CHAPTER IV
RECOVERY AND OVERDUES MANAGEMENT

Recovery of loan is key aspect from the point of view of recycling of funds, safe-guarding the trust and confidence of depositors and also for drawing refinances from the higher organizations. The non-performing assets in the form of overdues affect the profitability and viability of the cooperative banks. For obvious reasons, poor recovery of loans is an area of anxiety and serious concern for the cooperative banks. The health of cooperative banks is so critical for supplying the credit; in which the level of overdues matters very much. In banking, lending is a fine art need sharp commercial insight, efficient and effective recovery of lent credit is perhaps a still finer art requiring a high degree of specialization.

CONTINUUM

The provision of credit is a must to strengthen the borrower economically and the provision of repayment is also to strengthen the cooperative banks financially sound for sustaining viably the future business operations. The modern economists of Rao, C.H.H., Vyas, V.S., Neelakanta Nath and Dandekhar spoke that credit is must to improve the socio-economic status of people. Increase in flow of credit to the rural economic activities making them viable and improve the recovery climate is a key issue which need every
encouragement with embodiment of as continuum. The State of Andhra Pradesh is of strong opinion in implementing the single window concept which would patronage the integrated credit with the service effecting better production, better income and better recovery.

Availability of funds with the cooperative bank for deployment for the productive economic activities is the first important activity which triggers recovery of funds disbursed as the second important activity. This recovery activity becomes paramount in functioning of cooperative bank due to the fact that every good recovery results in every good leading. Sustenance of this operating cycle is a healthy banking activity on the sound structure and conducive policy.

The emphasis in the context of development of rural sector in modern era has become double so as to meet the every-growing and enlarging credit demand of the needy. The cooperative banks have to initiate the corrective steps for maintaining continuous credit deployment followed by smooth recovery. Towards this, the cooperative banks should have an integral mechanism with in-built provision of credit associating with production programme; increasing the level of productivity which in turn makes proper recovery leaving a sizeable income to the loanee for the maintenance and development of his family. The underlying aim of the cooperative banks would fail if deploying credit is not meant
towards the aim of socio-economic development of family achievement. Consequently, this state of affairs unfreezes the credit operations of the cooperative banks. Recovery of loan lent, therefore, is equally important to the cooperative banks to afford fresh loaning programme in order to make a continuum. In this chapter, an attempt is made on the recovery and overdue position of loans lent with the reasons thereof including non-performing assets.

FUNCTIONS OF ‘C’

The task of providing credit for the economic benefits of rural people is entrusted to the cooperative banks which need to carry the two important functions so as to make effective funds management in terms of in-flow and out-flow. The functions are:

- Catering funds
- Collecting funds

While sanctioning adequate credit is an added factor to recover efficiently in addition to deployment of credit to the economic worthy projects. The dual function of ‘cater to-day’ and ‘collect tomorrow’ is the very thrust motto of the effective management of funds in cooperative banks. Hence, the cooperative banks need a sound decision-making pertaining to capital investment in dynamic nature of rural enterprises including agricultural and non-
agricultural operations. The management of cooperative bank, indeed, is a human process with cooperation and coordination from the top executive down to paid servant or from the paid servant to the top executive is also paramount to achieve the two functions of ‘C’ fruitfully and meaningfully.

Deployment of credit on sound lines and recovery of it indicated a healthy measure to the financing institution as the exhaling and inhaling of respiration process of human being resulting in healthy body; the sound functioning of inhaling is not good, the body will be deprived of oxygen, so also recovery in banks if not leads in good makes the paucity of funds for fresh disbursal which naturally puts the banking activity at low level. In long-run, this type of activity cripples the functioning of cooperative bank and ultimately the purpose for which it is established is lost. Recycling of bank credit is only possible with the timely repayment of loans with interest by the borrowers.

Timely recovery of credit strengthens the resource position of the financing institution and enables it repay its dues to its creditors. Otherwise, the lending capacity of cooperative bank gets adversely affected and jeopardizes its entire business operations primarily meant for the economic activities. Profitability of it also gets affected with non-recovery of the interest on loans issued implying rise of non-performing assets. The cooperative banks with low
volume of business and poor recoveries coupled with diverting a part of recovery towards non-performing assets. Therefore, recovery process is crucial; if not affected the operations of cooperative bank becomes critical too.

In the recent past the process of recovery of lent loans was severely hampered by announcement of loan-waiver scheme vitiating recovery climate. This loan-waiver scheme discourages regular payers too to become willful defaulters. The Government of India appointed a committee called Task Force Committee on Revival/Restructuring Package for Cooperative Banks on April 9, 1999 under the Chairmanship of Sri Jagdish Kapoor, the then Deputy Governor, Reserve Bank of India. The Committee on detailed examination said thus: “Loan waivers penalize the honest borrowers too and reward defaulters.”¹ Parthasarathy is of the opinion that “the prompt recovery of loan is one of the essential factors for the efficiency of bank’s performance.”² The complex and risk involvement in financing agriculture, made Nelson and Murray to observe this: “Consideration of repayment aspect of credit deserves more attention than it usually receives.”³ If borrowers are not repaid loan taken in time, a considerable part of working capital of the cooperative bank is frozen. Still, if it continues further period, meeting the fresh credit needs of borrowers fully become burden to the cooperative bank becoming non-performing asset due to mounting overdues.
MECHANISM

A sound management of cooperative banks is ever essential measure for good recovery of credit deployed; for which the concern-officer is made responsible for not only timely recovery but also to infuse a sense of responsibility in borrowers to repay. On ethics in banking with special reference to Bangladesh, Muhammad Maboob Ali observed this: “Recovery target should be fixed on the specific loan disbursing officials who involve in processing, sanctioning, disbursing and monitoring the loan. The cooperative banks should develop mechanism allowing no pressure either from the political or the community pertaining to sanction of credit to the projects which are unviable to borrowers.”

The amount shown as outstanding ‘due by’ and ‘due to’ discloses smooth functioning of the cooperative banks on sound and healthy lines. “Imbalance between the amounts reflects an outstanding from the primary cooperative societies in the books of cooperative banks and the amount shown as being repayable by the borrowers in the books of the borrowing primary cooperative societies should be arrested” is the opinion of Vaidyanathan. Recovery in cooperative banks is more than that of primary agricultural cooperative societies due to diversified business operations in terms of vertically and horizontally and better performance of the
non-agricultural portfolio or due to repayments out of growing deposits in the latter.

Non-recovery of agricultural loans leads to overdue either due to crop failure or due to the economic, legal and political, adverse climatic conditions, unsound marketing yielding low income, credit misutilization, willful defaulters, inadequate/ inefficient recovery staff, and anticipated loan-waiver. Most of the borrowers in spite of their ability to repay the loan amount could not show the same quality of interest while taking credit. This calls for the effective measure of recovery machinery. The cooperative banks, in fact, cannot become an idle spectator but should contend with in-built mechanism for recovery so as to get the financial accommodation from the higher financial institutions. It means, if the borrowers defaulted to the cooperative banks, they cannot honour their obligation to their creditor- institutions beyond their own resources. As result, prompt loan-repaid borrowers does not get fresh loan due to weak financial position. If this process still continues, it results in accumulation and aggregation of overdues. Hence, better recovery of credit with suitable strategic measure is an immense and urgent soothing measure. The process of effective recovery of loans can strategically be done in three stages; the salient features of them are given in Table 4.1.
<table>
<thead>
<tr>
<th>Stage</th>
<th>Salient Features</th>
</tr>
</thead>
</table>
| I     | a. Proper appraisal with minute scrutiny of loan proposal  
b. Verifying the originality of documents submitted as security  
c. Assessing the creditworthiness and willingness of borrowers to repay lent amount  
d. Effective monitoring of loan utilization  
e. Reminding the borrowers about repayment |
| II    | a. Make often visits to houses of defaulting borrowers  
b. Involve the directors of primary agricultural cooperative societies in recovery process who have acquaintances with borrowers  
c. Deployment of highly motivated bank staff  
d. Fix target for bank personnel and provide incentive award  
e. Hold recovery camps and educate borrowers like in Self-Help Group. |
| III   | a. Serve legal notice and, if necessary, attach the pledged security  
b. Apply Revenue Code Act settlement  
c. Auction the properties under award of decree |

The practice of recovery procedure in the sample cooperative banks are as adopted in other cooperative banks is diagnosed hereunder.

It is as:

➢ Due notice will be served to the borrower once due date for repayment is over
Even after respondent fails to repay, 3 notices will be served with time interval of 15 to 45 days.

If he fails, personal visit is the next step cautioning the consequences of non-repayment of the loan.

Then, the legal section of cooperative bank file an arbitration suit.

Then, the executive award decree and proceed against the property hypothecated/mortgaged property.

Overdue means the demand of loan amount with interest thereon to be repaid by the borrowers to the cooperative banks within the stipulated time. In nutshell, if loan is not recovered in time, then it becomes overdue and fell within the arena of non-performing assets. Recovery of loan lent is important to the financing institution like credit to the borrower; both the creditor and debtor need to help each other in need times for achieving the expected recovery target. If any imbalance in them, it puts the business in a lopsided. Borrowers’ non-repayment of loans is described as overdue.

Overdue which is a state of condition being created by the borrower due to his own willing or due to the natural hazards is a problem not only to the financing institution but also to its borrowers in getting fresh services. This is because when the borrowers fail to repay loan, a penal interest is to be charged which still increases the
amount to be repaid. This state of affairs burdens the borrowers from raising fresh loans and increasing their financial liability. On the cumulative approach, delay in timely recovery of loans may load to the state of overdue position. It is fact that overdue is a peculiar problem to any financial institutions and is attributed to their inefficiency and management by the non-officials also. Like credit is universal phenomenon, overdues is also universal phenomenon, but the cooperative credit institutions should keep overdue level within the allowable norm.

The cooperative bank disburses a major part of its funds as credit to (i) agriculture and (ii) small business which involves risk, either because of failure of project or indifferent behaviour of borrowers to repay. Due to this, mounting overdues constitutes a major obstacle in the business expansion of the institutional credit to promote the economy. The reasons affecting to the increase of overdues are enumerated below as:

- Unsound lending operations without in-built recovery mechanism
- Diversion of loans for the purpose other than the sanctioned
- Bank improper and irregular periodic monitoring
- No linkage between the credit and the marketing institution

A committee under the chairmanship of Datey, C.D., has constituted by Reserve Bank of India to examine various problems relating to
mounting overdues. On examining, the committee noted this: “Non-willful defaulters deserve sympathy and necessary assistance – financial and otherwise to rehabilitate them while the willful defaulters do not deserve any consideration. The State Government should come down heavily on them through stringent steps.”\textsuperscript{6} The other reasons for the mounting overdues in cooperative banking are inadequate scale of finance, short-period of repayment schedule, delay in sanction and disbursement of loan, absence of timely and adequate mechanism for recovery of loans and inadequate supervision over the end-use of credit. Another recent phenomenon which cropped up in the minds of people is the belief that their loans will be write-off by the Government at the time of election. It is discouraging even the prompt payers not to repay and become willful defaulters. Of course, loans borrowed by farmers will not be repaid when natural calamity like floods occurs and drought conditioning prevails making those non-willful defaulters. The Prime Minister of India, Man Mohan Singh said that “the problem of mounting overdues both in the cooperative credit institutions as well as commercial banks must be tackled firmly and with firm imagination so that scarce credit resources can be recycled for the benefit of ever expanding proportions of rural masses.”\textsuperscript{7}
RECOVERY AND LENDING

Recovery of cooperative banks depends upon adequate quantum of lending so as to meet the credit needs of people in its jurisdiction. The cooperative banks lending credit resorts to the effective credit recovery operations to the major extent. In view of this, diagnosing the recovery performance of cooperative banks is examined for knowing how effective the cooperative banks in their recovery front.

On introduction of single window concept in the business operations of cooperative banks in Andhra Pradesh, the said criteria is very much applicable; because the crop cultivation on availability of crop-loan being supplemented investment credit (term-credit) and strengthened the economic position due to tendering the sound and effective marketing services also under one roof. Deploying credit and recovery of it are a dual principle of the cooperative banks’ efficiency. Data on the relation of recovery to lending of the sample cooperative banks is presented in Table 4.2.

Table 4.2 discloses the overdues position to lending operations of the sample cooperative banks. The overdues position is accounted for $119.06 crore or 156.63 per cent of credit deployed in 2001-02 and $113.05 crore or 21.23 per cent of credit deployed in 2011-12 in case of Anantapur cooperative bank with average of $100.93
crore or 46.34 per cent of credit deployed; thus registered a
decrease of $6.01 crore or 5.05 per cent of credit deployed.

**TABLE 4.2**

OVERDUES AND LENDING

<table>
<thead>
<tr>
<th>Year</th>
<th>Anantapur Cooperative Bank</th>
<th>Kurnool Cooperative Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Overdues (in $ crore)</td>
<td>% of overdue to lending</td>
</tr>
<tr>
<td>2001-02</td>
<td>119.06</td>
<td>156.63</td>
</tr>
<tr>
<td>2002-03</td>
<td>154.26</td>
<td>95.56</td>
</tr>
<tr>
<td>2003-04</td>
<td>108.39</td>
<td>69.16</td>
</tr>
<tr>
<td>2004-05</td>
<td>41.92</td>
<td>8.09</td>
</tr>
<tr>
<td>2005-06</td>
<td>72.71</td>
<td>17.86</td>
</tr>
<tr>
<td>2006-07</td>
<td>82.37</td>
<td>30.01</td>
</tr>
<tr>
<td>2007-08</td>
<td>141.88</td>
<td>47.08</td>
</tr>
<tr>
<td>2008-09</td>
<td>85.92</td>
<td>24.28</td>
</tr>
<tr>
<td>2009-10</td>
<td>89.28</td>
<td>18.84</td>
</tr>
<tr>
<td>2010-11</td>
<td>101.77</td>
<td>21.05</td>
</tr>
<tr>
<td>2011-12</td>
<td>113.05</td>
<td>21.23</td>
</tr>
<tr>
<td>Mean</td>
<td>100.93</td>
<td>46.34</td>
</tr>
</tbody>
</table>

Source: Annual Reports, sample Cooperative Banks
In so far concerning the Kurnool cooperative bank, the overdues and percentage to lending is accounted for $98.82 crore or 138.04 per cent of credit deployed in 2001-02 while the figures in 2011-12 are $55.87 crore or 15.37 per cent of credit deployed respectively with average of $98.40 crore or 97.75 per cent. It is logically deduces from the analysis of Table 4.2 that:

- Overdues squeeze fresh deploying credit to the needy economic purposes has been come down during the study period in Anantapur and Kurnool cooperative banks; but much more in case the latter
- The management of sample cooperative banks could strive with stringent measures to put on the cooperative banks on sound footing financially

**ELASTICITY OF RECOVERY**

The recovery elasticity is applied how the recovery of the cooperative bank is effective to the provision of lending; being required to have knowledge to interpret recovery of credit. The study of this indicates the change in recovery of credit of cooperative bank which is equal to or not, to the change in credit can be known scientifically. The formula for recovery of elasticity coefficient of recovery and credit is given below.

\[ R_{Ce} = \frac{\Delta r/R}{\Delta c/C} \]
Where,
\[
\Delta r \text{ is change in volume of recovery}
\]
\[
\Delta c \text{ is change in volume of credit}
\]
\[
R \text{ is recovery}
\]
\[
C \text{ is credit given}
\]
\[
R_{ce} \text{ is recovery of credit elasticity}
\]

Similarly, the recovery and demand positions are also of interested to know the position in the operations of cooperative banks. The recovery of demand elasticity coefficient is expressed in the form as:
\[
\frac{\Delta r}{R} = \frac{\Delta d}{D}
\]
\[
RD_{de} = \frac{\Delta r / R}{\Delta d / D}
\]

Where,
\[
\Delta r \text{ is change in volume of recovery}
\]
\[
\Delta d \text{ is change in volume of demand}
\]
\[
R \text{ is recovery}
\]
\[
D \text{ is demand}
\]
\[
RD_{de} \text{ is recovery of demand elasticity}
\]

The recovery of demand elasticity may be more or less than one which would mean the change in recovery variable is more or less than the change in the credit demand variable. If it is one, it would mean the marginal increase in both variables is equal. The computed recovery demand elasticity and recovery of coefficient elasticity of the sample cooperative banks are presented in Table 4.3.
### TABLE 4.3
**RECOVERY CREDIT AND RECOVERY DEMAND ELASTICITY COEFFICIENT**

<table>
<thead>
<tr>
<th>Cooperative Bank</th>
<th>$RD_e$</th>
<th>$RC_e$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anantapur</td>
<td>325.23</td>
<td>240.32</td>
</tr>
<tr>
<td>Kurnool</td>
<td>8300.0</td>
<td>1357.00</td>
</tr>
<tr>
<td>Per Coop. Bank in A P</td>
<td>207.58</td>
<td>317.24</td>
</tr>
</tbody>
</table>

Table 4.3 discloses the recovery-credit and recovery-demand elasticity coefficients of both Anantapur and Kurnool cooperative banks accounts for 325.23 and 240.32; and 8300.00 and 1357.00 respectively while the per cooperative bank in the State of Andhra Pradesh, the figures are 207.58 and 317.24 respectively. An inference that could be drawn is that the change in recovery to demand is more than the change in recovery to credit in both Anantapur and Kurnool cooperative banks while opposite in case of all cooperative banks put together.

**DEMAND, RECOVERY AND OVERDUE**

Data on demand, collection and overdues of the sample cooperative banks is presented in Table 4.4 (Fig.4.1&4.2).
## TABLE 4.4
**DEMAND, RECOVERY AND OVERDUE**

<table>
<thead>
<tr>
<th>Year</th>
<th>Anantapur Cooperative Bank</th>
<th>Kurnool Cooperative Bank</th>
<th>Per Coop. Bank in AP Overdues to demand (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Recover y</td>
<td>Overdue</td>
<td>Demand</td>
</tr>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
</tr>
<tr>
<td>2001-02</td>
<td>53.60 (31.04)</td>
<td>119.06 (68.96)</td>
<td>172.66 (100)</td>
</tr>
<tr>
<td>2002-03</td>
<td>79.09 (33.89)</td>
<td>154.26 (66.11)</td>
<td>233.35 (100)</td>
</tr>
<tr>
<td>2003-04</td>
<td>83.92 (43.64)</td>
<td>108.39 (56.36)</td>
<td>192.31 (100)</td>
</tr>
<tr>
<td>2004-05</td>
<td>262.17 (86.22)</td>
<td>41.92 (38.46)</td>
<td>304.09 (100)</td>
</tr>
<tr>
<td>2005-06</td>
<td>262.16 (86.21)</td>
<td>41.93 (13.79)</td>
<td>304.09 (100)</td>
</tr>
<tr>
<td>2006-07</td>
<td>157.99 (65.73)</td>
<td>82.37 (34.27)</td>
<td>240.36 (100)</td>
</tr>
<tr>
<td>2007-08</td>
<td>204.88 (59.08)</td>
<td>141.88 (40.92)</td>
<td>346.76 (100)</td>
</tr>
<tr>
<td>2008-09</td>
<td>366.11 (81.39)</td>
<td>89.28 (19.61)</td>
<td>455.39 (100)</td>
</tr>
<tr>
<td>2009-10</td>
<td>409.49 (82.10)</td>
<td>89.28 (17.90)</td>
<td>498.77 (100)</td>
</tr>
<tr>
<td>2010-11</td>
<td>409.32 (80.09)</td>
<td>101.77 (19.91)</td>
<td>511.09 (100)</td>
</tr>
<tr>
<td>2011-12</td>
<td>381.26 (77.13)</td>
<td>113.06 (22.87)</td>
<td>494.32 (100)</td>
</tr>
<tr>
<td>Mean</td>
<td>242.73 (71.14)</td>
<td>98.47 (28.86)</td>
<td>341.20 (100)</td>
</tr>
</tbody>
</table>

Source: Annual Reports, Sample Cooperative Banks
Figures in parentheses in col. 2 and 3 are percent to col. 4 and in col. 5 and 6 are to col. 7.
Fig. 4.1: Recovery and Overdues of Anantapur Cooperative Bank

Fig. 4.2: Recovery and Overdues of Kurnool Cooperative Bank
Table 4.4 shows that the cooperative banks of Anantapur and Kurnool had a demand of $172.66 crore and $139.88 crore in 2001-02 respectively; of which they could collect an amount of $53.60 crore or 31.04 per cent and $41.06 crore or 29.35 per cent leaving overdues amount portion at $119.06 crore or 68.96 per cent and $98.82 crore or 70.65 per cent respectively. The figures in 2011-12 are $494.32 crore in Anantapur cooperative bank and $304.33 crore in Kurnool cooperative banks with position of recovery at $381.26 crore or 77.13 per cent of demand and $248.46 crore or 81.64 per cent of demand leaving balance of $113.06 crore or 22.87 per cent and $55.87 crore or 18.36 per cent of demand as overdues respectively.

The recovery average during the study period from 2001-02 to 2011-12, is accounted for $242.73 crore and $120.93 crore in Anantapur and Kurnool cooperative banks respectively, leaving overdues of $98.47 crore or 28.86 per cent of demand and $98.40 crore or 44.86 per cent of demand of $341.20 crore and $219.33 crore respectively. From the analysis, it is understood that:

- Demand increase is more than two-fold in both cooperative banks, but recovery is more than 7-fold and 6-fold in Anantapur cooperative bank and Kurnool cooperative bank respectively with less than 1-fold in overdue position in 2011-12 over 2001-02.
This implies that both cooperative banks could deploy funds and still effectively made recovery leaving overdue scar at low level. This fact reflects that the cooperative banks could efficiently deploy the need credit to the borrowers and sternly put in efforts for efficient recovery as well.

On an average, the overdues, in relative terms, of Anantapur and Kurnool cooperative banks are less comparatively to that average overdue per cooperative bank in the State of Andhra Pradesh.

AGING OVERDUES

Overdue is planted when loan is granted; in conduct of business operations of finance, this can be expected; may be due to faulty examining feasibility and economic viability or upset in the expected income generation capacity on account of unfavourable agronomic factors including unfavourable marketing trend. For knowing clues to mounting overdues, the study of age-wise overdue is more important. Data on age-wise overdues position of sample cooperative banks is presented in Table 4.5.

Table 4.5 shows the age-wise overdues of Anantapur cooperative bank and Kurnool cooperative bank during 2001-02 to 2011-12. In 2001-2002, the Anantapur cooperative bank had a total overdues of $119.06 crore with age-wise classification of $36.56 crore below
one year, $ 54.42 crore between one to three years, $ 24.03 crore between three to five years and $ 4.05 crore more than five years. The corresponding figures in 2011-12 are $ 113.06 crore, $ 48.18 crore, $ 28.17 crore, $ 36.25 crore and $ 0.46 crore respectively. The age-wise classification of overdues, on an average, during the study period of 11 years is accounted for $ 44.79 crore, $ 39.63 crore, $ 20.61 crore, $ 6.81 crore and $ 111.85 crore for below one year, between one to three years, between three to five years more than five years and total respectively.

In case of Kurnool cooperative bank, the overdues of below one year age, between one to three years age, between three to five years age, more than five years age and total overdues are accounted for $ 60.88 crore, $ 27.65 crore, $ 7.88 crore, $ 2.40 crore and $ 98.82 crore respectively in 2001-02 while these figures in 2011-12 are $ 42.46 crore, $ 7.26 crore, $ 3.46 crore, $ 2.69 crore and $ 55.87 crore with average of $ 65.12 crore, $ 26.42 crore, $ 5.06 crore, $ 1.79 crore and $ 98.40 crore respectively for the above said age-wise overdues classification.
### TABLE 4.5
AGE-WISE OVERDUES

<table>
<thead>
<tr>
<th>Year</th>
<th>Anantapur Cooperative Bank</th>
<th>Kurnool Cooperative Bank</th>
<th>Mean</th>
<th>C.V.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>&lt; 1 year (in crore)</td>
<td>&lt; 1 year (in crore)</td>
<td>&lt; 1 year (in crore)</td>
<td>&lt; 1 year (in crore)</td>
</tr>
<tr>
<td>2001-02</td>
<td>36.56 (30.76)</td>
<td>60.88 (61.61)</td>
<td>44.80 (44.80)</td>
<td>71.89</td>
</tr>
<tr>
<td>2002-03</td>
<td>41.84 (27.12)</td>
<td>83.02 (69.65)</td>
<td>45.32 (42.93)</td>
<td>35.38</td>
</tr>
<tr>
<td>2003-04</td>
<td>27.37 (25.20)</td>
<td>76.25 (61.35)</td>
<td>36.71 (32.93)</td>
<td>20.61</td>
</tr>
<tr>
<td>2004-05</td>
<td>15.63</td>
<td>37.97 (42.94)</td>
<td>41.24 (46.19)</td>
<td>77.63</td>
</tr>
<tr>
<td>2005-06</td>
<td>43.71 (60.11)</td>
<td>42.15 (64.58)</td>
<td>54.31 (56.04)</td>
<td>202.20</td>
</tr>
<tr>
<td>2006-07</td>
<td>14.30 (17.36)</td>
<td>89.40 (75.33)</td>
<td>58.98 (76.04)</td>
<td>29.97</td>
</tr>
<tr>
<td>2007-08</td>
<td>140.31 (98.89)</td>
<td>141.88 (141.88)</td>
<td>36.31 (33.06)</td>
<td>30.20</td>
</tr>
<tr>
<td>2008-09</td>
<td>45.60 (53.32)</td>
<td>79.51 (68.31)</td>
<td>74.52 (74.52)</td>
<td>34.50</td>
</tr>
<tr>
<td>2009-10</td>
<td>47.58 (53.59)</td>
<td>89.28 (89.28)</td>
<td>75.31 (75.31)</td>
<td>42.46</td>
</tr>
<tr>
<td>2010-11</td>
<td>31.70 (31.15)</td>
<td>101.77 (101.77)</td>
<td>101.77 (101.77)</td>
<td>30.10</td>
</tr>
<tr>
<td>2011-12</td>
<td>48.18 (42.61)</td>
<td>42.46 (76.00)</td>
<td>44.80 (44.80)</td>
<td>42.46</td>
</tr>
<tr>
<td>Mean</td>
<td>44.80 (44.80)</td>
<td>65.12 (66.19)</td>
<td>71.89 (35.38)</td>
<td>53.75</td>
</tr>
<tr>
<td>C.V.</td>
<td>71.89</td>
<td>34.50</td>
<td>35.38</td>
<td>42.46</td>
</tr>
</tbody>
</table>

Source: Annual Reports of Sample Cooperative Banks
Figures in parentheses are percentages to row total
From the analysis of Table 4.5, it observed that

- The fluctuations are wider in overdues of Anantapur cooperative banks compared to Kurnool cooperative banks; the reason being reschedule of credit in drought condition in 2004-05 in the former which is not so in the latter.
- The cooperative banks did not initiate the stringent measures of recovery which perhaps due to political interpretation.
- Overdues more than three years of age cannot be attributed to the failure of crops but indifferent or unwillingness of borrowers to repay the loan amount. This fact is inferred from the agro-climatic conditions of sample universe which discloses that there may be one agricultural year in a cycle of three years period due to better production in one crop or other; due to one season or other.
- Wider fluctuations are noticed in Anantapur cooperative bank’s overdues more than three years of age which is somewhat better in Kurnool cooperative bank.

The factors contributing to the incident of high overdues is studied with regards to the selected sample cooperative banks. The proportion of overdues on the one hand and the average size of landholding, value of major crops and the literacy rate on the other are studied; the computed value of correlation values is presented.
in Table 4.6. The remarks on the calculated correlation coefficient is derived through 't' student test.

Table 4.6 unfailingly discloses the correlation coefficient between the proportion of overdues and average size of landholding is statistically significant. This shows the fact that the size of operational land holding has bearing on the recovery performance.

### Table 4.6
**RELATION OF OVERDUES AND VARIABLES**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Correlation Coefficient</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion of overdues and average size of operational land holding</td>
<td>0.72</td>
<td>Insignificant</td>
</tr>
<tr>
<td>Proportion of overdues and value of major crops</td>
<td>0.33</td>
<td>Significant</td>
</tr>
<tr>
<td>Proportion of overdues and literacy</td>
<td>0.54</td>
<td>Moderately significant</td>
</tr>
</tbody>
</table>

Further, as the quantum of credit demands upon the size of landholding, the overdues did have any definite relationship with quantum of credit. Moreover the proportion of overdues turns out to be positively correlated with value of major crops grown which implies that higher the value of major crops grown, the lower is the proportion of overdues. Similarly, the correlation coefficient between
the proportion of overdues to the demand and literacy is though positive but negligible.

A common belief is that overdues in the credit system are, in fact, only a euphemism for bad debts. High incidence of overdues in the rural credit system is, undoubtedly, a matter of concern. But, it would be erroneous to treat them on par with bad debts. The predicted provision for bad and doubtful debts reveals that while the amount of overdues under agricultural credit at the end of June 2010 was quite large at $88244 crore forming 24 per cent of total agricultural credit outstanding of $367680 crore; the estimated bad and doubtful debts was $4664 crore only forming 5.28 per cent of total agricultural loan outstanding. Therefore, the overdues are not per se bad debts. They are at the same time, a matter of serious concern and should be considered is as a warning signal; calling for suitable as well as stringent continuously monitoring of the concerned accounts.

**OVERDUES TO OWNED FUNDS**

Improvement of the financial position of cooperative banks mainly depends upon efficient recovery of loans lent leaving no scar of overdues. It means, the efficient recovery of funds act as a cushion to the external borrowings and the increasing trend funds quantifies as good financial performance of the cooperative banks. The recovery is a major share in source of resources of cooperative
banks as the former constitutes an important source for recycle of business operations. Having recognized and realized that overdues will take birth, but such should be within an allowable limit.

If overdues exceed the allowable limit which hardens the business operations and mounts up along with quantum of credit deployment. The increase of share capital due to membership which in turn affects more business leading into surplus income and creation of reserve fund thereof. In view of this, owned fund is an integral component of working capital.

Such significant owned fund should not erode if working of the cooperative bank is said to be sound and effective. Overdues to owned funds of the Anantapur cooperative bank and Kurnool Cooperative Banks are presented in Table 4.7.

The percentage of overdues to owned funds of Anantapur Cooperative Bank is 137.06 per cent in 2001-02 and decreased to 49.70 per cent in 2011-12 and the corresponding figures in Kurnool cooperative bank are 274.73 per cent and 79.26 percent respectively.
The average overdue to owned funds is 69.80 percent and 162.72 percent in both banks during the eleven years. In Anantapur cooperative bank overdues to owned funds decreased more than...
two fold whereas in Kurnool Cooperative Bank it is more than three fold.
REFERENCES


7. Infosys Finance WWW.infosys.com