CHAPTER – III

FINANCIAL PERFORMANCE EVALUATION OF SALEM DISTRICT CENTRAL CO-OPERATIVE BANK LTD., SALEM-1
CHAPTER – III

FINANCIAL PERFORMANCE EVALUATION OF SALEM

DISTRICT CENTRAL CO-OPERATIVE BANK LTD., SALEM-1

This chapter deals with the performance of SDCCB Ltd., Salem–1 for the past 5 years i.e., 2000-2001 to 2004-05.

Deposits:

The bank accepts deposits from Public, Institutions and its affiliated societies. The bank accepts Current Account, Savings Account and Fixed Deposits.

The deposit position which was originally Rs.1.94 Lakhs in the year 1909 has now increased to Rs.78,628.15 lakhs in the year 2005.

TABLE 3.1 SHOWING THE DETAILS OF DEPOSITS HELD AS ON 31.3.2005

(Rs.in Lakhs)

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Deposit</td>
<td>2995.92</td>
</tr>
<tr>
<td>Savings Deposit</td>
<td>9513.39</td>
</tr>
<tr>
<td>Fixed Deposit</td>
<td>66118.84</td>
</tr>
<tr>
<td>Total Deposit</td>
<td>78628.15</td>
</tr>
</tbody>
</table>

The Individual Institution and Primary Co-operative Bank Deposit position is as indicated below:
<table>
<thead>
<tr>
<th>S.No.</th>
<th>Year</th>
<th>Deposit Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2000-2001</td>
<td>76470.56</td>
</tr>
<tr>
<td>2</td>
<td>2001-2002</td>
<td>83237.15</td>
</tr>
<tr>
<td>3</td>
<td>2002-2003</td>
<td>87905.20</td>
</tr>
<tr>
<td>4</td>
<td>2003-2004</td>
<td>80851.80</td>
</tr>
<tr>
<td>5</td>
<td>2004-2005</td>
<td>78628.15</td>
</tr>
</tbody>
</table>

Source: Secondary data
CHART 3.1

GROWTH OF DEPOSIT

Year | Amount (Rs. in lakhs)
-----|----------------------
2000-2001 | 76470.56
2001-2002 | 83237.15
2002-2003 | 87905.2
2003-2004 | 80851.8
2004-2005 | 78628.15
Own Funds position of the bank:

Total own funds of the bank 2004 to 2005:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (Rs.in Lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid up Share Capital of the bank</td>
<td>2354.28</td>
</tr>
<tr>
<td>Reserve Fund</td>
<td>924.51</td>
</tr>
<tr>
<td>Other Statutory Reserves</td>
<td>8971.52</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12250.31</strong></td>
</tr>
</tbody>
</table>

**TABLE 3.3 SHOWING OF THE GROWTH OF SHARE CAPITAL, RESERVE FUND AND OTHER RESERVES FOR THE LAST 5 YEARS**

(Rs.in Lakhs)

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Year</th>
<th>Paid up Share Capital</th>
<th>Reserve Fund</th>
<th>Other Reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2000-2001</td>
<td>1574.86</td>
<td>592.71</td>
<td>2721.31</td>
</tr>
<tr>
<td>2</td>
<td>2001-2002</td>
<td>1643.98</td>
<td>662.53</td>
<td>3587.15</td>
</tr>
<tr>
<td>3</td>
<td>2002-2003</td>
<td>1872.66</td>
<td>748.63</td>
<td>4103.24</td>
</tr>
<tr>
<td>4</td>
<td>2003-2004</td>
<td>2014.14</td>
<td>835.72</td>
<td>6830.42</td>
</tr>
<tr>
<td>5</td>
<td>2004-2005</td>
<td>2354.28</td>
<td>924.51</td>
<td>8971.52</td>
</tr>
</tbody>
</table>

*Source: Secondary data*

Borrowings:

The bank now accepts deposits at the maximum rate of interest of 6.5%. The bank has sanctioned advances to the members mostly from its deposits and own funds.
The bank has availed concessional refinance from Tamil Nadu State Co-operative Bank (TNSC) and Nationalized Bank for Agriculture and Rural Development (NABARD) for various purposes.

The details of borrowings are given below;

<table>
<thead>
<tr>
<th></th>
<th>(Rs.in Lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>6103.54</td>
</tr>
<tr>
<td>3</td>
<td>11605.63</td>
</tr>
</tbody>
</table>

Total 17709.17

Working Capital:

Working Capital of the bank is as on 31.3.2005 is Rs.99346.55 Lakhs.

TABLE 3.4 SHOWING THE GROWTH OF WORKING CAPITAL FOR THE LAST 5 YEARS

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Year</th>
<th>Working Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2000-2001</td>
<td>90039.54</td>
</tr>
<tr>
<td>2</td>
<td>2001-2002</td>
<td>92599.53</td>
</tr>
<tr>
<td>3</td>
<td>2002-2003</td>
<td>98612.55</td>
</tr>
<tr>
<td>4</td>
<td>2003-2004</td>
<td>102242.68</td>
</tr>
<tr>
<td>5</td>
<td>2004-2005</td>
<td>99346.55</td>
</tr>
</tbody>
</table>

Source: Secondary data
Investments:

The bank’s investment portfolio as on 31.3.2005 is Rs.43639.72 Lakhs.

1. Apex Bank  
   Rs.21740.84 Lakhs

2. Government Securities  
   Rs.21898.88 Lakhs

   Total  
   Rs.43639.72 Lakhs

TABLE 3.5 SHOWING THE GROWTH OF INVESTMENT FOR THE LAST 5 YEARS

(Rs. in lakhs)

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Year</th>
<th>Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2000-2001</td>
<td>54636.67</td>
</tr>
<tr>
<td>2</td>
<td>2001-2002</td>
<td>56037.10</td>
</tr>
<tr>
<td>3</td>
<td>2002-2003</td>
<td>52599.47</td>
</tr>
<tr>
<td>4</td>
<td>2003-2004</td>
<td>49773.27</td>
</tr>
<tr>
<td>5</td>
<td>2004-2005</td>
<td>43639.72</td>
</tr>
</tbody>
</table>

Source: Secondary data
CHART 3.2

GROWTH OF INVESTMENT

Amount (Rs. in lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-2001</td>
<td>54636.67</td>
</tr>
<tr>
<td>2001-2002</td>
<td>56037.1</td>
</tr>
<tr>
<td>2002-2003</td>
<td>52599.47</td>
</tr>
<tr>
<td>2003-2004</td>
<td>49773.27</td>
</tr>
<tr>
<td>2004-2005</td>
<td>43639.72</td>
</tr>
</tbody>
</table>
Profit Earned:

The bank has earned Net Profit of Rs.504.10 Crore as on 31.3.2005. The bank is earned profit continuously from its inception and it is also classified as ‘A’ Class Bank in the Audit Report. The bank has declared dividend at 12.5% during the year 2004-2005.

The growth in this regard during the last 5 years is as given below:

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Year</th>
<th>Net Profit (Rs. in Lakhs)</th>
<th>Audit Classification</th>
<th>Disbursed Dividend</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2000-2001</td>
<td>349.07</td>
<td>A</td>
<td>12%</td>
</tr>
<tr>
<td>2</td>
<td>2001-2002</td>
<td>427.54</td>
<td>A</td>
<td>14%</td>
</tr>
<tr>
<td>3</td>
<td>2002-2003</td>
<td>435.44</td>
<td>A</td>
<td>13%</td>
</tr>
<tr>
<td>4</td>
<td>2003-2004</td>
<td>443.99</td>
<td>A</td>
<td>12.5%</td>
</tr>
<tr>
<td>5</td>
<td>2004-2005</td>
<td>504.10</td>
<td>A</td>
<td>12.5%</td>
</tr>
</tbody>
</table>

Source: Secondary data
LOANS AND ADVANCES:

The bank has sanctioned loans and advances to its affiliated societies and its members of the bank for various purposes. Loans outstanding as on 31.03.2005 is Rs.64031.13 Lakhs.

The details of loans and advances for the last 5 years.

TABLE 3.7 SHOWING THE LOANS OUTSTANDING FOR THE LAST 5 YEARS

(Rs. in lakhs)

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Year</th>
<th>Amount outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2000-2001</td>
<td>43365.48</td>
</tr>
<tr>
<td>2</td>
<td>2001-2002</td>
<td>44588.52</td>
</tr>
<tr>
<td>3</td>
<td>2002-2003</td>
<td>53678.67</td>
</tr>
<tr>
<td>4</td>
<td>2003-2004</td>
<td>58643.00</td>
</tr>
<tr>
<td>5</td>
<td>2004-2005</td>
<td>64031.15</td>
</tr>
</tbody>
</table>

Source: Secondary data
CHART 3.3

LOANS OUTSTANDING

Year


Amount (Rs. in lakhs)

43,365.48 44,588.52 53,678.67 58,643 64,031.15
TABLE 3.8 SHOWING THE LOANS SANCTIONED FOR THE LAST 5 YEARS

(Rs. in lakhs)

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Year</th>
<th>Amount Sanctioned</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2000-2001</td>
<td>44645.19</td>
</tr>
<tr>
<td>2</td>
<td>2001-2002</td>
<td>53723.00</td>
</tr>
<tr>
<td>3</td>
<td>2002-2003</td>
<td>58643.00</td>
</tr>
<tr>
<td>4</td>
<td>2003-2004</td>
<td>58642.98</td>
</tr>
<tr>
<td>5</td>
<td>2004-2005</td>
<td>145264.98</td>
</tr>
</tbody>
</table>

*Source: Secondary data*

The loans sanctioned of SDCCB Ltd., was Rs.44645.19 lakhs in the year 2006-07 which was increased to the 58642.98 lakhs in the year 2003-04 and again which was increased to Rs.145264.98 lakhs in the year 2004-05.
CHART 3.4

LOAN SANCTIONED

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (Rs. in lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-2001</td>
<td>44645.19</td>
</tr>
<tr>
<td>2001-2002</td>
<td>53723</td>
</tr>
<tr>
<td>2002-2003</td>
<td>58643</td>
</tr>
<tr>
<td>2003-2004</td>
<td>58643.98</td>
</tr>
<tr>
<td>2004-2005</td>
<td>145264.98</td>
</tr>
</tbody>
</table>
**Modern Banking:**

With a view to compete with other Commercial/Nationalized and Globalized Banks, the bank is taking all efforts to computerize all the branch accounts. Already Head Office Branch and Seventeen Branch accounts are computerized. Vigorous steps are taken to computerize in all the branches of the bank.

**Banking Business:**

The bank is rendering service to its members and customers by issuing Demand Draft, Pay Order, SDS, DD and AIMAS Scheme. For the above business the bank is charging moderate commission from the beneficiaries.

The bank is also collecting Cheques, Drafts, Hundies, Treasury Bills and Documentary Bills for the customers.

**Crop Loan:**

The Bank has sanctioned crop loans to the farmers through PACB’s to the extent of Rs.10609.50 lakhs and on the pledge jewels co-operative loan issued Rs.226.35 lakhs total Rs.10835.85 lakhs during the year 2004-2005. The area covered by the Bank was 131751 acres. The number of farmers covered under Agricultural Credit as on 31.3.2005 was 44506. Out of which 100925 were small and marginal farmers and 5735 were SC and ST farmers. The credit coverage for
agricultural purpose is 11.48% from out of total credit provided by various other Agencies to the entire district. The PACBs are adopting the system of issuing Kissan Credit Card Scheme to for its short term lending and the outstanding card holders as on 31.3.2005 was 126481 amounting of Rs.8902 lakhs. For Kissan Credit Card holders, the bank has implemented Personal Accident Insurance Scheme to the crop loan farmers. The Bank has financed M.T.Schematic loans through PACBs for various purpose such as purchases of Milchi Animals, Bullock Cart, Sheep Rearing, Poultry Farms and Piggery Farms to the farmers.

The bank has sanctioned cash credit for various purposes such as Public Distribution System and Non-public Distribution System to the tune of Rs.1207.65 lakhs and 477.10 lakhs for running village shops and ensuring fertilizers distribution to farmers.

The Bank has sanctioned Jewel Loan cash credit amount of Rs.25000.50 lakhs to 308 PACBs at lower rate of interest.

Weavers Societies:

There are 206 Weavers Co-operative Societies affiliated to the Salem Central Co-operative Bank Ltd. Out of which 180 are Handloom Weavers Co-operative Societies and 26 Powerloom Weavers Co-operative Societies. Out of 206 Weavers Co-operative Societies, 124 Weavers Co-operative Societies are financed by the Salem District Central Co-operative Bank to the extend of 3269.56 lakh.
TABLE 3.9 SHOWING AMOUNT OF LOAN GIVEN TO HANDLOOM WEAVERS CO-OPERATIVE SOCIETIES BY THE SDCCB LTD, SALEM

<table>
<thead>
<tr>
<th></th>
<th>With NABARD Refinance</th>
<th>With own funds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No</td>
<td>Amount</td>
<td>No</td>
</tr>
<tr>
<td>Handloom WCS</td>
<td>97</td>
<td>2768.29</td>
<td>10</td>
</tr>
<tr>
<td>Powerloom WCS</td>
<td>15</td>
<td>219.94</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>112</td>
<td>2988.23</td>
<td>12</td>
</tr>
</tbody>
</table>

Source: Secondary data

The NABARD had sanctioned a sum of Rs.2988.28 lakhs to 112 Weavers Co-operative Societies for the year 2004-2005. The Bank had sanctioned a sum of Rs.281.33 lakh to 12 Weavers Co-operative Societies from Bank’s own funds. Even though these societies are not eligible to get refinance from NABARD, the bank had sanctioned cash credit limit to these societies in order to give continuous work to the members of the Weavers Co-operative Societies to earn their lively hood. The amount outstanding under Weavers Cooperative Societies cash credit account was of Rs.64031.15 as on 31.3.2005. 40% of the total population of the people is depending on Weavers Co-operative Societies and they are from Rural Areas. Handloom Weavers are tradition oriented and they have no other alternative job to earn money for their lively hood.
THE SALEM CO-OPERATIVE SUGAR MILL:

The bank has sanctioned cash credit limit against pledge of stock, stores and spares, molasses and spirit (hypothecation) amounting of Rs.3220 Lakhs for financing the Salem Co-operative Sugar Mill

The details of the limit sanctioned to the Salem Co-operative Sugar Mill during the year 2004-2005.

1. Pledge of stock Rs.3000 Lakhs
2. Stores and Spares Rs. 80 Lakhs
3. Molasses Rs. 40 Lakhs
4. Spirit Rs. 100 Lakhs
Total Rs.3220 Lakhs

In addition to that, our bank has sanctioned a sum of Rs.1300 Lakhs to 7 other Co-operative Sugar Mills as a member bank and the concerned District Central Co-operative Banks are the leader banks under consortium arrangements.

The details of the loan limit sanctioned are as follows:

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Name of the Sugar Mill</th>
<th>Name of the Bank</th>
<th>Limit sanctioned</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Dharmapuri Co-operative Sugar Mill</td>
<td>Dharmapuri DCCB</td>
<td>500</td>
</tr>
<tr>
<td>2</td>
<td>Subramanian Siva Cooperative Sugar Mill</td>
<td>Dharmapuri DCCB</td>
<td>200</td>
</tr>
</tbody>
</table>
The Salem Starch and Sago Manufactures Service Industrial Co-operative Society Limited (SAGO SERVE)

The total cash credit limit sanctioned to SAGO SERVE amounted Rs.1300/- Lakhs during the year 2002-2003 with Salem District Central Co-operative Bank is a leader bank for SAGO SERVE finance with seven other banks under consortium arrangement. The operative period of the limit sanctioned to Sago Serve is between September to August.

The loan limit sanctioned by Salem Central Co-operative Bank and other bank are as indicated below:

### Table

<table>
<thead>
<tr>
<th></th>
<th>Co-operative Sugar Mill</th>
<th>DCCB</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Velur Co-operative Sugar Mill</td>
<td>Velur DCCB</td>
<td>500</td>
</tr>
<tr>
<td>4</td>
<td>Ambur Co-operative Sugar Mill</td>
<td>Velur DCCB</td>
<td>-</td>
</tr>
<tr>
<td>5</td>
<td>Tripattur Co-operative Sugar Mill</td>
<td>Velur DCCB</td>
<td>-</td>
</tr>
<tr>
<td>6</td>
<td>Kallakurichi I Co-operative Sugar Mill</td>
<td>Villupuram DCCB</td>
<td>-</td>
</tr>
<tr>
<td>7</td>
<td>Chengalarayan Co-operative Sugar Mill</td>
<td>Villupuram DCCB</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
<td>1300</td>
</tr>
</tbody>
</table>

*Source: Secondary data*
<table>
<thead>
<tr>
<th>S.No.</th>
<th>Name of the Bank</th>
<th>Limit sanctioned</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Salem DCCB Leader Bank</td>
<td>520.00</td>
</tr>
<tr>
<td>2</td>
<td>TAICO Bank</td>
<td>400.00</td>
</tr>
<tr>
<td>3</td>
<td>State Bank of India</td>
<td>120.00</td>
</tr>
<tr>
<td>4</td>
<td>Punjab National Bank</td>
<td>40.00</td>
</tr>
<tr>
<td>5</td>
<td>Indian Overseas Bank</td>
<td>145.00</td>
</tr>
<tr>
<td>6</td>
<td>Union Bank of India</td>
<td>35.00</td>
</tr>
<tr>
<td>7</td>
<td>Bharat Overseas Bank</td>
<td>5.00</td>
</tr>
<tr>
<td>8</td>
<td>Corporation Bank</td>
<td>35.00</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>1300.00</strong></td>
</tr>
</tbody>
</table>

*Source: Secondary data*

**MARKETING SOCIETIES:**

There are Five Agriculture Producers Co-operative Marketing Societies in the area of operation of the bank. These societies are mainly established for providing assistance for marketing of Agricultural produce of its members.

The bank has sanctioned to the tune of Rs.1070 Lakhs for various purposes during the year 2004-2005 as detailed below:
<table>
<thead>
<tr>
<th>S. No.</th>
<th>Name of the Society</th>
<th>Marketing of Crops</th>
<th>Purchase of Cotton</th>
<th>Public Distribution System</th>
<th>Non-public Distribution System</th>
<th>Produce Pledge Loan</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Salem APCMS</td>
<td>45</td>
<td>-</td>
<td>200</td>
<td>50</td>
<td>25</td>
<td>32</td>
</tr>
<tr>
<td>2</td>
<td>Attur APCMS</td>
<td>200</td>
<td>-</td>
<td>50</td>
<td>-</td>
<td>20</td>
<td>27</td>
</tr>
<tr>
<td>3</td>
<td>Tiruchengodu APCMs</td>
<td>25</td>
<td>400</td>
<td>70</td>
<td>50</td>
<td>-</td>
<td>54</td>
</tr>
<tr>
<td>4</td>
<td>Rasipuram APCMS</td>
<td>-</td>
<td>50</td>
<td>20</td>
<td>-</td>
<td>-</td>
<td>70</td>
</tr>
<tr>
<td>5</td>
<td>Namakkal APCMS</td>
<td>-</td>
<td>-</td>
<td>10</td>
<td>-</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>270</td>
<td>450</td>
<td>350</td>
<td>100</td>
<td>45</td>
<td>12</td>
</tr>
</tbody>
</table>

*Source: Secondary data*

**THE SALEM DISTRICT WHOLESALE STORES:**

The bank has sanctioned Rs.100/- Lakhs for the purpose of PDS, Non PDS and IMFL Cash Credit Account as detailed below:

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Kind of Cash Credit</th>
<th>Limit Sanction</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Public Distribution System</td>
<td>Rs.90 Lakhs</td>
</tr>
<tr>
<td>2</td>
<td>Non-public Distribution System</td>
<td>Rs.10 Lakhs</td>
</tr>
<tr>
<td>3</td>
<td>IMFL</td>
<td>----</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>Rs.100 Lakhs</td>
</tr>
</tbody>
</table>
SMALL SCALE INDUSTRIAL LOANS

The bank has sanctioned Rs.58.35 Lakhs to Small Scale Industrial Loans to individual’s partnership firms up to Rs.100 Lakhs for various purposes depending unto its projects and units. The outstanding of the Non Farm Sector Loans stood at Rs.598.22 Lakhs as on 31.3.2005. The purposes are such as manufacturing of ready-made garments, Yarn Mills, Food Industries, Automobile Parts, Soap Industry, Optical Glasses, Saw Mills etc.

A retired government official appraised the proposals received under Non Farm Sector.

SRTO LOANS

The bank has sanctioned Rs.0.35 lakhs to small road transport to a maximum of Rs.10 Lakhs under refinance scheme to purchase two vehicles. The outstanding under SRTO is Rs.15.01 Lakhs as on 31.3.2005.

HOUSING LOANS

The bank was extending housing loans for the purpose of construction of new houses in rural, semi-urban and urban areas. The bank had disbursed Rs.129.04 Lakhs during the period from 1.4.2004 to 31.3.2005 and outstanding under this head is Rs.762.32 Lakhs as on 31.3.2005.
HOUSE MORTGAGE LOANS

The bank has sanctioned loans to individuals for business, marriages consumption purposes etc. against the mortgage of house property. In this scheme, the bank had sanctioned Rs.195.99 Lakhs from 31.3.2005 and outstanding under this head as on 31.3.2005 is of Rs.710.91 lakhs. The repayment period for loans under house mortgage was 5 years.

EMPLOYEES CO-OPERATIVE THRIFT AND CREDIT SOCIETIES

The bank was providing financial assistance by way of medium term loans to its affiliated employees Co-operative Societies. The outstanding as on 31.3.2005 Rs.4265.95 lakhs.

JEWEL LOANS

The bank is issuing Jewel Loan to its members through branches up to a maximum of Rs.2 Lakhs per individual. The amount outstanding under this head as on 31.3.2005 is of Rs.72.50 lakhs.

CONSUMER LOAN

The bank has issued consumer loans for the purchase of consumer durables and purchase of vehicles. In the above scheme, the bank is helping to fulfill requirement of the family members by easy installment loans.
The bank has disbursed Rs.25.36 Lakhs and outstanding under this scheme is Rs.150.13 Lakhs.

IMPLEMENTING OF SPECIAL/GOVERNMENT SPONSORED PROGRAMMES (DIRECT LOAN)

The Salem District Central Co-operative Bank stands first in implementing various government sponsored schemes uplift the downtrodden people in Salem and Namakkal Districts. More thrust is given to sanction loan to woman particularly. The bank is growing stronger to strength with each passing day and has a guiding lamp to many other Banks. The bank is also implementing government sponsored programmes relating to revamped micro credit, women entrepreneurs, working women, salaried women, TABCEDCO, TOMCO, Self Help Group, Engineers and Doctors under Government Assurance Scheme during this year.

FINANCING OF SELF HELP GROUPS (SHGs)

The bank had disbursed loans to self-help groups under savings linkage scheme. There are 3063 self-help groups having savings account in PACBs. The bank has sanctioned Rs.41.83 Lakhs up to 31.3.2005 to self-help group through PACBs and outstanding under the head is Rs. 30.64 Lakhs.
REVAMPED MICRO CREDIT FOR WOMEN

The mini loan was sanctioned to help rural women for carrying on small economy activities like sale of fruits/flowers vegetable vendors/shops and other small trade and business. The procedure of sanctioning of Rs.1.30 Lakhs outstanding under this head is of Rs.1.57 Lakhs as on 31.3.2005. There is a good potential for micro credit loans in our district, which is having a sizable middle class sections of the society in the district.

MATERNITY LOANS

The bank has implemented the Government Sponsored Scheme Maternity Loan. So far, the bank has disbursed Rs.3.14 Lakhs from 1.4.2004 to 31.3.2005 and outstanding under this head is Rs.2.68 Lakhs as on 31.3.2005.

TABCEDCO LOANS

The bank has sanctioned Rs.1.79 Lakhs and Most Backward Classes people. Under Tamilnadu Backward Classes Economic Development Corporation Scheme and outstanding under this head is Rs.1.74 Lakhs as on 31.3.2005.
TAMCO LOANS:

The bank has also disbursed a sum of Rs.0.48 Lakhs. Tamilnadu Minorities Development Corporation (TAMCO) to the rural and urban areas. Outstanding under this head is Rs.0.48 Lakhs as on 31.3.2005.

NHFDC LOANS

The Central Banks are empowered to sanction loans upto Rs.3.81 Lakhs under NHFDC Scheme. Sent the sanction order along with particulars of beneficiaries and attested disability certificates to Apex Bank for forwarding the same to the NHFDC. The outstanding of Rs.4.02 Lakhs as on 31.3.2005.

SERVICE TO THE MEMBERS

The bank is maintaining a community hall in 1.39 acres of land for conducting the functions of the staff office meeting. For that, the Reserve Bank of India had permitted the bank to retain the premises provided the same was used by the bank for its own purposes. Welfare activities such as staff office meetings, seminars and social activities.

RECOGNITION

The bank was selected as the first bank for the best performance in the state by the Tamil Nadu State Coop. Apex Bank for the year 1998-99 and 1999-2000 and prizes were distributed.
Our bank was selected in 2\textsuperscript{nd} rank in the state for the best performance award by NABARD for the year 2000-2001 and honoured by Honourable Finance Minister Jaswant Singh.

\textbf{SPECIAL LOANS AND ADVANCES TO ITS EMPLOYEES}

The SDCCB provides the following types of loans and advances to its employees.

i) Vehicle Loan  
ii) Marriage Loan  
iii) Housing Loan  
iv) Consumer Loan  
v) Educational Loan  
vi) Festival Advance  
vii) NSC Loan

\textbf{RATE OF INTEREST}

There is no fixed rate of interest in the above types of loans. Rate of interest to be charged is fixed by Board and Registrar. Festival Advance will not be liable for interest. Except Housings Loans, interest fixed will be based on maximum interest provided by the bank plus 2\% will be chargeable on the above loans. For housing loans interest will be just as the housing loan interest from government Staff.

Total loan outstanding in total in the above categories as on 31.3.2005 is Rs.64031.15 Lakhs.
TABLE 3.10 SHOWING AMOUNT OF NPA FOR THE LAST 5 YEARS

(Rs. in lakhs)

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Year</th>
<th>Amount of NPA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2000-2001</td>
<td>3023.61</td>
</tr>
<tr>
<td>2</td>
<td>2001-2002</td>
<td>3213.24</td>
</tr>
<tr>
<td>3</td>
<td>2002-2003</td>
<td>6555.49</td>
</tr>
<tr>
<td>4</td>
<td>2003-2004</td>
<td>10122.23</td>
</tr>
<tr>
<td>5</td>
<td>2004-2005</td>
<td>7499.66</td>
</tr>
</tbody>
</table>

Source: Secondary data

The amount of NPA of SDCCB Ltd., was Rs.3023.61 lakhs in the year 2000-01 which was increased to Rs.10122.23 lakhs in the year 2003-04 but it was decreased to Rs.7499.66 lakhs in the year 2004-05.
CHART 3.5

AMOUNT OF NPA

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (Rs. in lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-2001</td>
<td>3023.61</td>
</tr>
<tr>
<td>2001-2002</td>
<td>3213.24</td>
</tr>
<tr>
<td>2002-2003</td>
<td>6555.49</td>
</tr>
<tr>
<td>2003-2004</td>
<td>10122.23</td>
</tr>
<tr>
<td>2004-2005</td>
<td>499.66</td>
</tr>
<tr>
<td>2005</td>
<td></td>
</tr>
</tbody>
</table>
NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT (NABARD)

The NABARD provides financing of co-operatives through Tamil Nadu State Co-operative Bank (TNSCB). The NABARD will not undertake any recovery proceedings. But it will do inspection for Salem District Central Co-operative Bank. The inspection by NABARD will focus largely on security cover. In case of cash credit where stock becomes primary security, care should be taken to see the availability of stock at any time to cover up debts after providing for margin. So inspection by NABARD mainly cover the area of ensuring adequate security is available. The inspection is done by NABARD on random basis only and 100% inspection is not be ensured.

REFINANCING OF NABARD

Crop loan given to Primary Agricultural Co-operative Banks are being provided through the refinancing in NABARD. NABARD also finances through PACBs which function at village level.

INSPECTION IN APEX BANK

Apex Bank function in state level and is the head of all Co-operative Banks in the state. The NABARD provides financial assistance to SDCCB and PACBs through Apex Bank. Hence NABARD is empowered to inspect the documents and other aspects of loans sanctioned. If undertakes inspection of Apex Bank on random basis. A part from that Registrar is empowered to go through the
formalities and compliances of Credit Norms in Apex Bank. A part from Registrar, the Auditors are also inspecting the books of Accounts of Apex Bank. All the District Central Co-operatives are the members in State Apex Co-operative Bank. Tamil Nadu State Co-operative Bank is the Apex Bank of our all-state co-operatives.

FINANCING TO PRIMARY AGRICULTURAL CO-OPERATIVE BANKS (PACBs)

Salem District Central Co-operative Bank provide financial assistance to PACBs. The SDCCB is empowered to inspect the books of accounts of the PACBs Deputy Registrar and Joint Registrar of Co-operatives are empowered to make surprise visit to the PACBs. NABARD Finances to PACBs through SDCCB and not directly.

PROBLEMS FACED BY SDCCB LTD., SALEM - 1

MANAGERIAL PROBLEMS

Some of the important managerial problems faced by SDCCB Ltd, Salem - 1 are:

i) Policies and Decisions are dictated by the RBI and the State Government:

Framing of policies and decision, which are important management functions are dictated to the Co-operatives by Government. As the movement was initiated and nursed by the state, it got itself interlinked its penetration continuously. As financial help is
also coming from the Reserve Bank of India, it is also dictating the policies to the co-operatives. The need of the movement and the strategies to achieve the needs must be planned by the movement and not by the state. In the guise guidance and patronage the state dominates the managerial decisions.

ii) Weaker Leadership:

Co-operative Leadership in India, in spite of decades of their existence has not become vigilant.

iii) No Vigilance in Co-operative Democracy:

Effective functioning of these institutions alone can ensure vigilant co-operative democracy and impartial functioning of the co-operatives. Members rarely attend the General Body Meetings and question the management. Lack of awareness among the members about the fundamentals of co-operation and the working of their co-operatives make the leaders to function in the manner they like. Such evils are rampant in our village credit societies.

iv) Lack of Professionalisation:

One of the weaker links in the Co-operative Management is lack of professionalisation of the management. To face the competition posed by private organizations, the co-operatives must improve their quality of the personnel. As the co-operatives pay a low salary, good
talents are not coming to them. Even those employed by them drift to other concerns in due course. Promotional opportunities and service conditions are far from satisfaction in cooperative organizations. Without making an improvement in personnel administration co-operatives can not move ahead.

v) Autonomy of the Co-operatives:

Co-operatives in all countries are guided by the principles of co-operation laid down by the International Co-operative Alliance. If the co-operatives have to adopt all the principles of co-operation especially the principle of democratic management they must be free from any external interference. But in countries like, India, the interference of the Government in the administration of co-operatives has become a historical incidence rather than practical necessity. As the movement was organized by the Government the liberty is continued to be enjoyed by the Government in the name of protecting the interests of the co-operatives in every State Co-operative Societies are governed by a separate act and an office of the Registrar of Co-operative Societies is practically managing the co-operatives.

vi) Lack of Self Reliance in Resources:

The co-operatives in India are still depending on Government and the Reserve Bank of India and this dependence may continue in
the future also. Once you are inviting money from outside you have to abide by the conditions laid down by the lenders. Lender would always be interested in the safety and profitability of his funds. Co-operatives being borrowers cannot be exempted from such conditions and regulations. When you are abiding the conditions of the leader, your democratic freedom and freedom to use the resources will also be affected. The management of the society can have minimum say in fixing norms for using the resources.

vii) Government Intervention:

Co-operative functions under three tire system. If suffers from Government control and RBI control Government control consists of both Central and State Government control. The policies of both Central and State Government directly affects the credit policy of Co-operative Banks.

Government intervention is made in the following ways:

a) Credit Policies:

The Government controls the credit policy viz. specifying priority sectors, waivers of interest, Installments, Conversion etc. Frequently it waives the interest and outstanding principal when it stands arrears for a long time. This creates unhappiness in the minds of persons who have promptly paid the dues already. Finally even the
right people will not repay the loan assuming that it will be waived by the Government. This results in more NPAS.

b) Dual System of operation:

Deposit is being managed by the guidelines of RBI but lending is determined by Government. These two control powers will not go in hand in hand with each other. Difference in this concept make more problem and unreliable results.

viii) Natural Calamity:

The main customer’s service of SDCC is among its agriculturalists for whom more capital is locked up in the form of loan capital. The repayment of crop loan depends upon monsoon. The failure in monsoon results in less repayment and leads to more NPA.

ix) Less Statutory Action:

Due to Government intervention and political influence, stringent statutory action against defaulters is absent in SDCCB. The defaulters getting no fear about non-repayment of the loan. This is also one of the reasons that more accounts are in NPA category.

x) Lengthy Process of Recoupment:

More rules and regulations and formalities are laid down for collection team. The collection is not regular. Perhaps first collection
officers have to attach the movable properly of the defaulter. If it is not up to the limit of credit outstanding then it will attach immovable property. The attachment has to come through so many formalities and hence delay is there. Immovable property will also take long time to get it realized and to effect sale deed. The party goes to court and get stay. Hence action keeps on pending.

xi) Improper Selection of Parties to Loan:

Selection of appropriate parties is the sinequouanon in lending which is always unbelievable among agriculturists. Moreover loan is given only on personal security. If they failed to repay, remedial action cannot be instituted.

xii) Consumers Loan:

All consumer loan sanctioned are unsecured. Maximum consumer loan like Gas Loans sanctioned results in overdue, which results in more NPAs.

xiii) Time Consuming:

From the receipt of application to dispersal of loan more stages has to be gone through. This results in undue delay with compared to commercial banks.

xiv) Misutilisation:

The purpose for which loan is given in most cases are diverted and resulted in misutilisation for some other purposes. The government
fixes the priority sector for which loan may be sanctioned. This is being misappropriated by the parties.

xv) Inflexible:

Rules and Regulations framed under Co-operatives is inflexible. Changes cannot be made to suit to the latest trend.

xvi) Priority Sector Loan:

The Government frequently fixes priority sector and provide quota to be achieved towards that. In order to show the achievement of quota, loan is dispersed in this priority sector even though, the people’s requirement may be in some other purposes. So it is said that, while trying to achieve quota, the capability of the party and the purpose for which he is going to utilize that needs to be studied in detail.

xvii) Lack of Insurance Cover:

Even though insurance cover is available on many loans, it is not being insisted strictly due to which risk cover is lacking in many loans. Especially in crop loans, more and more loans suffer from inadequate insurance cover.

xviii) Lack of Awareness:

The people especially in village areas should be aware of the facilities granted to them. In village PACBs, the people are provided with Tractors, Tools for cultivation, Machines for harvesting etc. They
are actually misutilised for some other purposes. Awareness should be made which is lacking.

xix) Lack of Customer Education:

Even though special training institute functions at various levels, in particular they suffer from lack of purposes. They failed to teach the poor agriculturists about the facilities available with them.

xx) Lack of centralized outstanding liability register:

A person who defaulted in repayment of loan may approach some other bank and with some introduction he may obtain other loans finally results in overdue of both the loans. Centralized liability register is not available to check whether the particular party has availed and other facility from any other bank. Later of found even if one facility is overdue, all the types of loans standing in his accounts become Non Performing Assets. (NPA).

xxi) Lack of Credit Card and Debit Card facilities:

There is a Lack of Credit Card and Debit Card available in most of the modern banking lacks in SDCCB. This is one of the reasons why our co-operative banks failed to compete with other commercial banks.

xxii) Unreliable Income Criteria:

Like Commercial Banks, income criteria of the loan applicant are not taken much seriously. Normally for income proof (VAO’s (Village Administrative Officer’s) Certificate is being produced. The
income showed here may give more and more fallacy. Income Tax Return is not highly enforced.

xxiii) Cheque Leaves and Repayment obligation:

The party is not asked for any signed cheque leaves and this excluded from imposing statutory obligation in loan repayment which the other commercial banks gives more importance.

xiv) Poor Customer Service:

Poor customer service when compared to other commercial banks.

xv) Time Lag in operation

Customer waiting time for withdrawal, encashment of Demand Drafts, and Cheques are relatively high. In the notice they have mentioned the time within which each operation needs to be completed but in practice it is not true.

xvi) Lack of Personal Relation:

Banking people in SDCCB failed to create a personal relationship with its customers. Mostly the account holders are village people who may long for personalized approach, but they get disappointed after entering our bank.

xvii) Lack of Amenities:

Loose leaves, drinking water, fire safety measures are not proper which leads to dissatisfaction.