CHAPTER - II

REVIEW OF LITERATURE AND RESEARCH DESIGN

2.1 Review of Literature

A detailed review of literature has been carried out to get an insight into the co-operative banking system. A brief account of the important literature reviewed is given.

2.1.1 Functions and Performance of co-operative banks

John (1975)\textsuperscript{1} remarked that only by moving with the times and introducing the new schemes, the Kanyakumari District Co-operative Central Bank will be able to make co-operative credit an effective instrument in the economic progress of the farmers by increasing agricultural productivity.

Bader Alam Iqbal (1975)\textsuperscript{2} remarked that inspite of its various defects, there is no substitute for the co-operative movement, therefore due consideration should be given to the movement by the planners because it is really a very important part of the national planning.

National co-operative union of India (1976)\textsuperscript{3} concluded that the policies and procedures of co-operatives should be so modified as to allow greater flow of credit to such members of weaker sections who are not found credit worthy.

\begin{itemize}
\item \textsuperscript{1} John.C (1975), Agricultural co-operative banking, a case study of the Kanyakumary District Co-operative Central Bank, January, p. 152
\item \textsuperscript{2} Bader Alam Iqbal (1975), "Co-operative Movement in India” Analysis of its growth and development”, Indian co-operative Review, Vol .XII, No. 3, April, p.265.
\item \textsuperscript{3} National co-operative union of India (1976), conference on the impact of co-operative Agricultural credit on weaker sections, December, p.22.
\end{itemize}
For them co-operative should also provide job oriented credit in addition to their requirements of production credit so that their viability may improve.

Tej Bahadur (1976)⁴ pointed out that the Andhra Pradesh Central co-operative Land Mortgage bank has made a mark among the land mortgage banks in the country during 1969-70, for maintaining a record of loan recovery to the maximum, by the bank during this period, had advanced Rs. 20 crores as loan, and recovery was of the order of 94 percentage. This indeed a record worth emulating by similar institutions in the country. Here again deposit mobilisation seems to offer single largest avenue for augmenting the financial resources of the bank.

Sami Uddin and Mahfoozur Rahman (1983)⁵ proved that since the central Co-operative Banks form a very important link between the higher financing agencies at apex and national levels and primary agricultural credit societies disbursing credit to the ultimate borrowers at the base level, efforts towards rehabilitation of weak district co-operative banks need to be reinforced.

Radhaswami and Vasudevan (1984)⁶ highlighted that the cooperatives have changed their banking policies to suit to the changing conditions and they have improved the quality of the credit provided. The technological changes

that have taken place in agricultural have resulted in a tremendous increase in demand for agricultural credit which is beyond the capacity of the co-operative banks to meet.

Pratap Singh (1986)\(^7\) proved that to increase the owned funds of the co-operative credit institutions, we need to increase the reserve funds of the co-operatives, increase deposits by inspiring confidence among the members (by offering competitive rates of interest), enhance the share contribution to the share capital of co-operatives and to link share holdings to borrowings strictly. The ratio between the share holdings and borrowings by the members should be 1:18.

Pathak and Tara Shukla (1986)\(^8\) highlighted that it would be appropriate that an overview is taken on progress made so far with a view to taking stock of its vibrating features that will be able to gear it to the changing environments it may face in the coming decades of the twenty first century, and also the drawback that may constrain its growth for meeting the new challenges and/or make it less resilient. The most outstanding feature of growth has been rapid increase in number of bank offices increasing at an average annual growth rate of 30.1 percent. In other words, on an average 2485 branches have been opened in rural areas, of these, 1515 or 61 percent of the branch offices have been opened in rural areas. This is unprecedented expansion of banking facilities in the

\(^7\) Pratap singh (1986), Need to enhance the owned funds in Co-operative agricultural Finance; utilization and overdues, First Edition, National Book Organisation, p. 162.

financial history of the country. As per the latest figure available total (Direct + Indirect) institutional credit outstanding in agriculture aggregated to Rs. 12952.10 crores as on June 30, 1983. Of this Rs. 6492.60 crores or 50 percent was provided by co-operatives Rs. 6055.40 crores of 47 percent by commercial banks and 405.00 crores or three percent by the Regional Rural Banks.

Gopalan and Jayakumar (1988) suggested that all the cooperatives which have direct contacts with their members should rise up to the occasion and improve their member based beneficial service. Such a measure would ensure more and active organisational, managerial, financial and business involvement of rural and urban public in the relevant co-operative which are organised to promote their common economic interests.

Narayanan (1988) remarked that the main objective of cooperative banks in our country is to help the agriculturists, landless labourers, weaker sections of the community and downtrodden to come up well and raise their standard of living. A package of credit measures was introduced for financing of artisans and village industrial activities through co-operative banks. Towards this goal, the co-operative banks had dedicated themselves and do the work effectively through various Government schemes.

---


One such scheme is financing industrial service-business to improve the economic status of the people.

This study had been taken up to know as to how far the co-operative banks have responded to challenges by building up this internal expertise in the field of development of ISB borrowers. The success of the scheme mainly rest on the identification of needy person who fulfils all the conditions to borrow under the scheme of ISB. When identification goes wrong the loan amount is disbursed to a wrong person. ISB scheme is a mainly introduced to help the economically weaker section, the downtrodden and the needy persons. No doubt it has achieved fairly good results. But the political pressure from local bodies, target oriented approach in disbursing the loan with in a specified limited period have their own impact on utilisation and recovery. In other words," the political interference and unscientific method of selection of borrowers spoil the very objective of the scheme.

Daman Prakash (1989)\footnote{Daman Prakash (1989), “Management of co-operatives”, Tamil Nadu Journal of Cooperation, vol .80 No. 7, January, p.411.} remarked that in order to make the co-operative viable, it is necessary that the management is professionally competent system and methods of control in the co-operative are properly developed, introduced and managed; better communication between the management and the members is established and maintained; legal requirements of the co-operative visa-vis the auditors / Government are properly met; proper responsibilities are assigned and assessed at regular
intervals; systematic evaluation of business performance is conducted; and proper reports on performance are made available in time to the members and other constituents. These are some of the areas which need management attention.

Arvind Kumar Mishra (1989)\textsuperscript{12} reviewed that the co-operative movement showed an increasing trend in terms of finance, number of societies, members, working capital and population coverage during the plan period.

Srinivas (1990)\textsuperscript{13} suggested that with regard to mobilisation of adequate share capital it is necessary that the confidence of the members in co-operatives should be sustained with help of declaration of periodical dividends, minimisation of manipulative practices in collection of share capital with effective and close supervision etc., and stern action should be taken against the persons responsible for illegal manipulation.

Chaudhary (1991)\textsuperscript{14} concluded that central co-operative Banks play an important role as a strong link between co-operative credit societies and state co-operative banks. The link can be made strong only with the efficient management, effective loans and investment policy with the compliance of banking rules and principles are adhered by the central co-operative banks.

\textsuperscript{12} Arvind Kumar Mishra (1989), “Co-operative Banking, growth and development”


Yadav (1991)\textsuperscript{15} reviewed that the co-operative movement has developed and expanded in quantitative terms. The movement will be successful only when it is developed in qualitative terms. This is only possible through co-operative education. Co-operative education will bring awareness among the people and it will widen the area of thinking.

Gupta (1991)\textsuperscript{16} revealed that the success of any enterprise largely depends upon the type of person working there in. For the success of co-operative enterprises the efficiency of the employees have to be enhanced. For this purpose there is a need of proper plan for the selection, recruitment, training, induction, placement, promotion, remuneration, transfer and retirement. Employees are the biggest capital of an enterprise. Human relation approach has to be adopted in the enterprise of the redressal of their grievances and settlement of disputes so that good labour management relations are established and promoted. All these need professional management.

Narayanswamy (1991)\textsuperscript{17} concluded that co-operatives should always be conscious of their social responsibilities and should meticulously pursue such responsibilities. This would help to build up the image of co-operatives which is now in a very bad shape.

\begin{itemize}
\end{itemize}
Mathur (1992) highlighted that the success of the central co-operative banks in the ultimate analysis is to be judged by the manner in which they have promoted the healthy functioning and development of the primary societies in rural areas. The criterion of a well organised central bank should be the efficiency of the working of village societies under it and the growth of a real co-operative spirit among the members of village societies resulting in their economic improvement.

Peraringar Anna (1993) revealed that for social harmony and economic justice, co-operative movement must take a deep root in our country, and all must reap the benefit with enthusiasm and faith, the economic development of the people will register a spectacular increase and also our country will be on the path of progress.

Gopalachary and Murthy (1993) concluded that there is local political interference in the functioning of the financial institutions including the co-operatives, frequently, especially in the process of identification of the beneficiaries of the various schemes, resulting in many problems for the farmer community particularly for the illiterates and poor among them in approaching the societies for financial assistance.

---

Ramachandran Nair (1993)\textsuperscript{21} remarked that the development and transformation which has taken place in the economy of the country during the past two decades has resulted in a very rapid growth in the co-operative sector both in terms of geographical expansion, diversified activities and volume of business. Hence, adoption of modern management tools for increasing efficiency and rational action of methods and procedures to improve the customer services is necessary for the co-operative sector, to improve the productivity of the organisation, efficiency of the staff etc. Moreover, a scientific manpower planning alone would help the co-operators in meeting the challenges which they have to face in the years to come.

Shivaji (1994)\textsuperscript{22} concluded that in order to provide a major boost to the economy of Kerala, the credit co-operatives are providing significant momentum in strengthening the co-operative movement in this state with the whole hearted support, cooperation and assistance from the fellow co-operators. The first ever credit card in the credit co-operatives in India entitled COBANK CARD has also been launched by the Kerala State Co-operative Bank on 4\textsuperscript{th} March 1994. The first ever recovery drive in India on the pattern of Deposit Mobilization campaign was also launched in the state.


Patra (1994) revealed that the growth of CCBs in the state of Orissa since its humble beginning in 1909 is not uniform as regards the number of banks and its membership. But the growth of working capital somehow or other has been in the upward trend over eight decades last in the state. However, the CCBs have taken a pivotal role in channelising the agricultural credit to the rural sector through its primary societies over years.

Kumar Priya Ranjan and Singh (1994) remarked that the Nalanda Central Co-operative Bank managed its portfolio in a better way by reducing non-earning assets and costlier liabilities and increasing earning assets and cheaper liabilities during post suppression period, whereas its performance on this score was much inferior during post-suppression period, and suggested on launching a training programme in financial management for top co-operative leaders which would be helpful in providing favourable portfolio of co-operative bank.

Parameshwar (1994) pointed out that the main problem for the CCBs in Andhra Pradesh to extend bank facilities by increasing their branch network was that a large number of them were not financially sound and not reached the state of viability. As many as CCBs were under rehabilitation of their classification as 'weak' in 1998-1990. High level of overdues, lack of

---


initiatives, poor management etc., are coming in the way of the CCBs to expand their net-work of branches.

Shivaji (1994)\textsuperscript{26} concluded that the new economic policies by the Government call for a professionalised approach to the co-operative education and for the development of co-operative leadership. Therefore, national centre for co-operative education and the other training institutes should suitably modify the training contents to meet the emerging needs of the Co-operative banks.

Dahotre (1994)\textsuperscript{27} concluded that the future, of the Indian Banking system would be for the performing banks. The Banks which are unable to keep pace with changed times and respond quickly to fast changes would be left behind in the race or just vanish. The banks have to develop and sharpen their skills to see constantly the environmental changes and in turn adjust their strategies with minimum time to keep their existence. Quick responses to the changed environment will be the watch word for improving and sustaining the profit of the banks.

Ishwar Dhinagra (1996)\textsuperscript{28} concluded that if co-operative form of organisation can become the means for combining agriculture with non-agricultural forms of work and making fuller use of available surplus

labour in activities requiring rising levels of skill, they can do much to augment rural incomes and find avenues of productive work.

Karmarkar (1996)\textsuperscript{29} concluded that the co-operative institutions suffer from various internal weaknesses affecting profitability and viability such as poor resource base, high transaction costs coupled with low margins, lack of business diversification, poor monitoring of overdues, imbalances, lack of professionalism in management, faulty accounting procedures etc. External factors are government interference, high degree of bureaucratisation, multiplicity of controls etc., Thus co-operatives need to succeed but without the kiss of death given by the bureaucrats and politicians.

Vincely Jebakar (1997)\textsuperscript{30} made an attempt to bring out the improvement of institutional credit, with special reference to co-operative, supplied to the farmers in terms of productivity and revenue in Kanyakumari District and concluded that co-operatives are the significant institutional agencies considering the other institutional agencies catering to the financial requirements of the farmers.

Suresh Reddy and Reddeppa (1997)\textsuperscript{31} concluded that the need of the hour is to strengthen the co-operative movement in India, so that it can


\textsuperscript{31} Suresh Reddy and Reddeppa (1997), co-operative credit in India an Appraisal, co-operative credit and banking strategies for development, Deep & Deep Publications, p.25.
influence the structure of Indian Economy, and shape it in the right directory of socialist democracy. No doubt, "co-operative movement has failed in India but it must succeed."

Badal Kumaran Sen (1997)\(^{32}\) pointed that until now the functioning of co-operative credit in India could not attain success. For instance, more than 70 percent of the loans are still being supplied by the money lenders to the rural people of the country. Apart from this, the co-operative credit banking has never considered profits purposively, and also failed to utilise it suitably.

Verma (1997)\(^{33}\) highlighted that the future of co-operatives in India is not bright. The future may be bright if the present economic, social and political structure changes with lapse of time.

Asthana (1997)\(^{34}\) revitalised that the co-operatives identify and value themselves readily to the vision of leadership and to the concept of collective learning. The global scheme of 21\(^{st}\) century co-operative organisation will become more relevant and successful if they realize the vision of leadership. Unless cooperatives can meet the challenges emerging out of market driven economy which is characterised by still competition, it will end up in erosion of


its ethics and value, decreasing volumes of business, deteriorating profitability of their operation.

Baskaran (1997)\textsuperscript{35} achieved that the bank has got the highest network of branches in the Chennai city (57 branches), the highest deposit position maintained when compared to other central co-operative banks in Tamil Nadu (Rs. 401.73 crores), the highest profit earning bank when compared to CCB in the state- during 1995-96, the bank has earned profit to the tune of Rs. 17.22 crores, and the highest dividend (17.5\%) declared to the shareholders among the central co-operative banks in the state.

Baskaran (1997)\textsuperscript{36} also pointed out that the funds financed by Kamarajar District Central Co-operative Bank to the agricultural sector which stood at 962.05 lakhs in 1985 has steadily increased to Rs. 6227.74 lakhs in 1994-1995 and confirmed its good achievement in lending to agricultural sector.

Hajela (1998)\textsuperscript{37} reported that various suggestions have been made from time to time for improving the functioning of central co-operative Banks. These are (i) these banks should make more efforts to mobilise deposits from individuals and non-cooperative institutions; (ii) they should open more branches in a district; (iii) they should provide more banking facilities to the


\textsuperscript{37} Hajela T.N (1998), Co-operative Banks in India, Money Banking and international Trade, 7th revised & Enlarged Edition, Konark Publishers Pvt. Ltd., p.343
people in general and (iv) these banks should also give loans to non-members but the limit should not exceed 20 percent of their deposits.

Agarwal (1998)\textsuperscript{38} reviewed in that of the three sectors (namely the public sector, the private sector, and the co-operative sector), the co-operative sector alone can claim to be a socialist one. The co-operative movement should be conceived and developed as a part of the national economy. There is the urgent need for helping the weaker sections like the scheduled castes and scheduled tribes to form co-operative. For this, appropriate concessions/facilities need to be given to such societies.

Shah (1998)\textsuperscript{39} highlighted that the Co-operatives have expanded in all directions, both vertically and horizontally. They have embraced wider and wider fields of action and the movement is considered as one of the biggest and most diversified movements in the world. Today with about 175 million membership, a net work of 3,53,000 co-operatives of various types, working at different levels, there is hardly any field of economic activity that remains untouched by it. The paid -up share capital of all co-operatives is estimated over Rs.7000 crores. Almost all the villages in the country have been covered by 95,200 primary agricultural co-operatives with about 67 percent coverage of rural households. In many segments of the economy, co-operatives are having a


\textsuperscript{39} Shah U.M (1998), Problems and Strategies of Co-operative Development in Kurukshetra,
very predominant share. Cooperatives are disbursing nearly 43 percent of the total agricultural credit.

Partho Pratim Roy (2000)\textsuperscript{40} concluded that co-operatives have been recognised as the best institution for supplying exploitative, cheapest, sound and dynamic credit to the small borrowers, particularly to the priority sectors. They are people's trusted friends, faithful philosophers and best guides.

Bhagwati Prasad (2006)\textsuperscript{41} concluded that cooperative legislation is one of the prime ingredients in improving corporate governance in cooperative banks. The management should supplement this by a undertaking a visionary approach in banking. The employees should be motivated to excel in their areas of operations.

V.K. Taori (2006)\textsuperscript{42} highlighted that Urban Cooperative Banking movement is facing a huge transformation in the present scenario. The confidence of general public is clearly evident. Hence, it is the need of the hour that all there who have faith in this movement put in sincere efforts for revitalizing the movement.


Jery Josephine Thanarathnam (2006)\textsuperscript{43} pointed out that the study evaluated the PACB for their functional efficiency. The banks showed a good performance in giving loans to the farmers, particularly crop loans on the basis of specified scale of finance and jewel loans with some formalities to meet any need of the farmers. This has the implication that the positive growth trends in performance variables of the PACB need to be sustained and strengthened.

V. Chari and R.K. Patel (2006)\textsuperscript{44} suggested that Gujarat has the distinction of starting urban co-operative Banking movement not only in India but Asia also way back 19\textsuperscript{th} century. The investigation regarding growth of UCBs in the whole state clearly revealed a temporal dichotomy. The pre liberalization era and the post liberalization period (after 1991) display substantial differences in the growth rates of various parameters related with the expansion of UCBs.

Dr. S.S. Sisodia (2006)\textsuperscript{45} pointed out that it is essential that cooperatives should look at the issue of viability of their organizational structure. Hence they need to examine the skill of their operations to attain economics of scale and cost effectiveness. The issue of mergers and amalgamation of weak cooperative units with strong cooperative entities also needs a careful

\textsuperscript{43} Jery Josephine Thanarathnam (2006) “working of primary Agriculture co-operative Bank: A case study” Southern Economist, vol.45, No. 9, September, pp 29-34


examination. This process has already been started in the urban cooperative banks.

Rajesh S. Shinde (2006)\textsuperscript{46} suggested that as a result of professionalized management by the group of promising women, the bank has shown considerable progress in the effective mobilization and development of resources and other related activities. The mahila bank has created good reputation and public confidence. The bank is playing an active role in the integration of diversified segments of women for their economic development of women.

Dr. Prem S. Sharma (2007)\textsuperscript{47} concluded that the future road map of UCBs should involve penetration of unbanked areas and for making credit available to weaker sections of society with emphasis on linkage with self-help groups. They should also need to explore innovative means to bridge the current credit gap through the mechanism of micro-finance.

Sumitra Gowaikar (2007)\textsuperscript{48} pointed out that we have to follow the RBI directives strictly and upgrade the image and restore the confidence of public at large in VS. For the survival, for upgradation, for acceptance of modern technology, to maintain CRAR, to buildup reserves, the capacity to compete


with other banks, it is quite necessary to earn reasonable profits, without which banks could do nothing in this competitive world.

Soju. S (2007)\textsuperscript{49} concluded that the urban co-operative banks in Kerala are homogeneous in their operating environment, the relatively inefficient banks have to minimize its operating costs in order to reach their peer group. The study also reveals that the size of the banks in no way influences its efficiency.

D. Krishna (2007)\textsuperscript{50} highlighted that all aspects of SWOT are inter-related and they have to be addressed in an integrated manner by solving internal and external weaknesses. Making use of their strengths and making most of the opportunities that come their way, the urban banks can meet all the threats that they face.

Y.C. Nanda (2008)\textsuperscript{51} concluded that the cooperatives have lost their markets here considerably, not only the short-term structure but the worst sufferer has been the long-term cooperative structure whose share is hardly 6% now. While the share of the cooperatives have come down since the overall credit flow has increased and the present government has been able to achieve billing of the credit faster than what they had expected, the decline in the share of cooperative banks has been virtually unnoticed.


\textsuperscript{51} Nanda Y.C (2008), “Reinventing Cooperative Credit and Banking”, The Cooperator vol.45 No.9 March, pp 389-392
Bhawati Pradad (2008)\textsuperscript{52} pointed out that Ad-hoc policy measures to strengthen these institutions will not work, and in the times to come contours of a definite government policy towards these institutions have to emerge so that they can strengthen their inherent capabilities. A thorough professionalization of systems and procedures is also the need of the hour.

D. Krishna (2009)\textsuperscript{53} suggested that considering that the projected growth of GDP, even in the face of global crisis, will be well above 6\%, in the coming year, it can be safely said that the cooperative banks have great opportunities to grow now that ever before. This is because the bottom layers of the population are gradually getting better purchasing power and are better empowered economically. The cooperative banks have great potential to tap these strata provided they get their act with purpose and professionalism. Look at the opportunities and not search for extraneous excuses for non-performance.

G. Deivasigamani (2009)\textsuperscript{54} pointed out that working capital is the life blood of the urban cooperative banks. If the banks face negative working capital position, they cannot save their life. Hence effective working capital management is need of the hour to enhance their operation successfully.


Dr. Mallika Kumar (2010)\textsuperscript{55} suggested that the importance of marketing in cooperative banks is undeniable in today’s environment. Co-operative banks with convenient retail outlets and extensive network of branches can survive and prosper by adopting a marketing approach and effectively channelising their organizational skills towards innovating novel ideas, products and services.

Mr. S. Ravichandran and Dr. A. Murugarathinam (2010)\textsuperscript{56} point out that E-banking implies provision of banking products and services through electronic delivery channels. Electronic banking has been around for quite some time in the form of Automatic Teller Machines (ATMs) and Telephone Transactions. In more recent times it has been transformed by the internet a new delivery channel that has facilitated banking transactions for both customers and banks. For customers, the internet offer’s faster access, is more convenient and available around the clock irrespective of the customers location.

Dr. K.C. Chakrabarty (2010)\textsuperscript{57} concluded that it is an accepted fact that the rural cooperative credit institutions with vast network of PACS have a great potential to increase flow of credit to agriculture especially to small and 

\begin{thebibliography}{9}
  
  \textsuperscript{55} Mallika Kumar (2010), “Cooperative Banks – Need of the Hour is “Marketing”, The Cooperator, vol.43 No.10 April, pp 419-424
  
  
\end{thebibliography}
marginal farmers. Total financial inclusion is not possible without the involvement of cooperatives.

Dr. M Nazer (2010)\textsuperscript{58} asserted that Indian co-operative banks are currently passing through a period of rapid change. The new banking policy has accelerated the growth of banking activities, particularly deposit mobilization and branch network expansion and has given new responsibilities to the Indian bankers such massive expansion linked with a major change in the activities, naturally calls for more than the usual attention paid to planning for human resources in a service agency like a bank for its performance inextricably depends on the performance of its personal.

D. Muthamizh Vendan Murugavel (2010)\textsuperscript{59} pointed out that encouraging environmentally responsible investments and prudent lending should be one of the responsibilities of the banking sector. Further those industries which have already become green and those, which are making serious attempts to grow green, should be accorded priority to lending by the banks. This method of finance can be called as Green Banking an effort by the banks to make the industries grow green and in the process restore the natural environment. The concept of green banking will be mutually beneficial to the banks, industries and the economy not only green banking will ensure the greening of the


industries but it will also facilitate in improving the asset quality of the banks in failure.

James Jacob (2010)\textsuperscript{60} pointed out that CRM has its higher and most successful implementation in financial service industry customer intimacy or relationship with customer is observed as one of the competitive differentiators in this industry. With the increased income levels customers are now looking for better banking investment facilities. The importance of adapting itself to the changing needs of the customers is compelling the bank to adopt more customers’ friendly and operational systems. Urban co-operative banks should today acknowledge that appropriate understanding and implementation of CRM strategy is the key to success.

R. Sakthivel and T. Aranganathan (2010)\textsuperscript{61} pointed out that co-operative principles are based on certain moral values or contain ideals. Their significance lies in what they describe the essential and characteristic features of an organization known as the “co-operative organization”. The two banks should increase deposit mobilization by adopting better deposits mix, increase in deployment by judicious mix, up advances, analysis of loans issued and outstanding, interest rate wise and purpose wise should be ensured in Banking Management.

\textsuperscript{60} James Jacob (2010), “CRM in Urban co-operative Banks”, Southern Economist, vol.49, No. 14, November, pp 11-14

Dr. Chandra Pal Singh (2011)\textsuperscript{62} pointed out that a feature of the UCBs has been its heterogeneous character and its uneven geographical spread with most banks concentrated in the states of Gujarat, Karnataka, Maharashtra and Tamil Nadu. While most banks are unit banks without any branch network, some of the large banks have established their presence in many states when at their behest multi-state banking was allowed in 1985. Some of these banks are also Authorized Dealers in Foreign Exchange.

A. Gowthaman and T. Srinivasan (2011)\textsuperscript{63} highlighted that among the various financial institutions, the cooperatives have emerged as a major source of farm and non-farm credit. The study used secondary data collected for the period of five years from 2004-05 to 2008-09 from the records of NAFSCOB. The result for DCCB in Tamil Nadu revealed that some of physical performance not varied and some others varied at marginal level. As for as financial indicator is concerned, the share capital and total loan showed high positive growth, the highest on being in respect of share capital (25 percent). The overall performance was satisfactory.

Dr. C.M. Shinde (2011)\textsuperscript{64} pointed out that the differences between the observed values and the estimated values of the share capital as well as reserve fund were not significant. It indicates that the management has adopted a


scientific approach in respect of the share capital as well as Reserve Funds throughout the study period.

Dr. R.B. Teli (2012)\textsuperscript{65} pointed out the New Economic Policy (NEP) has created competitive environment in UCB sector. Performance relating to the number of UCBs is decreasing due to mergers. But their deposits and advances have increased. The credit deposit ratio has shown decreasing trend. Thus profitability has also to some extent shown declining trend.

S. Jeyakumar (2012)\textsuperscript{66} point out that Asset-liability management is concerned with strategic management of assets (uses of funds) and liability (sources of funds) of banks, against risks caused by changes in the liquidity position of the bank interest rates, and exchange rates and against credit-risk and contingency risk.

V.A. Rama Chandra and S.B. Hosamani (2012)\textsuperscript{67} pointed out that the compound growth rates in respect of physical and financial indicators were worked out. The growth in membership and employee was found to be positive and significant for Dharwad, Kalaghatagi and Navalgund taluk PACS’s were positive during the study period, while it was negative growth in some of the PACS’s of Hubli and Kundgol taluk societies.


Dr. Sarika Srivastava & Neha Tiwari (2013)\(^68\) suggested that the Cooperatives are neither member-driven nor functioned professionally in a transparent manner with accountability to members. In spite of all these, no doubt, the co-operatives have contributed a lot to the agriculture development of the country. We cannot afford to see that these institutions wither away. It needs reform the recommendations of the Vaidhyanathan committee should be implemented.

S.C Pradhan (2013)\(^69\) remarked that could computing is a model for enabling convenient, on demand network access to a shared pool of configurable computing resources (e.g., networks, servers, storage, applications and services) that can be rapidly provisioned and released with minimal management effort or service provider interaction.

Chandanshiv M.M and S.S Narwade (2013)\(^70\) pointed out the PDS is expected to help large number of the population which is below poverty line to achieve food security. But from the beginning various doubts were raised about the implementation of PDS. It is said that this system has benefited most to rice and wheat crop and large farmers from Punjab, Haryana and Andhra Pradesh (Kripa Shankar 2002). Procurement of rice and wheat from couple of states and it’s highly distribution through PDS in India has led to down ward


pressure on prices of rice and wheat in other states, which adversely affected
the large number of poor farmers.

B. Prabhakara Shishila (2013)\textsuperscript{71} pointed out UCBs are built on the belief
that the “small is beautiful”. They provide support to small artisans, small
industrialist, small professionals, self employed people, the service people, the
workers and the salary earners. The UCBs cover urban people who are usually
indebted to unorganized financial intermediaries. Thus they are conceived as
almost an urban counter part of village cooperative credit society. UCBs are
necessary to provide micro finance to hundred thousands of small businessman,
petty shop owners, vendors, salary earners and poor people of urban
unorganized sector.

2.1.2 Overdues

Report of Co-operative Credit Institutions (1974)\textsuperscript{72} concluded that the
deficiencies in lending policies are especially inadequate and untimely credit or
over financing or lack of supervision over the end use of credit, inadequate
application of fertilizers, fixation of unrealistic due dates and what was worse,
financing of defaults had encouraged defaults and led to the piling up of
overdues. It recommended that the role of directors of co-operative credit
institutions especially those of central banks and primary agricultural credit
societies should, among other things, be dynamic so as to promote an

\textsuperscript{71} Prabhara Shishila B (2013), “Urban cooperative Banks and multiple controls”, Southern Economist,
vol.52, No. 11, June, pp 32-36

\textsuperscript{72} Report of The Study Team on overdues of co-operative credit institutions (1974), Reserve bank of
India, Agricultural Credit Department, July, pp 225-239.
atmosphere for voluntary repayment by the borrowers and even to exert pressure for repayment when it is not voluntarily forthcoming.

Benudhar Bhuyan (1974)\textsuperscript{73} reviewed that where co-operative finance suffers badly from mis-utilisation of credit, mounting overdues and other malpractices, it is not possible for the co-operative to accept the new challenge of developmental finance, unless immediate steps are taken to revitalise their very organisational and financial set up.

Das and Singh (1974)\textsuperscript{74} pointed out that the critical analysis of the various facets of the interrelated activities of the central co-operative bank of the district of Ludiana shows that it has been able to develop its working capital structure, remarkably with its two major components, namely share capital and deposit mobilisation. The growth of membership is also appreciable. There is a need for a serious consideration for the alarming rate of the accumulation of the amount of overdues, which is not expected at all in a highly agriculturally potential district like Ludhiana during the 12 years of assessment when the total gross income from the major crop has been increased to 729.2 million rupees in 1972 - 73 from 1 17.5 million rupees in 1960 - 61.

\textsuperscript{74} Das. P and Singh R.B, “Progress of the Central Co-operative Bank Activities in an IA DP District - A Twelve Years Assessment”, Indian Co-operative Review, Vol.12, No. 1, October, pp 75-82.
Mathivanan (1982)\textsuperscript{75} proved that the working of Co-operative Bank has to be improved in order to meet the growing credit needs of the rural folk, and to remove various malpractice that are prevalent on a wide scale. Since the overdues are more pronounced in the case of co-operative bank, strict and stringent measures for collecting the overdues should be taken up. Co-operative officials must make it a point to supervise the loans given in order to ensure that the loan is used for the purpose for which it is borrowed.

Dandekar (1986)\textsuperscript{76} reported that the co-operative sector-short, medium and long term is plagued with high overdues due to the following reasons:

i) Failure to tie-up lending with development programmes,

ii) Defective loaning policies involving untimely disbursement. Under -financing, over - financing and unrealistic schedule of loan repayment.

iii) Neglect of marketing arrangements and inadequate efforts for linkage of credit recovery with sale of produce,

iv) Ineffective supervision

v) Apathy and indifference of management of societies in taking coercive measure for recovery.

vi) Want of a sense of discipline and responsibility among the loanees in regard to prompt repayment of debts.

\textsuperscript{75} Mathivanan C ()1982, Institutional Finance for Agriculture - A Comparative study on the Role and Performance of A co-operative Bank and Nationalised Commercial Bank, April, p.540.

Report of Agriculture Credit Review Committee (1989)\textsuperscript{77} recommended that the co-operative banking system at all levels must make it an act of faith to mobilize deposits and other resources in much larger volumes in order to reduce its external dependence and to improve the process of credit recycling.

Kalra (1990)\textsuperscript{78} remarked that the most important task before the bank today is the follow up and supervision of the credit and affecting recovery for recycling of funds for further lending. Besides this, credit is a scarce national resource and therefore proper and rational distribution of credit is very essential. While ensuring the end use of the credit, the recovery of the advance is most important. The tools and techniques of recovery should be adopted in an improved manner in order to combat the menace of overdues.

Sundaravaradan et.al, (1991)\textsuperscript{79} remarked that the recovery position of DCC Banks is quite poor. Overdues have been mounting and they have not been able to recycle funds, and concluded that mounting overdues is are mainly due to inadequate scale of finance. Delay in sanction and disbursement of loans, lack of follow-up or monitoring loans and repayment schedule fixed without synchronising with the cash flow or fixing instalments without taking into account the repaying capacity.

\textsuperscript{77} Report of Agriculture Credit Review Committee (Khusro - committee) Reserve Bank of India (1989), The Co-operative System, Bombay, P. 12.


Gopalakrishnan (1991) suggested that the politicians should not interfere in the working of the co-operative banks especially in the matter of the loan recovery. The Government should not write-off the loans, because it creates an unfavourable climate for loan recovery. The bank should not hesitate to take legal action and to bring the borrower's lands for auction, if the borrower failed to repay the loan even after issuing reminders.

Vinod Vyasulu et.al, (1991) reported that an important problem is mounting overdues which affect recycling of funds and re-finance eligibility, erode the lending capacity of the institutional agencies. This has to be tackled on a priority basis; apparently changes in the banking sector are under way.

Dayanandan and Sasikumar (1993) revealed that though the Central Co-operative Bank has achieved better performance on the share capital, membership, deposits and reserve fund there is no corresponding achievement in the net profit because of steady increase in overdues. If the management of the banks take suitable measures for controlling its overdues, it can perform well in future.

---


Sunder Raj and Ramachander Rao (1994)\textsuperscript{83} concluded that co-operatives in Andra Pradesh had been registering an impressive growth inspite of the overdue positions becoming an irritant for the smooth functioning of the societies.

Kaveri (1996)\textsuperscript{84} reviewed that to prevent any advance becoming non-performing in future, much is desired in the present quality of management of lending. With the growing complexities of business and different risks associated with the bank lending, it has become essential to upgrade the quality of appraisal for which extensive use of computers in lending areas on one hand and creation of specialized credit appraisal cadre for different industries on the other, are called for. Finally, the concept of accountability has to be introduced in management of lending. In this regard the corporate office has to work out certain arrangement where by delegation of authority and accountability go hand in hand.

Sivasankar and Krishnamoorthy (1997)\textsuperscript{85} reviewed that among the institutional agencies, co-operatives are the single largest agency providing credit since their inception. Co-operative as purveyors of rural credit have come to occupy a predominant place among the institutional agencies. One disturbing feature of co-operative credit in India is the growing overdues which

\begin{footnotesize}


\end{footnotesize}
wreck the very foundation of co-operative credit in India. Unless drastic measures are taken to overcome this problem, the future of co-operatives in India is very bleak.

Shekhar (1997)\(^6\) concluded that recent trends in the working of central co-operative Bank indicate that there is a decline in their number, as a result of amalgamation and reorganisation of Central Banks with the object of having one strong central bank for each district. The owned funds, apart from the borrowed funds, of these banks show an over all increase during recent years. However, it is deplorable that many of them were not able to reach the standard of rupees three lakhs per bank prescribed by the standing advisory committee on agriculture credit as a desirable minimum limit of owned capital. In the matter of over dues, there is a decline in the proportion of over dues to loan outstanding, but this is mainly owing to substantial increase in fresh advances resulting in a corresponding increase in outstanding.

Yoginder Alagh and Prem Sharma (Ninth Plan)\(^7\) reported that the District Central Co-operative Bank cater to the needs of the PAC's and are also involved in mobilisation of deposits from public through their branch network. Their financial viability has been affected due to poor recovery performance of their loans and over a period of time have become financially weak. In view of this, it has become necessary to suggest a review of the existing rehabilitation


\(^7\) Yoginder K et.al, Co-operative Credit Sector in Winth Plan in perspective : Role of Co-operatives in Various Segments of Co-operative Movement, Co-operative Planning Council, National Co-operative Union of India, New Delhi, p.59.
schemes for the weak District central co-operative Banks. It may even be necessary to re-introduce the central sector scheme of assistance to the weak District Central co-operative banks.

Shukla (1997)\textsuperscript{88} highlighted that today the major drag on the banks' profitability is the high level of non-performing assets. Growth in NPA needs to be checked for which mere changes in policies, system and procedures will not suffice. What is more important is to create seriousness among all those concerned with NPAs. The concerned staff should cast aside their age old practice and adopt a more practical and commercial approach while dealing with NPAs. Effective handling of NPAs calls for developing good leaders who can build up team of motivated staff. In this regard, education and training have a vital role to play.

Millard Long (1997)\textsuperscript{89} pointed out that the crisis in the financial sector cannot be solved solely by re-capitalizing banks. It is necessary to force the re-structuring of the financial institutions themselves including reducing costs, disposal of unnecessary assets, streamlining of the administration and in general, increased operational efficiency. In most cases the crisis in the financial system only reflects the problems of the borrowers. To resolve the problem, Government must also address the problems in the productive sectors.


Shunmugan (2001)\(^90\) pointed out that New Generation co-operatives have generally embraced specific important principle of traditional co-operatives and added innovative structural modifications that fit well with today's arm and business trends.

Samvel Kakuki Lopeyetum (2002)\(^91\) in his study observed that co-operative research and development has undergone a tremendous sea change. It must be approached in a systematic and scientific manner to yield fruits for the growth and development of co-operative sector movement and cope-up with the changing business environment in the twenty first century.

Tilak Parameswaran (2007)\(^92\) pointed out that the success of merger consolidation depends on four factors they are: Profitability, credit quality, asset mix and control of operating expenses.

According to Valan (2007)\(^93\) collection management must be strengthened by co-operative bank to reduce the non-performing asset, formulating policy and implementing policy and these factors should be considered seriously by Co-Operative banks”.

---


According to Varma (2009)\(^\text{94}\) that "Tamil Nadu Govt. policy is a major factor in lending and collection of loan, if Govt. cancels the loan, the future settlement of loan by customers will be questionable".

Naushad Makbool Mujawar and Rohini Chintaman Shreshthi (2009)\(^\text{95}\) suggested that the problem of NPAs is likely to become chronic due to external factors, which are generally beyond the reach of management. Prime responsibility of the management of UCBs not to make the banks the political dens at the cost of the detriment of public money and public interest. Many of the UCBs especially falling under the category of small Banks, having the deposits below 50 crores, may not hesitate to follow sanmati’s way.

Avudaiammal and G. Vasanthi (2009)\(^\text{96}\) pointed out that in the last one and a half decade the UCBs have undergone transformation of unprecedented breadth and depth. This new stage has generated special concern among cooperative banks. The operational efficiency of UCBs is crucial in ensuring adequate and semi-urban people. In this situation serious and intensive observation of their Non-performing Assets position is essential to achieve the social objective and cooperative principal by the UCBs.


Vijay Maiti (2010)\(^97\) observed that rapid growth of urban population and mounting deficiencies in urban basic services are creating miserable conditions under which the urban poor live. Segregation of the poor as a consequence of our physical planning approach to 'cities' development has prevented their socio-economic integration.

H.M. Thankar and U.S. Dubule (2011)\(^98\) concluded that the Non-performing assets are the outcome of credit activity of the bank, which is their most important, function to earn profit. The credit is associated with risk and therefore the bank cannot totally avoid non-performing assets. However, strict compliance of lending norms, steady growth of credit spread over different segments and activities, careful planning, monitoring and follow up banks can control the advances turning in to non-performing advances. Even in case of NPAs, recovery or reduction is possible by adopting various strategies.

H.S. Manjunatha (2011)\(^99\) pointed out the timely repayment of loans and proper utilization helps the banks to circulate credit uninterruptedly which is necessary for rural development. Unfortunately, the repayment of loan by the borrowers of Primary Cooperative Agriculture and Rural development Banks (PCARDB) has been very poor and has become a cause of concern for the


bank. All possible steps must be taken sincerely by the government to improve the repayment capacity of the borrowers, the repay the loans through appropriate legal actions and to eliminate outside interferences in the normal functioning of the banks and keep the NPA with in tolerable limit.

M. Razaullah Khan and Hasyi Khairul Makeen (2012)\textsuperscript{100} suggested that the financial record of 6 co-operative banks of Jalna and Parbhani districts has been used in the form of Annual Reports from the year 2003-2004 to 2009-2010, for the purpose of research since, the Non-Performing Asset has become a performance indicator of the banks, so it is considered as a major issue from the point of view of overall performance of the banks. Almost all the banks have shown a fluctuating trend of Net NPA. Some of the banks have succeeded in reducing the quantum of Net NPA in lost two years of study. All the banks have earned certain profit in the entire period of study period except on bank in one year. The C.A.R of all the banks is above the prescribed limit of 9% laid down by the RBI.

M.N. Shinde and G.S. Zulzule (2013)\textsuperscript{101} concluded that profitability of the UCB’s in an important variable to the bank according to the financial soundness. It helps to bank to increase the capital base through improving, Reserves, own capital to meet the various expenses of the bank. Higher the profitability of bank, higher would be the financial soundness and vice versa.


Profitability is to be measured through the ratios of profit to its working capital and total loans. It has classified assets of bank into four categories as Standard Assets, Sub Standard Assets, Doubtful Assets and Loss Assets.

Sunitha. R and J.K. Raju (2013)\textsuperscript{102} the Indian banking sectors especially the private sector have been facing the big challenge of NPAs. NPAs are an important parameter in the analysis of financial performance of banks. Reduction of NPAs is necessary to improve profitability of the banks and comply with capital adequacy norms. It has been observed that the banking sector in India has responded very positively in the field of enhancing the role of market forces regarding measured of prudential regulations of accounting, income recognition, provisioning and exposure, introduction of CAMELS Supervisory rating system and reduction of NPAs and upgradation of technology.

2.2 Research Design
2.2.1 Introduction

India is an agriculture based country. In early days, Indian farmers used to get loan from money lenders. They charged high interest for loans. Due to failure of monsoon the farmers were not in a position to repay theirs debts, finally farmers lost their property in the hands of money tenders. Then the people of India realized the need of a co-operative movement. The scope of

co-operation movement has been enlarged according to needs of people like banking, agriculture, household goods.

In olden days, people used to deposit their money and valuables in the hands of temple or church priest. Taking stock on the evaluation of banking was that few people got the deposits from the people and lent money to needy members. In India, many private banks were started. But they could not provide service to the rural people because of their motive of profit earning. Co-operative banks provide better service than that of any other commercial banks. Agriculturist, small businessmen, self-help group and under privileged people are getting many a financial assistance from co-operative banks. Due to the service of co-operative banks, most of village people are leading a happy life. One can say if there is no cooperative bank there will not be any village in India.

Money plays a major role in making a man happy or unhappy. Without money, no one can live in the world happily. In the same way, without money, there will not be business operation. Every business concerned has to manage its fund in an efficient manner.

If cooperative banks fail to have effective financial management, they cannot provide better service to its members. Poor financial management may lead to closure of cooperative banks.
After understanding the importance of cooperative banks and needs of financial management in cooperative banks, the researcher has selected this topic for his research. Customers are everything in a business. Without satisfying their needs, business concerned cannot continue its operation. To know the perception of customers of Thootukudi District Central Co-operative Bank, Thoothukudi, the present study is undertaken by the researcher.

2.2.2 Statement of Problem

Thoothukudi District is one of the agricultural based districts in Tamil Nadu. Here most of the people are agriculturists. Agriculturists need money for their agricultural activities. They have to get loan for the above mentioned purpose at a very reasonable interest. In Thoothukudi District, there are many public and private sector banks, but they are not tending enough amount to the agricultural sector. Thoothukudi District Central Co-operative Bank lends majority of its fund for agricultural activities. Agriculture is one of the season based works. Agriculturists used to save their income during the harvest time and used the saved money at the times of sowing. For this reason they expect high returns from their saving. Thoothukudi District Central cooperative Bank provides high interest on deposits of people than any other bank does.

In Thoothukudi District, there are agriculturist, weavers, fishermen, businessmen, entrepreneurs, daily (wage) workers, beedi makers house makers, and so on. Thoothukudi District Central cooperative Bank is doing service according to their financial needs. It has 17 branches in and around
Thoothukudi District and lends various schemes of loans to people through its branches to satisfy their financial needs. It accepts deposits and perform lending service and agency services to its customers.

Fund is the first requirement in any business. Thoothukudi District Central Co-operative Bank is of co-operative nature. Its main motto is service and not profit making. Therefore Thoothukudi District Central Co-operative Bank has to manage its fund in effective manner. The researcher needed to know the financial performance of Thoothukudi District Central Co-operative Bank for his successful and thorough analysis and research of the bank and its operation.

This research is undertaken to know the perception of customers on functioning and services of Thoothukudi District Central Co-operative Bank. Customer is the real boss to any business organization. In service sector, customers have direct link with service providers. Bank is one of the service sectors. In order to know the perception of customers, this study has been undertaken by the researcher.

Agricultural production in Tamil Nadu mainly depends on the timely assistance to farmers in the form of short term credit to cultivation purpose and medium term credit for allied activities. The Thoothukudi District Central Co-operative Bank is facing competition from commercial banks, Pandiyan Grama bank and money lenders in mobilizing deposits from the public and providing credit to the agricultural sectors.
The major problem of the Central Co-operative Bank’s lendable resources is deployed for farmers through primary agricultural co-operative banks. Central Co-operative bank also undertakes social banking activities such as financing weaker sections of the community like scheduled caste and scheduled tribes and granting loans for the self-employment of rural youth. The lending performance of the Thoothukudi District Central Co-operative Bank mainly depends on the recovery of the short term loans granted during the previous seasons. But the bank faces the problem of over dues.

The high power committee on Central Co-operative Banks under the chairmanship of K. Madhava Rao has identified the following common financial problems faced by the co-operative credit institution in India.

a) Low capital base.

b) Inadequate loan appraisal system and credit planning.

c) Poor recovery performance.

d) Mounting overdues and non-performing assets (NPA)

e) Low level of diversification in business operations.

NABARD’S inspection of co-operative banks during 2008-2009 has identified deficiencies such as “high level of non-performing assets (NPA) and over dues, high transaction costs, low margins, poor quality of loan appraisal, inadequate internal checks and balances.”

---

103 Reserve Bank of India report on Trend and progress of Banking in India 2010-2011, p. 95.
“The RBI has introduced prudential norms like income recognition, asset classification which were made applicable to State Co-operative Banks, District Central Co-operative Banks and Regional Rural Banks from 1996-1997. However the capital adequacy norms based on risk weighted assets have not been applied to the co-operatives and RRB so far.\textsuperscript{104}"

“Under the liberal environment the RBI has introduced prudential financial parameters to be made applicable to co-operative banking structure. These include provisioning for bad and doubtful debts, income recognition and classification of assets according to the risks attached to them. An analysis of the functioning of co-operative banks shows that a large number of co-operative banks are not full-filling the prudential financial requirement as envisaged by RBI\textsuperscript{105}."

The national seminar on rural credit has stated the following as the problem areas in short term co-operative institutions prior to the formulation of the new economic policy in 1991.

- Problem of imbalance in co-operative credit structure.
- Profitability and viability of the District Central Co-operative Banks.
- Imposition of several seasonality disciplines by NABARD.
- Interest rate structure.
- Mounting overdues due to poor loan recovery.

\textsuperscript{104} Ibid., p. 95.
Absence of proper recovery environment.

Poor Management due to various constraints.

Absence of professionalisation.

Absence of appropriate lending policies and effective supervision.

Absence of appropriate HRD polices.

Absence of democratic management in the Co-operative Credit institution.

Government of interferences.

Absence of national co-operative policy\textsuperscript{106}.

The second Narashimhan Committee on banking sector reforms (1998) urged that consideration be given to delivering the co-operative credit system with a view to reduce the intermediation cost and providing the benefit of cheaper Nabard credit to the ultimate borrowers. But in Tamil Nadu, the three tier structure still continues, ultimately increasing the lending cost to the farmers. The objective of co-operative banking is to create enduring and sustainable financial institution which remain responsive to the credit needs of the weaker sections. The financial health of a large number of co-operative credit institutions is extremely fragile\textsuperscript{107}.

\textsuperscript{106} National Federation of State Co-operative Bank Ltd., National Seminar on Rural Credit. September 12-1994, p. 12.

\textsuperscript{107} Reserve Bank of India report on Trend and Progress of Banking in India 2001-01, p. 76.
2.2.3 Objective of study

1. To study the profile of Thoothukudi District Central Co-operative Bank Ltd. and socio economic profile of the sample respondents.
2. To examine the factors motivating the respondents to avail the service of Thoothukudi District Central Co-operative Bank Ltd.
3. To analyze the trend, growth and magnitude of variability of share capital deposits, borrowings, loans, advances, working capital and the like.
4. To ascertain the perception of the customers of Thoothukudi District Central Co-operative Bank towards the service rendered.
5. To find out the problems faced by the customers and to suggest solutions to solve the problems based on findings of the research.

2.2.4 Sampling Design

Thoothukudi District is one of the important districts in south Tamil Nadu. It is a port city where reasonable number of co-operative banks are functioning. Hence Thoothukudi District was selected.

Thoothukudi district consists of 8 taluks. There is one head office and 16 branch offices, totaling 17 central cooperative banks in Thoothukudi District. There are 3 banks in Thoothukudi Taluk, 3 in Trichendur Taluk, 2 in Srivaikundam Taluk, one in Ottapidaram Taluk, 2 in Vilathikulam Taluk 3 in Kovilpatti Taluk, one in Sathankulam and 2 in Ettayapuram, totaling 17 banks.

A sample of 850 customers of Thoothukudi District Central Co-operative Bank were selected at the rate of 50 from each banks. It was
found that ten interview schedule were incomplete and hence rejected. Thus the total sample size was 840. Stratified random sampling technique was applied in collecting data from the customers by using lottery method. The data collected from different customers constitute 280 samples from salaried employees, 280 samples from businessmen and 280 samples from agriculturists.

2.2.5 Collection of Data

The present study is based on both primary and secondary data. The primary data was collected from the customers of the central cooperative bank through interview schedule method. The interview schedule was prepared, pre-tested and finalized.

Secondary data have been collected for the analysis of financial performance of the Thoothukudi District Central Co-operative Bank. The researcher has referred to the account books records and annual reports of Thoothukudi District Central Co-operative Bank and Tamil Nadu State Apex Co-operative Bank, Chennai for collecting information.

2.2.6 Methodology

The study is carried out both by primary and secondary data. customer’s perception is studied by taking various aspects such as loans and advances lending process, sanction of loan, agency service, general utility service, infrastructure of bank and problem of customer enquiry counter, operation of account, personal/home loan and safety locker.
For analyzing the above mentioned aspects, the opinion of the sample customers on particular statements has been elicited on a five point scale in interview schedule total. Scores are secured by the 840 samples. Customers showed the significance of each statement.

Secondary data is used to study the financial performance for 10 years from 2001-2002 to 2010-2011. Financial particulars in the process of collecting secondary data, as used the following aspects such as share capital, reserve, deposits, owned funds, borrowings, investments, loans and advances and working capital.

2.2.7 Tools of Analysis

To find out the growth rate in share capital reserves, deposits, borrowings, investments, loans and advances and working capital, compound growth rate has been calculated using Semi-log or exponential function.

To analyses the magnitude of variability in deposits, share capital borrowings and co-efficient of variation was used.

To estimate the trend in deposits share capital, investments and the like simple Regression has been used.

To find out the factors motivating to avail the services of Thoothukudi District Central Co-operative Bank Ltd., Factor Analysis was used.

One-way Analysis of variance has been applied to analyse the significant difference among the three groups of customers regarding their perception towards Thoothukudi District Central Co-operative Bank Ltd.
Garrett Ranking Technique is used to analyse the problems faced by the customers towards the services provided by the Thoothukudi District Central Co-operative Bank Ltd.

To analyse the Socio-economic profile of the sample respondents, simple percentage analysis is used.

Index Number has been used to exhibit the perception of the respondents towards the services rendered by the bank.

2.2.8 Period of study

The study period of secondary data was ten years from 2001-2002 to 2010-2011.

2.2.9 Operational Definition

Bank

In the present study the term bank represents Thoothukudi District Central Co-operative Bank Ltd. Thoothukudi.

“A” Class Members

“A” class members are those who have the voting rights and the rights to get dividends from the bank. All the cooperative societies are “A” class members.

“B” Class Members

“B” class members are those who have neither the voting right nor the right to get dividends. All the individuals are “B” class members.
Act

In this study Act means the Tamil Nadu cooperative societies Act-1983.

Short Term Credit

Short term credit is a credit which is repayable within 12 months.

Medium Term Credit

Medium term credit is one which is repayable after 12 months and within 5 years.

Long Term Credit

Long term credit is repayable after 5 years and upto 20 years.

Volume of Business

Total of deposits, loans and advances.

Share Capital

Share capital is one of the primary sources of internal capital of the bank.

Owned Funds

Owned funds mean the aggregate of paid up share capital reserve and other funds.

Working Capital

The working capital consists of owned funds, deposits and borrowings.
Agricultural Loan

Loan is given by bank for the agriculture activities like cultivation, purchase of seeds etc.

Non-agriculture loan

Loan is given by bank for non-agriculture activities such as weavers, loan, loan to self-help group, jewel loan for household expenses.

Non – Performing asset

Credit facilities in respect to which interest or instalment of principal in arrears for more than six months.

ATM

Automatic Teller Machine, a facility for the customer to withdraw money from the machine using his debit card at any time.

Co-operative Bank

Co-operative Bank can be defined as mutual society formed, composed and governed by working people themselves for encouraging regular savings and granting small loans on easy terms of interest and repayment.

NAFSCOB

National Federation of State Co-operative Banks.

Special officer

Officer appointed by Tamilnadu Government to administrate the District Central Co-operative Bank.
2.2.10 Geographical Coverage

The Thoothukudi District Central Co-operative Bank Ltd., Thoothukudi has 17 branches, all these branches are included for the study. The following are the details of branches located at various places.

- Kovilpatti (main)
- Thoothukudi
- Vilathikulam
- Tiruchendur
- Srivaikundam
- Pudur
- Kadmbur
- Kalugumalai
- Ottapidaram
- Eral
- Sathankulam
- Arumuganeri
- Kayalpatnam
- Kayathar
- Briyant Nagar
- Kovilpatti (Bazaar)
- Head Office