CHAPTER VI

Summary of the findings

Suggestions
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SUMMARY OF THE FINDINGS AND THE SUGGESTIONS

In this chapter the findings of the study are summarised and pertinent suggestions are given to improve the working of the Co-operative Banks under study.

FINDINGS:

It is found that the study unit was able to increase its own fund over the study period of 10 years. And also the working capital of the Bank showed an increasing trend. The growth of working capital had been very spectacular as seen from the fact that with Rs. 4015 lakhs in the first year of the study period i.e., 1979-80 increased to Rs. 19,639.55 lakhs at the last year of the study period i.e., 1988-89. This clearly indicated that the study unit has a lot of potentialities to further growth.

From the correlation analysis it was proved that there is a positive relationship between the growth of working capital and crop loan and Medium-term loan.

The deposit mobilisation of the Bank is very
commanding and it is seen from the fact that with Rs.2676.10 lakhs in 1979-80 increased to Rs.11,760.08 lakhs in 1988-89.

The percentage analysis of achievement against the target in respect of short-term loans reveals that in 1984-85 and 1988-89 the proportion of achievement in relation to the target exceeded by 7% and 1% respectively. In indicates that the Bank failed to forecast the demand for agriculture credit properly before setting the target. It is a clear indication of poor credit management by the co-operative banks.

It is found that the amount of short-term credit issues increased gradually from Rs.5909.22 lakhs in 1979-80 to Rs.34556.31 lakhs in 1987-88. But in the next year 1988-89 the total short-term credit decreased to Rs.33,118.27 lakhs due to the following reasons:

a. Freezing of the limit fixed for the Urban Co-operative Bank for granting Jewel loan and
b. Most of the Sago serves and Spinning Mills having built up their own funds and reserves found no need for borrowing from banks.
It is ascertained that the figures of overdues in respect of short-term loans showed a fluctuating trend and at the same time, the percentage of overdues to loans outstanding stood at 8.59% in 1988-89 as compared to 33.38% in 1979-80. This position clearly indicates the very good recovery performance of the Bank and credit management.

An interesting feature is that the percentage of doubtful debts to short-term loans issued showed a fluctuating trend but the percentage is 0.25% both in the first year 1979-80 and in the last year of the study period 1988-89. This clearly indicates that the ability of the bank remained the same in the past 10 (ten) years with regard to short-term loans.

The percentage analysis of Achievement against the target in respect of Medium-term loans reveals that the Bank achieved the target in 6 years out of 10 years under the present study. It again indicates that the Bank failed to forecast the demand for agricultural credit properly before setting the target. It indicates the poor credit management of the Bank.

It is found that the figures of Medium-term credit deployment fluctuated year after year, but the over-all tendency
showed an increasing trend for the period.

It is found that the amount of medium term credit issues increased continuously from Rs.319.67 lakhs in 1979-80 to Rs.1559.67 lakhs in 1982-83. But in the next year 1983-84 the total short term credit decreased to Rs.1220.63 lakhs due to the waiver of agricultural loans declared by the Government.

The figures of Medium-term loans outstanding for the co-operative banks increased gradually during the study period. On the other hand the percentage of outstanding to loans issued showed a declining trend during this period.

It is apparent that the percentage of overdues to loans outstanding in respect of medium-term loans declined sharply over the study period from 29% in 1979-80 to 01.23% in 1988-89. This indicated that the recovery performance of the bank is very much appreciable.

It is found that the amount of bad and doubtful debts in respect of medium-term loans showed an increasing trend during the study period ranging from Rs.16.23 lakhs in 1979-80 to Rs.30.81 lakhs in 1988-89. However the percentage of bad and doubtful debts to medium-term loans issued decreased sharply
from 5.07% in 1979-80 to 1.09% in 1988-89, which clearly reveals the effectiveness of the bank in minimising the doubtful debts.

The figures of long-term credit deployment of the bank showed a fluctuating trend during the study period. However, it stood higher during the prosperity phase of the business cycle than in the period of depression and recession.

During the early period of the study, the figures of overdues decreased from Rs.22.16 lakhs in 1979-80 to 0.50 lakhs in 1983-84. Again from the year 1984-85 onwards the figures of overdues gradually increased from Rs.0.59 in 1984-85 to Rs.704 lakhs in 1988-89. This clearly indicates that the recovery performance of the co-operative banks is very poor.

The rate of interest charged by the societies to members is very high compared to the one charged by the CCB to societies. For instance the rate of interest charged by CCB to societies for short-term agricultural loans over Rs.25000 is 7.50%, whereas it is 14.00% in the case of societies to members.
It is found the percentage of overdues to demand at members level as on 30-06-'89 is the lowest i.e., 6.32% in jewel loan and the highest i.e., 79.22% in medium term non consolidated loans for small farmers.

It is found that the percentage of overdues to demand at members level as on 30-06-'89 is the lowest i.e., 6.04% in jewel loan and the highest i.e., 94.44% in medium term consolidated loans for other farmers.

Out of the 100 sample defaulters, the maximum number of defaulters were found in the age group of 51 and above. The defaulters in the age group of upto 30 years form the least number i.e., 13 and also accounting for 13% of the total. This clearly indicates that the seasoned borrowers who form 37% of the total become defaulters in large numbers.

Among the 100 defaulters selected, the maximum number of 30 defaulters were illiterates. Degree holders form the least number i.e., 18 and also accounting for 18% of the total. From this it can be observed that the educated are more prompt in repaying the loan than others.
Out of the 100 defaulters selected the maximum number of 27 defaulters belong to backward community. Defaulters belonging to forward community form the least number i.e. 14 and also accounting for 14% of the total. This reveals that the scheduled caste and scheduled tribe put together form only 36% of the total, whilst the backward and most backward community form 50% of the total.

Among the 100 sample defaulters, the maximum number of 33 defaulters are only large farmers with holdings of land ranging from 4.51 to 6.00 acres. This is followed by 26 defaulters with holdings of land ranging from 3.01 to 4.50 acres. The least number of defaulters numbering 18 were small farmers with holdings of land upto 1.50 acres. This clearly shows that only the large farmers who are getting more benefits and at the same time not repaying the loan.

Out of the 100 defaulters, the maximum number of defaulters constituting 38 have borrowed amounts for the purpose of raising crop. The defaulters who have borrowed loan for other purposes form the least number i.e., 11 and also accounting for 11% of the total. From the above it is clear that those who have borrowed money for the purpose of raising of crop who form
38% of the total number, become defaulters largely.

Among the 100 sample defaulters, those who have overdue amount of Rs.1000 and above constitute a maximum number of 39. Those who have overdue amount upto Rs.5000 form the least number i.e., 24 and also accounting for 24% of the total. This shows that with the increase in the quantum of overdue amount the number of defaulters also increases proportionately. As such defaulters within the range of Rs.10,001 and above accounting for 39% of the total.

Among the 100 defaulters, the maximum number of defaulters 46 belong to the fourth category i.e., period ranging from 2 years and above. This is followed by the 21 defaulters each pertaining to the periods ranging from 6 months to one year and also one year to two years. The least number of defaulters i.e., 12 and also accounting for 12% relate to the first category i.e., period upto 6 months. This reveals that with the lapse of time the borrowers are not willing to pay on the expectation that the Government may declare waiver of agricultural loans ultimately.

Out of the 100 defaulters selected, the maximum number of 35 defaulters were willing to pay but for Government's
directive. The defaulters who could not repay because of the delay in sanctioning loan form the least number accounting for 4% of the total. This clearly reveals that the maximum number of defaulters accounting for 35% of the total are those who expressed willingness to pay but for Government's directive.

Among the 100 defaulters selected the maximum number of defaulters were found to be borrowers whose main occupation is cultivation. The borrowers who do not primarily depend on cultivation form the least number of 37 and also account for 37% of the total. This reveals that the borrowers who primarily depend on cultivation, forming 63% of the total number, become defaulters.

Out of 100 defaulters selected, the defaulters who preferred monthly and quarterly instalments form the less numbering 12 and 18 respectively. Those who have opted for annual instalments form the highest number constituting 41% of the total. It reveals that those who opted for monthly instalments form the least number accounting for 12% of the total. From the analysis it is clear that most of the borrowers prefer repayment of loans through monthly instalments.
Among the 100 defaulters selected, the total of the 43 defaulters' income ranged up to Rs.5000. More precisely, 30 defaulters are found to be within the income range of Rs.10,001 and above.

Among the 100 sample defaulters, the maximum defaulters numbering 43 and also accounting for 43%, save up to Rs.5000 annually. Those defaulters whose savings are Rs.10,001 and above form the least number of 23 and also account for 23% of the total. This indicates that most of the defaulters are wilful ones.

SUGGESTIONS:

The volume of overdues of the co-operatives is alarming and certain immediate remedial measures are to be taken. There should be no soft pedalling in the matter of recovery of co-operative credit.

Overdue may be normal or abnormal. In the case of normal overdues arising from natural calamities or lack of insurance covers, borrowers need to be given protection by systematically designing the methods so as to safeguard them from falling into a perpetual cycle of defaulters.
In the case of abnormal overdues due to wilful default by an individual or group of individuals, should be strictly dealt with through legal actions. This will require an integration among various financial institutions to ensure that wilful defaulters are not being entertained by them. Above all, a gentleman's agreement among all the political parties not to focus writing off the co-operative credit as a political issue should be thought of. To have a long-term ramification for this problem, there is a need to educate the borrowers from the very beginning about the objectives and purpose of borrowing.

Crop insurance to mitigate the loss of agriculturists should be launched more vigorously than now.

The poor recovery position arising out of situations like migration of borrowers, sale of assets acquired out of loan or transfer of business without the knowledge of the bank, etc. needs to be effectively tackled by strengthening the institutional structure both banking and also Government institutions, in case of rural lending.

Inadequate marketing structure has been found to be one of the important contributory factors for poor recoveries.
Number of studies have revealed that whenever marketing of products has been linked either through co-operative societies or directly through banks, the recovery has been good. Unfortunately no concrete measures have been taken in this regard. Hence, the Centre and the State Governments should take up this immediately, for the effective functioning of the co-operative credit system.

The concept of professional lending needs to be given greater thrust to overcome some of the problems like untimely and inadequate credit disbursement to safeguard the institutional interest against the imposition of certain ventures without giving due weightage to infrastructure and market facilities, unimaginative repayment schedule without giving due weightage to the factors like soil conditions, cropping patterns, yield, family needs etc. which result in poor recoveries.

There should be strict supervision over the utilisation of loan in order to check the misuse of loan and a fresh loan should be given only after ensuring that the previous loan has been properly utilised.

The loan inspectors, agricultural assistant or
supervisors may be properly instructed by the co-operatives to update the list of wilful defaulters every year. This may be done by means of personal investigations and a routine check-up by the concerned officials.

Adequate training must be given to the supervisors periodically to enrich their knowledge and skill.

All District Central Co-operative Banks in Tamil Nadu supply fertilisers, manures, etc. to the agriculturists through societies, whilst the nationalised banks provide necessary amount on production of bills for purchasing fertilisers, seeds, etc. This enables them to purchase high breed and good varieties as per their discretion. Hence, it is suggested that the co-operatives, also can resort to the latter method of disbursement of cash on production of bills to the borrowers for purchase of quality seeds, fertilisers, etc.

There should not be undue delay in between the payment of first instalment of the loan and the release of the second instalment by the co-operatives as is happening now.
The recovery camps can be conducted periodically by the bank branches in order to improve the recovery position. These camps may be useful as they generate greater awareness among the borrowers on the need to repay their loans. Thus the demonstration effect of these camps will be beneficial in the long run for the banks in inculcating the habit of repayment. They may also help in reducing the cost of recovery for banks through large inflow of funds in these camps. It also amounts to taking banks to the door steps of the borrowers and saves their time. Thus recovery camps are useful in many ways and they need to be conducted regularly at the most opportune time, say, during marketing season.

Non-public business working day has been introduced recently for rural branches with a view to improve the quality of rural banking in all areas. This could be used for getting deposits for the branch or for identifying borrowers with viable schemes, etc. It can also be used for recovering the dues and if used carefully, can generate awareness among the people on banking habit in general and the need to develop the culture of regular and prompt repayment of loans. The non-public business
working day, therefore, has the potential to confer long term benefits on the rural branches. Regular personal contacts goes a long way in improving recovery position over a period of time. A more detailed evaluation of the scheme may be required to suggest further improvements in its implementation. It is also felt that the scheme may be extended to semi-urban branches as they are also part of service area approach.

Posting of Agricultural Officers and the pattern of utilisation of their services is found to be most important aspect shaping the health of agricultural advances. Agricultural Officers should be used for field work and not in other areas like, say, doing the normal routine work in the branch.

Credit guarantee schemes are helpful to the banks and were initially designed to encourage them to lend to SSI and agriculture which were new areas at that time. The credit guarantee schemes ensure that the banks are able to recover the amount from DICGC but when all their efforts towards this end fail. Even after they invoke the guarantee, the banks are expected to continue their efforts to get the due from the concerned party. In the case of agriculture and small loans, the schemes of the
DIGGC are a boon to the Co-operative banks. The procedural aspects of these schemes have been simplified and settlement of claims are fairly quick.

Practices such as rescheduling of loans also influence the recovery figures. These may be resorted to only in deserving cases. The general atmosphere for recovery is also likely to improve and demand for write-off etc. will be discouraged. The Reserve Bank of India has been against these trends, while the external environment will become more conducive to recovery; the internal aspects which are within the control of banks need to be improved. Here, the preventive measures such as proper scrutiny of schemes, pre-sanction inspection, etc. are more important.

Fixing the repayment period for various categories of loans have to be done carefully. If shorter periods are given for repayment than it is possible, then recovery will be a problem. Wherever repayment schedules are given for lending schemes, they have to be scrupulously adhered to.

A continuous personal involvement of the bankers and other developmental agents with the various stages of operation
of any developmental activity in rural area is a must to win the confidence of local people which will go a long way in accelerating the process of acceptability of new ideas and thus, resulting in a successful implementation of various developmental schemes in totality in rural areas.

Professionalised approach in the pre-lending approval system and post lending supervision techniques together with strengthening of the organisational structure, especially at the field level, will go a long way in improving the recovery of agricultural advances.

As far as possible the Government should change the attitude of waiving agricultural loans. This would naturally force even the borrowers who are very prompt in repayment, not to repay their dues. In fact, the prompt repayers are not allowed any concession in as much as they are penalised for their promptness.

A scheme of offering interest subsidy to all types of loans to the member-borrowers of agricultural co-operative credit societies, who repay their loans in time will be a positive,
practical and pragmatic approach to reduce the overdues. The subsidy will be a stimulant for voluntary and punctual repayment, besides reducing the burden of cumulative incidence of interest. A penal interest may be charged on those who do not repay promptly.

All the above suggestions or a few of them, which if implemented will improve the recovery of overdues of the Co-operative Banks.