala satisfied the five quantifiable norms of NABARD on an average. On the basis of the index of viability constructed considering eleven variables, the authors found that PACS in only five districts in Kerala were viable, five potentially viable, while the remaining four less viable. To promote economic viability of PACS it was suggested that auditors should be trained, procedures should be streamlined to detect misappropriations and effective actions should be taken to curb them and loans and advances and business policies ought to be revamped to suit member needs to increase the user members. They further suggested the professionalisation of co-operatives, inservice training to inculcate managerial skill and the establishment of state level Recruitment Board for co-operatives, and the transformation of the present status of PACS as Government extension agencies to peoples' organisation.
Tucker (1993), in his study noted that Human resource development (HRD) has a definite role to play in improving productivity in co-operatives.

Muthupandian (1995) conducted a study on the overall performance of Tirunelveli District Central Co-operative Bank (TDCCB). He noted that the success of TDCCB in future will depend not only upon the development of primary societies and the growth of the co-operative spirit among the members but also upon the extent to which they are able to mobilise deposits and savings and make recoveries of bad debts. He further pointed out that the bank will have to encourage agricultural development and will have to come up regarding the standard of supervision of the societies under their charge.

Joy Joseph (1995), examined the funds management of the Agricultural and Rural Development Banks in Kerala and found that the growth rates of cost components were high compared to income factors. The cost of management was also high in these banks and it was found to adversely affect the profitability. He further opined that, because of maintaining overdues, profitability was deteriorating year after year and the operational efficiency and overall return was very low in these institutions. The margins received by primary banks were not sufficient for their profitable running. In his
opinion, major reasons for heavy overdues were high family expenditure, wilful neglect, modification of subsidy system, misutilisation of income from the project and inappropriate Government policy.

(2) Studies Relating to Cash Reserves, Statutory Requirements and Reserve Management

Unnikrishnan (1985), examined the details of cash reserve management of Trichur DCB and highlighted the need for reducing the cash reserves of the bank. He also suggested that for better deployment of funds, technologically feasible and economically viable schemes may be undertaken.

Shaheena and Kannan (1989), made an attempt to measure the excess reserves kept and the opportunity cost of excess reserves for the period 1978-79 to 1987-88. They recommended that the bank should try to reduce the excess amount kept under CRR. If at all the bank is keeping an excess, they suggested that it should be under SLR, which can be utilised by the bank for short-term investments preferably in the Stock Exchange Market. With this, their liquidity position is expected to be protected and they can resort to inter bank deposits on a larger scale.

Mani and Letha (1990), in their study found that the Trichur DCB used to keep excess reserves under cash reserve
ratio (CRR) and statutory liquidity ratio (SLR). The magnitude of excess reserves under CRR was reported to be high. This was due to lack of scientific portfolio management techniques in the bank.

Rajan (1990), conducted a study on reserve management of Kozhikode DCB in order to assess the excess reserves kept by the bank and to estimate the opportunity cost of excess reserves for the period 1979-80 to 1988-89. He found that this bank was keeping excess reserves under the regulations of CRR and SLR. The magnitude of excess reserves under CRR was reported to be very high mainly due to non-availability of scientific portfolio management techniques. The bank was however, said to have achieved efficiency in the management of SLR. He, further, recommended the improvement of branch information system in order to minimise the loss due to the practice of keeping excess reserves in the branches of the bank. Other alternatives suggested are investment in call money market and inter-bank deposits.

(3) Studies Relating to Mobilisation of Funds, Deployment of Funds, Cost of Banking, Recovery and Overdues

An early study in this area was made by the Study Team appointed by Reserve Bank of India (1972). They went into the problems of overdues of the co-operative credit institutions
in the country. The team found that the position of overdues in backward and undeveloped districts were quite high. It was also reported that the members of the managing committee of societies and the director of the central co-operative banks were showing a general apathy in the matter of recovery of loans.

John Winfred (1974), while analysing overdues in co-operatives in India noted that for prompt recovery of loans, a well co-ordinated and energetic drive for recoveries in each DCB around harvest time with supervisory staff and non-official leadership should be mobilised. He also recommended a member education programme to make them understand the implications of prudent use of credit, a programme to generate additional income - through subsidiary occupation to farmers and to organise marketing through marketing societies which can recover the loans from sales proceeds.

Subhash Chandra Sarkar (1974), examined the overdues of co-operative banks in India and found that the heavy overdues at the level of DCBs are said to impair their capacity to borrow from the higher financial institutions. He was of the opinion that the reasons for the rise in the level of overdues were the failure of the DBCs to recover their dues and not due to any inherent inability of the borrowers to repay. The
failure of the executives of the co-operative institutions to adopt appropriate measures, political patronage to defaulters, defective lending policy pursued by the DCBs and Primary Agricultural Credit Societies and administrative weaknesses were the other reasons cited for higher overdues in co-operative financial institutions.

Kanakasabhai (1976), made an attempt to study the credit planning and financial management in co-operative banks in Orissa and observed that the success of a co-operative society will be judged from the way it deals with the management of funds, increases the profitability and thereby improves the image of the institution.

Varkey (1976) found that the main problem faced by co-operative societies is in the raising of resources. The ratio of deposits between commercial and co-operative banks was 88.19: 11.81 in 1970-71 and the same has deteriorated to 89.05: 10.95 during 1973-74. The author noted that the co-operatives have to concentrate more on the deposit mobilisation aspect instead of depending on government contribution.

Pandey and Muralidharan (1977), observed that the size of loan and consumption expenditures were the major factors influencing overdues in co-operative credit societies at the
farmers level irrespective of the categories. They reported that the loans issued were without keeping the repayment capacity of the borrower in mind and were not properly supervised resulting into diversion of loan either for consumption purposes or for non-stated capital investments.

According to the Report prepared by the Co-operative Training College, Trivandrum (1977), an all-out effort was made in 1976 by the Kerala State Co-operative Bank, DCBs, PACS and urban banks for mobilising deposits. It noted that the results of the programme had surpassed even the best expectations of its sponsors with an additional amount of 85 per cent of mobilisation and most of the districts exceeding their targets.

Bhaskar Rao (1978), observed that the growth in investment is not adequately supplemented by satisfactory recovery performance both in DCBs and Primary Agricultural Credit Societies.

Desai and Narayana Rao (1978), are of the view that the default rate in co-operative credit is very high. It is relatively high for short-term loans than for long term loans. Excepting a few states like Tamil Nadu, Andhra Pradesh, Kerala, Punjab and Haryana all the other states have more than 30 to 35 per cent default rate. The analysis revealed that
inappropriate loan terms and administration were the most important reasons. It also revealed that these factors were interrelated. For solving these problems, the study emphasised the need for reorientation of the credit projects with better economic analysis.

Pancras (1978), studied the funds management in co-operative banks and came to the conclusion that the co-operative banks in the far flung areas are forced to keep more cash/liquid assets due to their far away location from apex banks. He opined that profitability in co-operative banks is a factor of efficient management of funds-mobilisation and deployment of funds. Further, he stressed that it should be the objective of a bank to increase profitability by efficient control of costs associated with funds management.

A study on the performance of Trichur District Co-operative Bank in deposit mobilisation scheme by Jose, et al. (1984), revealed that the total deposits of the Trichur DCB increased from Rs.635.19 lakhs in 1976-77 to Rs.1763.63 lakhs in 1981-82, making an annual average increase of 35.53 per cent. The share of fixed deposits was reported to show a decline during the period 1976-77 to 1978-79, and to increase considerably during the deposit mobilisation campaign in 1981-82.
Sharma (1985), conducted a case study of short-term agricultural credit of Rajasthan Central Co-operative Bank. The study brought out the case that, with regard to short-term credit, the central co-operative banks should re-orient their loan policies and procedures on the basis of crop loan system. He suggested that loans should be given in instalments and there should be a proper linkage between advancing and repayment of loans in the sowing and harvesting seasons.

John Winfred (1986), made an attempt to discuss the funds management of Central Co-operative Banks (CCBs) in India and found that mobilisation of resources is one of the core functions of CCBs. He noted that they have to tap the rural resources not only to keep the credit system in an efficient order but also to reduce their dependence on outside borrowings. He opined that co-operative capital should be employed judiciously and in the most economical and fruitful manner so as to derive maximum benefits with minimum expenditure. Again, the efficient utilisation of resources calls for a developmental approach in the diversified direction without sacrificing the main principles of banking, namely liquidity, safety and profitability. Lastly, he reported that better deployment of funds not only improves the image and income earning capacity of the banks but also reduces regional and functional imbalances.
Naidu and Prasad (1987), analysed the utilisation pattern of cooperative short-term production credit with the help of cross tabular analysis and regression analysis. They found that, the proportion of co-operative short-term credit used for production purpose was inversely related to farm size and the amount diverted was mostly used for consumption purpose by marginal and small farmers while it was used for other non-agricultural purpose by medium and large farmers. They further opined that regular follow-up visits are necessary to assure the use of loan amount for stipulated purposes.

According to Rajeevkumar Saxena (1987), Central Co-operative Bank at district level form an important link between the state co-operative bank and the primary agricultural credit societies at the base. He noted that in the case of central co-operative banks, overdue was the main problem, and the recovery of the same was urgently needed to make the central co-operative banks financially and administratively strong and viable units. Effective supervision over the end use and close contact of higher officials with the farmers was further highlighted by the author.

Arulanandam and Namaseivayam (1987), were of the opinion that the level of deposits mobilised by any co-operative bank depends on the efforts made by the bank to identify the
savings potential of the target group and their effective channelisation into its system, the overall image of the bank, the quality of the service offered, the type of deposit schemes introduced and their attractiveness and branch network. They mentioned that deposit mobilisation can be very well understood by comparing the ratio of bank deposits to the national income of various countries, and to increase this ratio, the motto of co-operative banks should be "no place is too insignificant and no deposit is too small".

Vaikuntha (1988), made an attempt to study the reasons for non-recovery of loans of the Dharward DCB, in Karnataka, with the help of a survey of 180 borrower households belonging to big (60), medium (60) and small farmers (60) during 1984-85. He opined that the causes of overdues were natural calamities, unsound lending policies, inadequate supervision, unsatisfactory management and lack of right type of leadership. He suggested that the overdue problem can be checked by imposing abnormal interest penalties and effective recovery policies.

John Winfred (1988), made another attempt to study the funds management in DCBs in India and found that the sources of funds consisted of internal sources (share capital from banks, members and reserves created by banks) and external sources (deposits from individuals, co-operatives, other
institutions and loans and advances from apex financing banks, government and commercial banks). He also noted that there is an imperative need to analyse the cost and returns of funds to understand the margin available to a bank in its resource mobilisation and utilisation effort. He further highlighted the necessity to know whether the margin available is adequate to run a bank viably. The author pointed out that the cost of deposits varied from bank to bank depending upon their composition - the higher the level of current and savings deposits (which are much less costlier) the lower will be the average deposits rate and vice-versa.

Moorti et al. (1988), made an attempt to study the growth of co-operative credit societies in respect of their membership, share capital, deposits, loans and advances, pattern of utilisation and problems of overdues. They observed that the main reasons for the large amount of overdues in credit societies were slackness on the part of management of societies, poor management of societies and the untimely release and inadequate amount of loan that weakens the repayment capacity.

Bhoslae and Dangat (1989), conducted a study on co-operative societies in Kolhapur district. The study probed the extent of medium term borrowings of farmers from co-operative societies, repayment position of the loan borrowed
and the factors responsible for overdues. The main reason for overdues stated was misutilisation of loan. The authors noted that the total amount borrowed had a direct relationship with the amount of overdues and it calls for a very careful scrutiny of the loan application by the financing institution. This study suggested an appropriate policy with regard to supervision of credit at the farm level.

Bhatt et al. (1989), analysed credit-deposit ratio and its inter-relationship with other components contributing towards credit of DCBs with the help of correlation coefficient and ‘t’ test. The study revealed that effective credit-deposit ratio reflects the real picture of management of deposits and credit. The researchers stressed that the effective credit-deposit ratio should be used for judging performance efficiency, in relation to credit and deposits of banking sector function in rural area.

Cheriyakoya (1989), analysed the extent and composition of the additional deposits mobilised during deposit mobilisation campaign and the impact of these additional deposits on the lending pattern of the Trichur DCB for the period 1978-79 to 1987-88. He observed that the credit-deposit ratio, which is an indicator of banks' efficiency in the deployment of funds, was lower during the deposit mobilisation campaign than in normal months. This was said
to be due to the undue pre-occupation of the staff for mobilisation of deposits and the total disregard for lending during this period. The April-May period was seen to be more appropriate for the deposit mobilisation campaign, as the increase in deposits found was significant in all years during this period.

Ranga Reddy (1989), studied the working of corrective and preventive measures taken for reducing farm co-operative overdues in the Guntur District Central Co-operative Bank and the sample PACS. Measures taken for reducing overdues noted in the study are the stream-lining of management, strengthening of the supervisory staff, restructuring of the working capital by raising the share of owned resources and prompt legal and executive action covering all delinquents.

Mohandas (1990), tried to examine the effect of additional deposits on the resource base of Trichur DCB in terms of the extent of incremental deposits, proportion of various types of deposits, share of deposits to working capital and ratio of deposits to loans and advances. Further, the effect of resources on lending is examined in terms of the composition of loans, credit-deposit ratio, incremental credit-deposit ratio and relative efficiency in resource management. The study revealed that deposit mobilisation campaigns have helped the bank to increase appreciably the quantum of working capital as well as the proportion of
deposits in the working capital. The main weakness of the programme noted was the obsession of the staff with the targets and achievement in deposit mobilisation and the neglect of corresponding expansion in lending activities. Another problem noted was the lower incremental credit-deposit ratio because of the tendency of the depositors to withdraw a sizeable part of the new deposits immediately. Notwithstanding these weaknesses, the study noted that the state patronaged deposit mobilisation campaigns have enhanced the credibility and social acceptance of the working of co-operative credit institutions in Kerala, even though the security of their deposits is not yet guaranteed by any form of deposit insurance. It concluded that there is still scope for refinement of the scheme in the DCBs with a 'project approach' which can ensure better results from the campaigns - both quantitatively and qualitatively.

John Winfred (1990), made an attempt to measure the extent of overdues and causes of overdues of 16 DCBs in Tamil Nadu for a period of 12 years (1970-1971 to 1981-1982) based on both primary and secondary data. He found that there had been slackness in recovery of loans resulting in mounting overdues and suggested that the directors of PACS should play an active and effective role in periodically reviewing the recovery performance of the societies followed by strict measures for recovery against the defaulters and launching of
regular and timely recovery action. He also recommended that the tempo of recovery drive should be maintained by the societies throughout the year instead of initiating it towards the close of the year. The author suggested that the interest rate structure of the central banks may be so devised as to provide for interest rate rebate as a reward for prompt repayment of loans on scheduled dates and for improving recovery performance, the rate of interest should be initially fixed at somewhat higher level and a rebate of two or three per cent to the borrowers on repayment of loans on the scheduled dates. He further pointed out that the State Government should ensure that there is strict observance of financial discipline by all concerned for sound and sustained growth of co-operative credit system.

Satendra Pal Singh et al. (1990), made an attempt to identify the factors affecting overdues of agricultural loans. The four major variables identified by them were amount of loan borrowed, amount of loan put under non-productive uses, size of holding and repayment capacity. The authors noted that loans must be provided only to those farmers who satisfy the test of technical feasibility and financial viability. They also suggested that appropriate steps be taken to educate farmers for proper utilisation of loans and avoiding excess expenditure at the cost of repayment of loans.
Lakshminarayana and Adinarayana (1990), conducted a study on borrowers of crop loans in Visakhapatnam District. They analysed the nature and pattern of overdues and factors influencing overdues both under co-operatives and commercial banks and by farm size with the help of two stage stratified sampling. They observed that the repayment capacity of a borrower is a measure of his ability to ensure the return of funds acquired for purposes of investment and consumption. It was based on the analysis of productivity, i.e., the additional returns that would accrue due to borrowed funds and the anticipated income from all sources of the borrower during the year. Repayment capacity was worked out as a residual after meeting the requirements of family consumption needs, payment of other dues, debts outstanding and payments. Accordingly, the authors found that the repayment capacity of farmers who borrowed from co-operatives was less per farm for small, large and pooled farmers, compared to those who borrowed from commercial banks. Irrespective of farm size, all borrowers from commercial banks enjoyed better repayment capacity, particularly in the case of small farms. They found that the inadequacy of loan amount from co-operative banks has resulted in mounting overdues and suggested that the scale of finance and individual maximum borrowing power should be increased keeping in view the present day costs of cultivation.
Obul Reddy and Malla Reddy (1990), made an attempt to identify the socio-economic factors influencing the borrowers in repaying the co-operative dues by collecting information from 150 borrowers under the Bhongir DCB in Nalgonda district of Andhra Pradesh. The study revealed that the association between socio-economic factors and repayment of co-operative dues is not significant.

Abdul Noorbasha et al. (1990), studied the impact of certain selected variables on the mobilisation of deposits, deployment of funds as advances and net profits of Vijayawada DCB in order to identify factors of growth. It was found that the selected cogent variables explained more than 98 per cent of variability in respect of deposits and advances. While time and share capital of societies were positively related to deposits of the bank, the number of shareholders was also found to have significant influence on the advances of the bank. However, the selected variables for identifying the impact on net profits, could not explain any significant influence. In short, this study showed that the deposits and advances of the banks have been influenced by certain well identified factors.

Mohandas and Indira (1991), observed that according to All India Debt and Investment Survey (1971-72), the deposits of DCBs of Kerala had increased from Rs.253.14 lakh in 1960-61 to Rs.3117.75 lakh by 1974-75. The increase was appreciable
since 1971-72. In spite of the appreciable increase in the deposits of the co-operatives they noted that the co-operatives are still far behind the commercial banks.

James Hadlant Gunther (1992), made an attempt to study the extent of deposit mobilisation, deployment and the profitability of Ernakulam DCB. He found that fixed deposits contributed to about 40 per cent of the total deposits. The loan mix of the bank showed that short-term loans constituted the major portion of loans. The loans and advances disbursed was increasing over the years. Seasonality in lending was observed by the author in the months of May and June. He pointed out that the performance of Ernakulam DCB, especially relating to mobilisation of resources, its deployment and profitability were fairly good.

Chinnappa (1992), tried to identify the problems of DCBs in Andhra Pradesh and opined that the managing committees of the primary co-operatives and directors of DCBs have shown a general apathy in the matter of recovery. The author found that a large number of members in the managing committees had themselves defaulted in the repayment of dues and the managements were not prompt in initiating coercive action against recalcitrant members. He noted that the DCBs were supposed to be autonomous in character, they were more so in paper than in practice. It was also noted that no policy decisions were taken by the institutions at the base level and
all the rules and regulations were framed from above and mostly they were ill-timed and unsuited to the varied circumstances that prevailed in various parts of the country.

Sivaprakasam (1993), discussed the personnel management in DCBs and found that the employee turnover ratio of DCBs was low when compared to those in Regional Rural Banks. He found that 'influence' was an important criterion for nearly 1/3 of the employees in getting appointment. The author suggested that the DCBs should evolve a promotion policy in such a way that the base level employees are able to get at least two promotions in their entire career. According to him majority of the employees oppose deputation because of such reasons as lack of knowledge, lack of commitment on the part of the deputationist, lack of banking knowledge, blocking the promotion of bank employees, delay in policy and decision making and frequent transfer since they are from the Government. The study also revealed that the employees were able to improve their work after undergoing training.

Thirupathi Rao (1995), while analysing the financial management of Srikakulam DCB, felt that the finance function of a DCB is highly regulated by the Reserve Bank of India and the Registrar of Co-operatives. The borrowings, lendings and investments are regulated and subjected to rigorous discipline in respect of several other financial operations. But, he found that this DCB has failed to observe the financial
discipline. The Bank has experienced a deficit in the maintenance of required cash reserves and liquid assets throughout the study period (1980-81 to 1992-93) and was responsible for its down grading.

Toomkuzhy (1995), made a review of the changing environment of co-operatives and examined the need for professionalisation of management in co-operatives. He noted that the environment in which co-operatives operate has been changing very fast and it has been characterised by rapidly growing size, complexity and ambiguity. To cope with the new tasks, he suggested that professional management has become an absolute necessity.

Now it is apparent from the review of literature that quite a lot of studies have been made on various aspects of funds management in DCBs in different parts of the country. But only a very few studies have attempted a detailed analysis of mobilisation, deployment and other aspects of funds management. Even such studies have limited themselves to either individual DCBs or were limited to their scope. This was quite true of the few typical studies made in Kerala on the DCBs of Ernakulam, Trichur, Palakkad, etc. They were lacking in depth as well as in coverage. The present study is suggested in this background.