CHAPTER - 8

SUMMARY OF FINDINGS, RECOMMENDATIONS AND AREAS FOR FUTURE RESEARCH
CHAPTER - 8

SUMMARY OF FINDINGS, RECOMMENDATIONS AND AREAS FOR FUTURE RESEARCH

This chapter presents a synoptic view of the present research work. It includes the conclusions that have been drawn from the research and the recommendations made.

8.1 SUMMARY

1) Cooperative banking has played a very crucial role in the Indian financial system. Cooperative principles of managing finance in India serve a media between the sophisticated institutions like commercial banks on one hand and the unscrupulous money lenders on the other. Despite the fact that nationalised banks are spreading their operations in rural areas, cooperative banking remains the best answer for catering to the needs of small borrowers. The cooperatives are the finest instruments for improving the socio-economic lot of poor people and uplifting them to the standards of the mainstream of national life.

2) Central cooperative banks are district level banks which provide credit to farmers (through PACSs as well as directly). Only DCCBs are actually engaged in banking operations and provisions of Banking (Regulation) Act, 1949, Negotiable Instruments Act, 1881 and other banking legislations are also applicable only to the central cooperative banks. So these banks can be called the nucleus of cooperative movement in the state. Therefore, the present study is confined only to the central cooperative banks of Punjab.

3) Growth of the central cooperative banks has been in tune with the banking sector in all broad parameters such as business volume, outreach and efficient utilization of resources, especially after diversifying from their traditional business. Paradoxically enough, it also got associated with negative buzz of non performing advances (NPAs).
NPAs have given a big jolt to many cooperative banks by eroding their capital base and thus endangering their viability.

4) The problem of non performing advances is linked to the function of lending money. Though present day banking does not restrict itself to traditional deposit mobilization and money lending, encompassing a wide sphere of financial activities, lending still remains the prime activity connected with banking. Indian banking, whose environment till early 90’s was dominated by state controls of directed credit delivery, regulated interest rates and investment structure, did not participate in the vibrant global banking revolution. Imperfect accounting standards and opaque balance sheets served as tools for hiding shortcomings and failed to reveal gradual deterioration and structural weakness of the country’s financial institutions to the public.

5) It was under these circumstances that the Government of India set up a high level committee with M. Narasimham, former governor of Reserve Bank of India as its chairman to examine all aspects relating to the structure, organization, functions and procedures of the financial system. Introduction of new reform packages through financial sector liberalization paved way for the introduction of prudential norms, transparency of balance sheet and income statements, deregulation of interest rates, upgradation of technology in the banking system, creation of strong system of supervision and a competitive environment. The problem of NPAs was first brought into focus by this committee, which was primarily interested in improving the financial health of public sector banks and development financial institutions so as to make them viable and efficient and fully meet the emerging needs of the real economy. The committee stated that the genesis of NPA problem was in the laxity of the prudential norms relating to income recognition, asset classification and provisioning. It placed emphasis on identifying problem loans of banks and making provisions for such loans and so instituted a proper definition of NPAs. As per the existing NPA norms,
loans for agricultural purposes are regarded as NPA if the principal and/or interest remain overdue for a period of 12 months or more and in case of other loans, this overdue period is 90 days.

6) Thus, the decade of nineties was an era of economic and monetary policy change brought about by the Government and RBI to globalize the Indian economy. The prudential norms are now applicable to state cooperative banks and district central banks also. Cooperative banks will now have to work more efficiently as they will be treated at par with commercial banks for achieving and maintaining various operational norms. Introduction of NPA norms in the banking industry has brought to light a hitherto hidden and critical problem of bad loans. No doubt, bad loans were present in the loan portfolio of banks before the introduction of NPA norms, but they were not disclosed.

8.2 FINDINGS

Punjab has 19 district central cooperative banks. Out of these ten banks were selected i.e. five with high NPAs and five with comparatively low NPAs. Ratios of average NPAs to average advances outstanding were used as a criterion for the selection of 10 banks. The banks selected for study are DCCB Gurdaspur, Amritsar, Tarn Taran, Mansa, Ludhiana, Ferozepur, Muktsar, Bathinda, Nawan Shahar and Jalandhar. Following are the major findings of this study:

8.2.1 LOAN SCHEMES IN THE DISTRICT CENTRAL COOPERATIVE BANKS OF PUNJAB: AN APPRAISAL

1) In DCCB Gurdaspur, the total advances outstanding registered a significant compound growth rate of 13.48 per cent per annum with all types of advances rising during the period of study, except cash credit limits to traders. On an average, outstanding advances ranged between Rs. 8499.94 lacs in crop loans, forming 32.43 per cent of total advances
outstanding and Rs. 357.76 lacs in vehicle loans, accounting for meager
1.40 per cent of total advances outstanding.

2) Total loans outstanding in DCCB Amritsar mounted at a highly significant
compound growth of 13.20 per cent per annum. All types of advances
outstanding in DCCB Amritsar expanded significantly during the period
of study. On an average, the highest amount i.e. Rs.9331.38 lacs,
constituting 40.71 per cent of total loans outstanding was noted in crop
loans and the lowest amount i.e. Rs.411.94 lacs, constituting 1.83 per
cent of total loans outstanding was witnessed in cash credit limits to
traders.

3) All types of loans outstanding grew at a significant rate in DCCB Tarn
Taran except CCL(T), where the growth rate was negative and non-
significant. Total loans outstanding experienced a highly significant
compound growth rate of 10.94 per cent per annum during the period of
study. On an average, the highest amount of Rs.10742.83 lacs,
composing 56.11 per cent of total loans outstanding was noticed in crop
loans and the lowest amount of Rs.78.56 lacs, composing only 0.36 per
cent of total advances outstanding was seen in vehicle loans. The share
of agricultural loans (crop loans and revolving cash credit limits to
farmers) in total loans outstanding was quite high in this bank.

4) DCCB Mansa witnessed an increase in total loans outstanding at a highly
significant growth rate of 18.75 per cent compounded annually. All
types of loans rose significantly during the period of study, with the
crop loans constituting the major share of 59.89 per cent (Rs.7756.40
lacs) and vehicle loans, the lowest share of 0.27 per cent (Rs.44.06 lacs)
in total loans outstanding.

5) A highly significant compound growth rate of 9.89 per cent per annum
was witnessed in total loans outstanding in DCCB Ludhiana inspite of a
significant decline in non farm sector and CCL(T) loans. The largest
mean amount of Rs.16276.23 lacs, forming a share of 56.30 per cent of
total loans outstanding was seen in crop loans and the smallest amount
of Rs.57.99 lacs, forming a share of merely 0.18 per cent in total loans outstanding, was recorded in vehicle loans.

6) Inspite of a significant decline in NFS loans and non-significant growth rates in vehicle and CCL(T) loans, total advances in DCCB Ferozepur swelled at a highly significant compound growth rate of 9.99 per cent per annum. The highest average amount of Rs.10379.65 lacs, constituting 71.76 per cent of total loans outstanding was noted in crop loans and the lowest mean amount of Rs.19.82 lacs, constituting only 0.11 per cent of total loans outstanding was marked in vehicle loans.

7) Growth was found to be significantly positive in all types of loans outstanding in DCCB Muktsar except in other loans category, where high level of fluctuations turned the growth rate non-significant. As a result, total loans outstanding registered a highly significant growth rate of 11.61 per cent compounded annually. Advances outstanding ranged between an average of Rs.10968.76 lacs i.e. 69.64 per cent of total loans outstanding in crop loans and Rs.68.36 lacs i.e. 0.43 per cent of total advances outstanding in vehicle loans.

8) A highly significant increase in all types of loans in DCCB Bathinda resulted in a significant growth rate of 15.69 per cent in total advances outstanding. The highest mean amount of Rs.13328.06 lacs in crop loans made up a share of 60.50 per cent of total loans outstanding and the lowest outstanding amount of Rs.52.85 lacs was witnessed in vehicle loans, making up a share of only 0.24 per cent in total outstanding loans.

9) Increase in total loans outstanding in DCCB Nawan Shahar was non-significant due to wide fluctuations during the period of study. A similar trend was witnessed in CCL(T) and other loans category, with non-significant growth rates. The highest mean amount of Rs.7642.49 lacs was tracked in other loans category, constituting 39.44 per cent of total loans outstanding while the lowest amount of Rs.147.94 lacs, constituting only 0.78 per cent of total loans was noted in vehicle loans.
10) In DCCB Jalandhar, total loans outstanding increased during the period of study, but only at a non-significant rate. This might be due to non-significant decline in other loans which were the highest throughout the period of study. The highest average amount of Rs.13510.28 lacs, composing 46.10 per cent of total loans outstanding was seen in other loans category and the lowest amount of Rs.510.47 lacs, composing 1.69 per cent of total loans outstanding was recorded in vehicle loans. The highest growth rate of 33.58 per cent was witnessed in vehicle loans while lowest growth rate of 4.36 per cent was marked in cash credit limits to traders.

11) The study of absolute advances outstanding in DCCBs having high NPAs elucidates that advances outstanding have risen in almost all the banks and in all product lines, except a few instances of negative growth rate in RCCL(F), NFS and CCL(T) in DCCB Ludhiana and CCL(T) in DCCB Tarn Taran. During the period of study, crop loans and RCCL(F) outstanding have increased moderately in the selected banks, while advances outstanding in non farm sector and other loans have recorded very high growth rates in all the banks except in DCCB Ludhiana. Exceptionally high growth rates of 58.50 per cent in vehicle loans in DCCB Tarn Taran and 163.06 per cent in DCCB Mansa are due to negligible amount of these advances in the first year of study.

12) An examination of the growth rates of absolute advances outstanding in the district central cooperative banks having low NPAs reveals a moderate growth in all these banks. Product-wise analysis shows an increase in advances outstanding in all product lines, except DCCB Jalandhar (where other loans have declined by 1.67%) and DCCB Ferozepur (where CCL(T) and non farm sector loans have dropped by 7.06% and 19.67% respectively). Agricultural loans i.e. crop loans and revolving cash credit limits to farmers have shown a moderate lift during the period of study. Similar to the trends witnessed in the banks having high NPAs, consumer durable loans and vehicle loans have
recorded very high growth rates during the period of study in these banks also.

13) It has been observed from the evaluation of proportionate share of various loans in DCCBs with high NPAs that major share of advances outstanding in these banks is still of agricultural loans. On an average, in DCCBs Tarn Taran, Mansa and Ludhiana, it was about 70 per cent, while these constituted 57.18 per cent of advances outstanding in DCCB Amritsar and 48.48 per cent in DCCB Gurdaspur during the period of study. It indicates that despite best efforts, these banks have not succeeded in diversifying their business.

14) An important observation that has emanated from the analysis of DCCBs having comparatively low NPAs is that in these banks too, highest proportion of loans outstanding is in agricultural sector i.e. crop loans and revolving cash credit limits to farmers. The combined share of these loans is the highest in DCCB Muktsar i.e. 89.02 per cent followed by DCCB Ferozepur with 81.18 per cent and DCCB Bathinda with 75.46 per cent. DCCB Nawan Shahar had the lowest proportion of agricultural loans outstanding i.e. 29.00 per cent followed by DCCB Jalandhar with 35.34 per cent. These banks have also not diversified their business operations to a satisfactory level.

15) A close examination of the position of advances outstanding in all the selected banks indicates that average total loans outstanding in DCCBs with high NPAs were about 9 per cent higher than those in DCCBs with low NPAs. The outstanding were higher in DCCBs with high NPAs by 19.48 per cent, 24.13 per cent, 15.01 per cent, 50.48 per cent, 78.55 per cent and 64.18 per cent in case of crop loans, RCCL(F), non-farm sector loans, consumer durable loans, vehicle loans and CCL(T) loans respectively over those in DCCBs with low NPAs. On the other hand, the amount outstanding in other loans category was 71.24 per cent higher in DCCBs with low NPAs over DCCBs with high NPAs. This reveals that DCCBs with low NPAs have acquired greater diversification in business
than DCCBs with high NPAs. DCCBs with high NPAs are still concentrating on crop loans and RCCL(F) while DCCBs with low NPAs have shifted emphasis towards housing and personal loans, as the proportionate share of other loans in total advances was calculated to be 26.83 per cent in DCCBs with low NPAs. The same was only 13.59 per cent in DCCBs with high NPAs.

8.2.2 CRITICAL EVALUATION OF NON PERFORMING ADVANCES

Though cooperative banks have adopted international standard of accounting, moving towards prudential regulations as against the structural regulation of yesteryears, the NPAs have continued their upward trend. On the basis of the analysis of the status of NPAs in DCCBs with high and comparatively low NPAs, following conclusions were derived:

1) Total NPAs in DCCB Gurdaspur increased at a highly significant rate of 23.91 per cent compounded annually. On an average, the highest proportion i.e. 35.61 per cent of the total NPAs in DCCB Gurdaspur was in the other loans category followed by 30.66 per cent in crop loans while the lowest share of 1.83 per cent of total NPAs was outstanding in vehicle loans. The highest mean proportion of NPAs in respective loans outstanding i.e. 46.28 per cent was traced in other loans category and the lowest proportion i.e. 6.62 per cent of NPAs was outstanding in RCCL(F). The overall NPAs were 15.36 per cent of total loans outstanding in DCCB Gurdaspur. The proportionate share of NPAs in loans outstanding rose significantly in all types of loans except other loans category, in which NPAs declined significantly during the period of study.

2) A significant increase at the rate of 27.32 per cent compounded annually was witnessed in total NPAs in DCCB Amritsar except in crop loans NPAs, which declined significantly during the period of study. On an average, NPAs in consumer durable loans constituted the highest proportion i.e. 22.76 per cent of total NPAs while the lowest proportion
i.e. 3.11 per cent was constituted by NPAs in CCL(T) loans. There was a significant decline in the proportionate share of NPAs in crop loans and consumer durable loans while the share of NPAs in non farm sector loans swelled significantly. In DCCB Amritsar, 13.50 per cent of the total loans outstanding were NPAs. Out of the total loans outstanding, the highest average proportion of NPAs i.e. 47.44 per cent was noted in vehicle loans while the proportion of NPAs in crop loans was found to be the lowest i.e. 2.60 per cent.

3) On an average, 9.68 per cent of the loans outstanding were non performing in DCCB Tarn Taran. Total NPAs rose significantly at a rate of 20 per cent per annum during the period of study. A similar pattern was observed in the NPAs in RCCL(F), non farm sector loans, consumer durable loans and other loans category. However, there was a significant decline in NPAs in crop loans at the rate of 13.71 per cent. On an average, the highest proportion i.e. 46.09 per cent of the total NPAs in the bank was in other loans category while the lowest proportion of total NPAs i.e. 0.84 per cent was marked in vehicle loans closely followed by 0.87 per cent in cash credit limits to traders. The average proportionate share of NPAs out of loans outstanding was observed to be the highest at 57.63 per cent in other loans category. The lowest proportion of NPAs i.e. 1.94 per cent of the loans outstanding was recognized in cash credit limits to traders.

4) Total NPAs soared at a highly significant compound growth rate of 26.12 per cent per annum in DCCB Mansa. NPAs in all types of loans except crop loans, registered significant increase during the period under study. On an average, the highest proportion i.e. 47.48 per cent of the total NPAs was found in other loans category. The share of NPAs in vehicle loans was discovered to be the lowest to the tune of 0.38 per cent of total NPAs in the bank. The highest mean proportion i.e. 39.06 per cent of the loans outstanding turned out to be non performing in non farm sector loans while the lowest proportion of outstanding as
NPAs was only 0.18 per cent in crop loans. Out of the total outstanding loans, 8.47 per cent were non performing in DCCB Mansa which surged significantly at the rate of 5.43 per cent per annum.

5) A significant upswing at a rate of 12.64 per cent compounded annually was witnessed in total NPAs in DCCB Ludhiana. NPAs in consumer durable loans, CCL(T) and other loans category mounted significantly at compound growth rates of 23.32, 29.16 and 23.07 per cent per annum respectively. On an average, the highest proportion of 32.94 per cent of total NPAs in this bank was accounted for by NPAs in other loans category while the share of NPAs in vehicle loans was the lowest i.e. 0.11 per cent. Out of the total loans outstanding, 7.99 per cent were NPAs. The mean proportion of NPAs out of the outstanding was the lowest (2.12%) in crop loans and the highest (54.23%) in loans to non farm sector.

6) Total NPAs grew at a significant rate of 7.60 per cent per annum and a similar trend was observed in NPAs in crop loans, consumer durable loans, cash credit limits to traders and other loans category during the period of study in DCCB Ferozepur. However, there was a significant slackening in NPAs in non farm sector loans. The major average proportion i.e. 61.56 per cent of total NPAs in the bank was traced in crop loans alone and the lowest proportion i.e. 0.83 per cent of total NPAs in the bank was noted in CCL(T). It is noteworthy here that there was an increase in absolute NPAs in crop loans but its share in total NPAs declined. On an average, as much as 6.63 per cent of the total loans in DCCB Ferozepur turned to be non performing. The highest average proportion i.e. 77.45 per cent of the loans outstanding was non performing in non farm sector loans while the lowest proportion i.e. 1.01 per cent of loans outstanding turned to be non performing in cash credit limits to traders.

7) DCCB Muktsar witnessed a significant increase in total NPAs at the rate of 24.15 per cent compounded annually. The NPAs in all types of loans
revealed significant rising trend except in crop loans and vehicle loans, where NPAs experienced fluctuations throughout the period of study. Revolving cash credit limits to farmers accounted for the highest proportion i.e. 65.10 per cent while vehicle loans constituted the lowest proportion i.e. 0.69 per cent of the total NPAs in the bank. On an average, 3.94 per cent of the loans outstanding were NPAs in DCCB Muktsar. The NPAs, as an average proportion of loans outstanding ranged between 0.42 per cent in crop loans and 15.08 per cent in non farm sector loans.

8) Total NPAs in DCCB Bathinda increased significantly at a compound rate of 17.94 per cent per annum. NPAs in all types of loans, except crop loans mounted at significant growth rates throughout the period under study. On an average, NPAs in revolving cash credit limits to farmers accounted for the highest proportion i.e. 41.19 per cent of total NPAs while it was the lowest i.e. 0.27 per cent in crop loans. The highest average proportion i.e. 20.32 per cent of loans outstanding turned to be non performing in non farm sector loans. The proportionate share of NPAs in crop loans and vehicle loans was negligible. Only 3.41 per cent of the loans outstanding were NPAs in DCCB Bathinda, which grew insignificantly during the period of study. The proportion of NPAs rose at a significant rate of 10.70 per cent in non farm sector loans but there was a significant decline in the share of NPAs in crop loans.

9) In DCCB Nawan Shahar, total NPAs swelled at a highly significant compound growth rate of 20.38 per cent per annum. NPAs in all types of loans climbed at significant rates except crop loan NPAs which depicted a state of stagnation. The highest proportion of 29.54 per cent was seen in NPAs in NFS loans while the lowest proportion i.e. only 1.07 per cent of the total NPAs was accounted for by vehicle loan NPAs. Only 3.06 per cent of the loans outstanding were NPAs in DCCB Nawan Shahar. The highest proportion of loans outstanding as NPAs was 15.77
per cent in NFS loans while the lowest proportion was observed to be 0.82 per cent in other loans category.

10) NPAs in all types of loans gained significantly during the period under study in DCCB Jalandhar, resulting in a significant increase at the compound growth rate of 37.31 per cent per annum in total NPAs except crop loans NPAs, which were negligible, rather near zero level. On an average, the highest proportion i.e. 25.50 per cent of the total NPAs in DCCB Jalandhar was secured by consumer durable loans while it was the lowest at 1.96 per cent in vehicle loans. On an average, only 2.80 per cent of the total loans outstanding were NPAs. NPAs, as proportion of loans outstanding were the highest at 12.58 per cent in non farm sector loans. The lowest proportion of loans outstanding as NPAs came to be 1.37 per cent in other loans category.

11) On an average, total NPAs in DCCBs with high NPAs were of the order of Rs. 13607.54 lacs while the same were significantly low at Rs. 3951.02 lacs in DCCBs having low NPAs. The rate of increase of NPAs was higher in DCCBs with high level of NPAs (22.06%) as compared to DCCBs with low NPAs (20.00%). The quantum of NPAs in DCCBs with high NPAs was 244.41 per cent higher than in DCCBs with low NPAs. The proportionate share of NPAs in total NPAs ranged between 3.32 per cent in vehicle loans and 34.17 per cent in other loans category in banks with high NPAs while the same ranged between 0.72 per cent in vehicle loans and 25.66 per cent in revolving cash credit limits to farmers in DCCBs with low NPAs. There was a glaring contrast in proportionate share of NPAs in loans outstanding in banks of both the categories. On an average, it was 11.27 per cent in banks with high NPAs while the same was 3.63 per cent in banks with low NPAs. In DCCBs with high NPAs, the proportion of NPAs in the respective loans outstanding ranged between 4.48 per cent in crop loans and 36.68 per cent in non farm sector loans while in DCCBs with low NPAs, it ranged between 1.67 per cent in crop loans and 16.04 per cent in non farm sector loans.
12) The analysis of absolute NPAs in DCCBs having high NPAs shows an increasing trend of NPAs in all the selected banks. Compound growth rate was more than 20 per cent in all the banks except DCCB Ludhiana, where it was 12.64 per cent. On the other hand, the compound growth rate of advances outstanding was less than 14 per cent in all the selected DCCBs except DCCB Mansa, where it was 18.75 per cent. NPAs swelled continuously in DCCBs Amritsar and Tarn Taran during all the years of study whereas in other banks they rose continuously but in the last year there was a marginal decline in NPAs.

13) An increasing trend of NPAs has been perceived in almost all the banks having low NPAs. The highest CGR (37.31%) was recorded in NPAs in DCCB Jalandhar while the lowest CGR of 7.60 per cent was seen in DCCB Ferozepur. The compound growth rate of advances outstanding was much less in all the banks except DCCB Ferozepur, where it was higher than the growth rate of NPAs. NPAs mounted continuously in DCCBs Ferozepur, Muktsar and Bathinda but in DCCBs Nawan Shahar and Jalandhar, they declined marginally in the terminal year of the study.

14) Scrutiny of scheme-wise trend of proportionate share of NPAs in total NPAs confirms that out of the total NPAs in DCCBs having high NPAs, the share of NPAs in other loans category was the highest in all the banks except DCCB Amritsar, where NPAs in consumer durable loans accounted for the major share of total NPAs followed by other loans category. Proportionate share of NPAs in crop loans was also significant in DCCBs Gurdaspur, Tarn Taran and Ludhiana whereas it was the lowest in DCCB Mansa and Amritsar. NPAs in non farm sector loans also constituted a significant proportion of total NPAs in all the above stated banks. Proportionate share of NPAs of CCL(T) was the lowest while the share of vehicle loan NPAs in all the banks was almost negligible.

15) In DCCBs with low NPAs, the examination of scheme-wise trend of proportionate share of NPAs in total NPAs reveals the highest share of NPAs in revolving cash credit limits to farmers in total NPAs in DCCBs
Muktsar and Bathinda. In DCCB Ferozepur, crop loans accounted for the major share while in DCCBs Nawan Shahar and Jalandhar, NPAs of non farm sector loans and consumer durable loans had the highest share. Second major share in all the selected banks was of NPAs in other loans category. NPAs in vehicle loans formed the lowest proportion in all the DCCBs followed by NPAs in CCL(T) except in DCCB Jalandhar, where CCL(T) had the share of 21.29 per cent in total NPAs. Proportionate share of NPAs in non farm sector loans was moderate in all the selected DCCBs.

16) The study indicates that in all the selected DCCBs, the highest average percentage of NPAs to loans outstanding was detected in non farm sector loans while the lowest average proportion of loans outstanding as NPAs was in crop loans. Position of NPAs in vehicle loans is very serious in DCCB Amritsar. Crop loans have shown a commendable performance in all the banks. This indicates that the management and employees of these banks have not responded and adapted to business diversification efforts in true spirit.

8.2.3 FINANCIAL VIABILITY OF DCCBs OF PUNJAB VIS-A-VIS NPA NORMS

1) In DCCB Gurdaspur, loss of interest due to NPAs ranged between Rs.221.45 lacs in 2000-01 and Rs.635.55 lacs in 2005-06 and provision made for erosion of principal amount ranged between Rs.977.50 lacs in 2000-01 and Rs.2041.43 lacs in 2005-06. The product-wise analysis reveals that on an average, total loss of interest due to NPAs was Rs.526.17 lacs. The highest amount of loss of interest i.e. Rs.166.27 lacs (31.60%) was noted in other loans category while the lowest amount of Rs.11.71 lacs (2.23%) was seen in vehicle loans.

2) The loss of interest due to NPAs in DCCB Amritsar fluctuated between Rs.145.43 lacs in 2000-01 and Rs.411.34 lacs in 2006-07 and provision made for the loss of principal amount climbed continuously from Rs.424.21 lacs in 2000-01 to Rs.1090.08 lacs in 2006-07. In product-wise
analysis, it was observed that on an average total loss of interest was
Rs.438.79 lacs. The lowest amount of loss of interest of Rs.13.66 lacs
(3.11%) was witnessed in CCL(T) loans and the loss of interest was at its
peak i.e. Rs.107.85 lacs (24.58%) in consumer durable loans.

3) During the period of study, the loss of interest due to NPAs in DCCB Tarn
Taran mounted from Rs.112.52 lacs in 2000-01 to Rs.271.73 lacs in 2003-
04 and then plummeted to Rs.252.33 lacs in 2004-05 and Rs.190.10 lacs
in the last year of the study. The provision for NPAs rose constantly from
Rs.936.57 lacs in 2000-01 to Rs.1340.83 lacs in 2003-04, then ebbed to
Rs.1301.27 lacs in 2004-05 and subsequently increased to Rs.1474.36
lacs in 2006-07. Total loss of interest was calculated to be Rs.238.53
lacs per year in product-wise analysis. It was at its lowest ebb i.e.
Rs.2.70 lacs (1.13%) in vehicle loans and the highest incidence of
interest loss of Rs.112.43 lacs (47.13%) was noted in other loans
category.

4) DCCB Mansa witnessed a continuous increase in loss of interest due to
NPAs from Rs.63.21 lacs in 2000-01 to Rs.176.12 lacs in 2005-06, which
declined to Rs.122.00 lacs in 2006-07. Provisions made for NPAs swelled
from Rs.407.15 lacs in 2000-01 to Rs.629.03 lacs in 2005-06 and then fell
to Rs.615.59 lacs in the terminal year of the study. It is evident from
product-wise analysis that average total loss of interest due to NPAs was
Rs.151.67 lacs. The loss of interest was the lowest at Rs.0.84 lacs
(0.56%) in vehicle loans and the highest at Rs.62.31 lacs (41.08%) in
other loans category.

5) Loss of interest due to NPAs registered a fluctuating trend in DCCB
Ludhiana, rising from Rs.165.62 lacs in 2000-01 to Rs.287.89 lacs in
2004-05 and then subsequently declining to Rs.183.68 lacs in the last
year of study. The provision for NPAs increased from Rs.489.17 lacs in
2000-01 to Rs.1484.18 lacs in 2004-05 and dipped marginally to
Rs.1473.37 lacs in the terminal year of the study. Product-wise analysis
has disclosed an average total loss of interest of Rs.289.53 lacs. Loss of
interest due to NPAs was the lowest to the tune of Rs.0.36 lacs (0.12%) in vehicle loans and the highest interest loss of Rs.91.88 lacs (31.73%) was seen in other loans category.

6) On an average, product-wise total loss of interest due to NPAs in DCCB Ferozepur was Rs.108.33 lacs whereas absolute loss of interest due to NPAs ranged between Rs.95.05 lacs in 2000-01 and Rs.104.63 lacs in 2002-03. In subsequent years, loss of interest declined to Rs.104.03 lacs, Rs.101.96 lacs, Rs.98.79 lacs and Rs.84.47 lacs respectively. The provision for NPAs fluctuated between Rs.449.00 lacs in 2000-01 and Rs.520.72 lacs in 2006-07. Lowest amount of loss of interest of Rs.1.10 lacs (1.01%) was observed in CCL(T) loans followed by Rs.1.66 lacs (1.53%) in vehicle loans. The highest amount of loss of interest due to NPAs of Rs.61.22 lacs (56.51%) was marked in crop loans.

7) Total product-wise loss of interest due to NPAs was Rs.84.46 lacs whereas absolute amount of loss of interest fluctuated between Rs.41.13 lacs in 2000-01 and Rs.92.69 lacs in 2006-07 in DCCB Muktsar. The provision for NPAs ranged between Rs.100.18 lacs in 2000-01 and Rs.308.49 lacs in 2006-07. Loss of interest was the lowest at Rs.0.80 lacs (0.95%) in vehicle loans and the highest at Rs.53.58 lacs (63.44%) in revolving cash credit limits to farmers.

8) Loss of interest due to NPAs enlarged continuously from Rs.48.26 lacs in 2000-01 to Rs.92.41 lacs in 2005-06 and then fell marginally to Rs.84.60 lacs in the last year of the study in DCCB Bathinda. The provision for NPAs depicted a similar rising trend during the period of study. Product-wise analysis reveals that total loss of interest due to NPAs was Rs.101.09 lacs per year. It was the lowest at Rs.0.18 lacs (0.18%) in crop loans and the highest amount of loss of interest of Rs.42.27 lacs (41.81%) was noticed in revolving cash credit limits to farmers.

9) DCCB Nawan Shahar witnessed an increase in loss of interest due to NPAs from Rs.33.54 lacs in 2000-01 to Rs.74.64 lacs in 2002-03. After plummeting to Rs.67.90 lacs in 2003-04, it rose to Rs.92.51 lacs in 2005-
Thereafter, it again exhibited a considerable fall to Rs.66.59 lacs in 2006-07. The bank had to make a provision of Rs.96.31 lacs in 2000-01, rising to Rs.205.77 lacs in 2004-05 and to Rs.298.20 lacs in the last year of study. Product-wise total loss of interest due to NPAs was Rs.77.08 lacs per year. Vehicle Loans registered the lowest amount of loss of interest i.e. Rs.0.99 lacs (1.28%) and the highest incidence of interest loss due to NPAs i.e. Rs.24.36 lacs (31.61%) was traced in non farm sector loans.

Loss of interest due to NPAs in DCCB Jalandhar fluctuated between Rs.30.54 lacs in 2000-01 and Rs.135.09 lacs in 2006-07. Provision for NPAs soared continuously from Rs.146.69 lacs in 2000-01 to Rs.428.70 lacs in 2006-07 except in the year 2003-04, when it displayed a marginal decline. Product-wise total loss of interest was Rs.107.91 lacs per year with the lowest amount of Rs.3.16 lacs (2.93%) in vehicle loans and the highest amount of Rs.32.04 lacs (29.69%) in consumer durable loans. There was no loss of interest due to NPAs in crop loans.

Analysis of absolute impact of NPAs indicates that all the DCCBs having high NPAs have lost a substantial amount of interest on NPA accounts. It has exhibited an increasing trend in all the years except in the last year of the study i.e. 2006-07, when it declined marginally in all the banks. The highest amount of loss of interest on NPA accounts is witnessed in DCCB Gurdaspur while it is the lowest in DCCB Mansa. Provisions made for the erosion of principal amount have also affected the profitability of these banks adversely. DCCB Gurdaspur and DCCB Tarn Taran are worst affected by the loss of provisions. The analysis further reveals the highest total loss due to NPAs (interest and provisions) of Rs.2376.22 lacs in DCCB Gurdaspur and the lowest amount of loss of Rs.737.59 lacs in DCCB Mansa.

Loss of interest due to NPAs has displayed wide fluctuations in all the DCCBs having comparatively low NPAs. Though DCCB Jalandhar has fared comparatively better than its peers with low NPAs as far as percentage
share of NPAs in total loans outstanding is concerned, the loss of interest due to NPAs in this bank has demonstrated a tremendous rise from mere Rs.30.54 lacs in 2000-01 to Rs.135.09 lacs in 2006-07. The lowest amount of loss of interest due to NPAs i.e. Rs.66.59 lacs is witnessed in DCCB Nawan Shahar. Loss due to provision for the erosion of principal amount has surged continuously during the period of the study in all the selected DCCBs except in DCCB Ferozepur, where this amount has shown a fluctuating trend. DCCB Ferozepur has suffered maximum loss of Rs.520.72 lacs on account of provisions while the lowest amount of loss of Rs.298.20 lacs is seen in DCCB Nawan Shahar. Total loss due to NPAs has exhibited a spiralling trend in the selected banks with the highest loss of Rs.605.19 lacs in DCCB Ferozepur and lowest amount of Rs.364.79 lacs in DCCB Nawan Shahar.

13) Profits at zero level of NPAs depict the net profits which the banks could have earned had there been no NPAs. An examination of the impact of NPAs has led to very interesting revelations that DCCB Amritsar and DCCB Ferozepur are currently in losses. Had there been no NPAs, these banks could have earned a profit of Rs.1305.43 lacs and Rs.505.47 lacs respectively.

14) Product-wise analysis of the impact of NPAs on the financial viability of the DCCBs with high NPAs reveals that with diversification of loan schemes in cooperative banks, the total loans outstanding in non agricultural sector have multiplied manifold. The NPAs in these product lines have also soared in the same proportion. A similar trend is witnessed in loss of interest which is the highest in other loans category in all the selected banks except in DCCB Amritsar, where the highest amount of loss of interest is seen in consumer durable loans. Loss of provisions is the highest in DCCB Gurdaspur while it is the lowest in DCCB Mansa. Maximum amount of total loss of Rs.2075.17 lacs due to NPAs was seen in DCCB Gurdaspur while DCCB Mansa exhibited the best performance with the lowest amount of total loss of Rs.669.75 lacs.
Thus, similar results have been witnessed in both absolute and product-wise analysis of the impact of NPAs on the financial viability of DCCBs with high NPAs, with DCCB Gurdaspur having an alarmingly high amount of total loss due to NPAs and DCCB Mansa with the lowest amount of total loss.

15) In DCCBs having comparatively low NPAs, product-wise analysis of the impact of NPAs has exposed altogether different results. In these banks, agricultural loans (crop loans and RCCL(F)) are more prone to NPAs and consequently have greater loss of interest and provisions made on NPA accounts. The highest amount of loss of interest of Rs.108.33 lacs is noted in DCCB Ferozepur while the lowest amount of Rs.77.08 lacs is witnessed in DCCB Nawan Shahar. In DCCBs Ferozepur, Muktsar and Bathinda, the highest amount of loss of interest is traced in crop loans and RCCL(F) while DCCB Nawan Shahar and DCCB Jalandhar have lost more on account of interest in non farm sector loans and consumer durable loans respectively. The highest amount of loss of provisions is perceived in DCCB Ferozepur and the lowest amount is recognised in DCCB Muktsar. Product-wise total loss due to NPAs is the highest in DCCB Ferozepur (Rs.552.46 lacs) and the least in DCCB Muktsar (Rs.248.48 lacs). It is evident from both absolute and product-wise analysis, that DCCB Ferozepur is resting on an explosive figure of total loss due to NPAs.

16) Overall analysis of the selected DCCBs (with high and low NPAs) reveals that the DCCBs with high NPAs have lost more on account of interest in non agricultural loans while DCCBs with low NPAs have lost more in agricultural loans. In all the selected DCCBs, the highest amount of loss of interest is witnessed in other loans category and the lowest amount of loss of interest is found in vehicle loans. On the basis of the results derived from the analysis of total loss due to interest and provisions in the selected DCCBs, it can be concluded that total loss due to interest and provisions in all the 19 DCCBs of Punjab works out to Rs.4034.75
lacs and 12031.18 lacs respectively, making the total loss up to Rs.16066.22 lacs on account of NPAs.

8.2.4 MANAGEMENT OF NPAs IN COOPERATIVE BANKS: AN EMPIRICAL ANALYSIS

PERCEPTIONS OF BORROWERS: A number of conclusions have emerged after the examination of the responses of the selected borrowers.

1) As the study was confined only to the borrowers of cooperative banks, it reveals that besides availing cooperative loans, a small proportion of respondents took loans from commercial banks, money lenders, friends/relatives and indigenous money lenders.

2) Diversification of business in cooperative banks got a very encouraging response from the borrowers as a major proportion of the responding borrowers availed loans for personal and house construction purposes. The loan scheme given second preference was consumer durable loans.

3) That the loan amount was adequate for the stipulated purpose got the support of 61 per cent of the respondents. 53 per cent of respondents had fully utilized the loan amount for the stated purpose while 47 per cent of the respondents reported misutilization of loans.

4) The respondents were highly satisfied with the terms of disbursement and repayment of loans. Maximum satisfaction of 89.80 per cent was observed on the terms relating to period of loan followed by the schedule of repayment of loan with 84.80 per cent agreement, number and amount of instalments of loan with 83.80 per cent, provision of security with a support of 82.00 per cent, rate of interest with 81.20 per cent, time lag between approval and disbursement of loan with 77.40 per cent and lowest in the rating was the expenditure in getting the loan amount with an approval of 60.20 per cent.

5) The statement that loans were generally utilized for unproductive purposes such as education of children got maximum support of the
respondents with an agreement of 58.80 per cent followed by 57.60 per cent approval on purchase of basic consumer goods, 55.80 per cent on payment of current loans, 55.00 per cent on purchase of luxuries like cooler, televisions etc. and 54.80 per cent on payment of past debts. The lowest agreement of 24.60 per cent was found on the use of loan for investments in stock market followed by 35 per cent on foreign visits, 45.20 per cent on marriages, rituals, festivals etc. and 51.40 per cent on purchase or development of land, use of modern methods of irrigation etc.

6) The respondents expressed different opinions about the benefits derived from the utilization of loans. The highest extent of agreement i.e. 86.80 per cent was found on improvement in the standard of living while the least rated benefit with a satisfaction level of 39.80 per cent was the generation of employment.

7) The responding borrowers were categorized into two groups i.e. defaulters and non defaulters. Out of the selected borrowers, 59 were regular in repayment of loans while 41 had defaulted in their repayments. In the assessment of various factors responsible for their regular repayments, the non defaulters ranked adequacy of the loan amount on the top with 99.66 per cent agreement. Followed down in the ladder with 97.97 per cent agreement was effective utilization of the loan amount. Fear of God and honesty was ranked third with an agreement of 97.29 per cent. Fear of loss of goodwill and adverse effect on credit worthiness position and expectation of fresh loans were ranked at fourth and fifth positions with an agreement of 94.92 per cent and 93.56 per cent respectively. The factors cited by the defaulters for their repayment behaviour were inadequacy of loans, ineffective utilization of loans, natural calamities, poor socio-economic conditions, faulty schedule of repayment, repayment behaviour of others, lack of adequate forward and backward linkages and support of political leaders in the form of loan waivers and stay
orders on the legal process of recovery. Socio-economic characteristics, as a factor responsible for defaults received the highest agreement of 93.80 percent while lowest in the ranking was the impact of others with an agreement of 27.04 per cent.

8) On the basis of the opinion (extent of agreement assigned to different factors) of the responding borrowers, it can be recommended that the non performing advances can be curbed if adequate loans are advanced, proper utilization of loans is made, continuity of loans is assured, subsidies against natural calamities are advanced, politically motivated relief announcements are not made etc.

9) The selected respondents were of the view that after the launch of NPA norms, there was an apparent change in the attitude of the bank officials but they did not become aggressive, rather they adopted a cooperative, polite and courteous attitude towards the borrowers which has been instrumental in improving recoveries in the cooperative banks.

10) On the basis of multiple step regression analysis, it may be concluded that caste, education, amount and adequacy of loans were the main factors responsible for the repayment performance of the borrowers, highlighting the need for differential policies for borrowers belonging to different castes and with different levels of education.

OPINION OF BANK OFFICIALS REGARDING NPA NORMS: On the basis of the feedback of the selected bank officials the following conclusions have been derived:

1) Majority of responding bank officials were conceptually fully aware of the NPA norms while only 34 per cent had partial awareness of these concepts.

2) The analysis reveals that the highest proportion of respondents were of the opinion that NPAs ranged between 5 to 10 per cent of the total loans outstanding in the selected DCCBs while only 9 per cent of the
respondents were of the view that NPAs were more than 10 per cent of
the total loans outstanding. Knowledge of respondents regarding level
of NPAs was found to be satisfactory.

3) The premise that non farm sector loans were highly prone to NPAs got
the nod of three-fourth of respondents while the lowest proportion of
the bank officials considered crop loans to be risky.

4) Exorbitant rates of interest, as the factor responsible for NPAs had the
lowest approval of respondents i.e. 56.05 per cent while the highest
up in the ladder with 81.05 per cent agreement is wilful defaults i.e.
able but not willing to pay followed by inadequacy of returns,
ineffective management and supervision, utilization of loans for
unproductive purposes, political support, redemption of past debts,
inadequate infrastructure facilities and field staff for recoveries and
poor socio-economic conditions.

5) Highest extent of agreement i.e. 83.95 per cent was found over
increased accountability of bank staff towards advancement of quality
loans with the implementation of NPA norms. Second major change
because of NPA norms, as per the views of the respondents was felt in
the recovery climate of the DCCBs with an agreement of 83.16 per
cent. A large number of respondents approved of the statements that
NPA norms have a positive effect on legal framework and head office
support while these norms have also resulted in a tremendous increase
in the paper work of the banks, was agreed upon up to 69.74 per cent.

6) Regarding the prevention of NPAs, the selected bank officials stated
emphatically that there should be proper selection of loan proposals
and borrowers with highest agreement of 91.32 per cent. Simplification
of procedural formalities, timely disbursement of
adequate loans, post sanction monitoring, less time lag between
sanction and disbursement of loans and annual review were supported
with an extent of agreement of 81.58, 83.95, 87.89, 81.32 and 82.63
per cent respectively. The bank officials considered post sanction
monitoring as most important because a strong follow up puts mental pressure on the borrowers to return the cooperative debt on priority basis vis-à-vis other liabilities.

7) The responding bank officials expressed highest satisfaction of 81.84 per cent on the premise that poor recovery position of the banks adversely affects their image amongst other banks. The responding bank officials expressed an agreement of 80.00 per cent on the adverse effect of NPAs on the eligibility of the cooperative banks for financial help from NABARD and RBI and 78.68 per cent on the stay in relations of the bank with head office and others. The adverse effect of poor performance on career of bank officials was agreed upon up to 77.11 per cent while it was agreed up to 70.53 per cent that public image of the branch had been tarnished by its unsatisfactory performance due to NPAs.

8) The analysis further reveals that implementation of NPA norms have compelled the bank officials to adopt a professional and pro-active approach.

8.3 RECOMMENDATIONS

Liberalization and deregulation process started in India in 1991-92 has metamorphosed the banking system. From a totally regulated environment, banking has gradually moved to a market driven competitive system. However, globalization has brought into focus the most significant challenge before banks, that being the maintenance of rigorous credit standards, especially in an environment of increased competition for new and existing clients. Large scale efforts are needed to upgrade skills in credit risk measuring, controlling and monitoring as also in revamping operating procedures in order to achieve the benchmark set for NPA level. The future profitability of cooperative banks would depend on their alertness, operational efficiency, customer orientation and attainment of optimum levels of productivity. Another critical factor upon which would hinge the future of the banks would be their ability and
competence to build up large volumes of quality assets in an increasingly competitive environment, while adhering to prudential norms. On the basis of the present research, the following recommendations have been proposed, which if implemented would go a long way to improve the management of non performing advances in the district central cooperative banks of Punjab.

1) DCCBs have diversified their business and are now providing a variety of loans i.e. crop loans for agriculture and other loans such as housing loans, vehicle loans, personal loans and RCCL(F) for socio-economic needs. The recovery of all these loans is dependant on and linked with harvesting of crops i.e. six monthly instalments are scheduled for repayment. But NABARD treats all ‘non agricultural loans’ as commercial loans for NPA norms. Therefore 90 days norm has been made applicable to all these loans. Due to this, even good loan accounts become NPA on 31st March, as interest debited to loan account on 31st December is not recovered by 31st March. Therefore, norms as are applicable to commercial banks should not be implemented in cooperative banks. NABARD should modify the prudential norms for classification and categorization of assets in cooperative banks.

2) For a long time, agriculture loaning through PACSs was the sole activity of cooperative banks. In 1996-97, NABARD encouraged the cooperative banks to diversify their activities in areas other than agriculture. Since 1996-97, DCCBs have diversified in retail and project loans. But the analysis reveals that almost all the selected DCCBs are suffering from burgeoning NPAs in non farm sector loans. Various reasons for poor recovery position in this segment seem to be lack of knowledge regarding loan appraisal techniques on the part of bank employees, pressurized loaning and non monitoring and non pursuance of recovery of loans advanced in this category. Discontinuation of these loan schemes in some central cooperative banks like DCCB Ferozepur, because of their misutilisation is not a sound solution to cope with such problems. A sound internal control system should be developed to check
mismanagement of various loan schemes and banks are advised to develop specialized staff in this field.

3) Although crop loan scheme has been found to be the safest and very low NPAs in crop loans in the selected DCCBs goes against the general contention of considering priority sector lending very risky, yet DCCBs Gurdaspur, Tarn Taran and Ferozepur have a very high incidence of NPAs in crop loans (right from militancy days). Special strategy is required for these banks to bail out of this situation.

4) High incidence of NPAs in RCCL(F), especially in DCCBs Bathinda and Muktsar warrant special recovery efforts like recruitment of qualified and trained staff, strict action against recalcitrants etc.

5) To curb the tendency of diversion of loan amount from the stipulated productive to unproductive purposes, banks should provide liberal long term advances for socio-personal needs like marriages, education of children, purchase of basic consumer goods etc.

6) Customer awareness campaigns should be organized to make the borrowers fully conversant with the consequences of defaults in repayment.

7) Good governance and leadership, which are the pre-requisites for creating and nurturing an organization are not seen in most of the DCCBs of Punjab. Therefore, professionals should be inducted in the board of central cooperative banks and system should provide for ways of fixing quick responsibility on individuals in case of misappropriation/embezzlement or other kinds of mal-practices. Further, all the branches of DCCBs should be made cost/profit centres so that financial responsibilities may be fixed.

8) Focus of the banks should be on project based lending rather than security based lending i.e. the reliability and feasibility of the project should be the prime considerations while granting loans.

9) Staff of the cooperative banks should be exposed to continuous training to equip them with knowledge of commercial banking practices. Trained
staff would also lower operational risk, reducing chances of an account becoming bad. Further, a revamp of existing training system in these banks to bring their geographically spread employees on technology compliant mode is a felt need. Awareness regarding the NPA management i.e. regarding the impact of NPAs on bank profitability and solvency should be promoted amongst bank employees.

10) Lack of uniformity in the classification and categorization of various loans has been observed in most of the DCCBs of Punjab. Standardized accounting procedures and practices should be developed for all these banks.

11) Only those institutions that leverage advancements of technology in innovation of new products, customer convenience, re-engineering process and delivery modes will be the ultimate winners. To cope with the increasing needs of management information system (MIS), branches of DCCBs should be computerized and net worked i.e. the banks should use customized software at all levels to enable them to generate any type of data relating to asset quality uniformly at operational places for targeting all fresh additions in NPAs to enhance the chances of their upgradation to standard category. Lack of post monitoring, one of the major contributing factors for rising NPAs can be overcome by successful implementation of data mining techniques and E-governance. Data mining techniques help in a better understanding of loans, improving the management of lending programmes and reducing the incidence of problem loans. The concept of E-governance indicates the application of information technology to the computing process to bring about SMART (simple, moral, accountable, responsible and transparent) governance.

12) Some of the DCCBs in Punjab are facing acute shortage of staff. Some branches are manned by a single person, making them vulnerable to frauds and mis-appropriation of funds. Thus, qualified and competent staff should be provided in the cooperative banks to curb defective
loaning practices and the consequent chances of loan accounts becoming bad or doubtful of recovery.

13) Keeping in line with commercial banks, specialized branches, equipped with adequate and competent manpower should be developed to deal with various product lines.

14) Dual control that is the main cause of most of the problems in cooperative banks. On one hand, under the provisions of Cooperative Societies Act, the Registrar of Cooperative Societies is responsible for regulating their transactions on behalf of State Government and on the other hand, RBI is held responsible on behalf of the Government of India. Excessive Government control and patronage have become an obstacle for the growth of cooperative banks. Therefore, State/RCS control should be reduced i.e. managers of the DCCBs should be given operational freedom in conducting their affairs.

15) Loan appraisal procedure should be made objective and specific expertise for appraising loan cases may be developed. This will help only genuine and potentially good loan proposals to get through, which will in turn help to control NPAs.

16) Politically motivated loan waivers should be avoided to improve the recovery climate in the DCCBs of Punjab.

17) Alarmingly high NPAs in majority of DCCBs should be monitored by a special cell of the bank formed for this specific purpose. The idea of hiring or appointing recovery agents may also be tried for recovering non-agricultural loans.

18) In the other loans category, high amount of NPAs were found in personal loans in some of the selected DCCBs. Recovery of money advanced under this scheme is very easy for the cooperative banks of Punjab as they are blessed with section 39 of the Cooperative Societies Act. As per the provisions of this section, if an employee fails to repay his loan to the bank, then the bank, taking benefit of this section can direct the employer to deduct the loan instalments from the salary of the
concerned defaulter employee. High incidence of NPAs in this category indicates that the banks are not reaping the benefits of this section.

19) The DCCBs achieving a considerable reduction in NPAs need special appreciation and acknowledgement with their managers and staff being awarded in public. This will inspire other cooperative banks with dismal recovery performance to replicate the loaning and recovery practices of these banks.

20) Last but not the least, DCCBs may think about outsourcing their recoveries.

8.4 AREAS FOR PROSPECTIVE RESEARCH

Following are certain promising and untapped areas for those who are interested in empirical research in the field of performance evaluation of cooperative banks:

1. A similar study may be conducted for the cooperative banks which have not been covered in this study such as state cooperative banks, other central cooperative banks and urban cooperative banks.

2. Asset-Liability Management of the cooperative banks is another important area which calls for an in depth analysis.

3. Short-term funds management covering liquidity management of the cooperative banks may be studied.

4. The central cooperative banks have diversified in a big way to non farm sector loans. The impact of such diversification may be studied for the district central cooperative banks.

5. An inter-state comparison of the nature and extent of non performing advances can be undertaken for research.