

**STUDY ON THE RECOVERY PERFORMANCE OF MAYILADUTHURAI PRIMARY
CO- OPERATIVE AGRICULTURE RURAL DEVELOPMENT BANK.**

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Back ground:

Co-operative are the oldest rural credit institutions in India. They have the widest network, covering every state and union territory. The long term credit needs of the farmers are being taken care by the agriculture and rural development banks in India, which started for this sole purpose only. The apex level ABDB in Tamil Nadu which has its head office in Chennai has 18 Regional offices each covering one or two districts and 180 PCARDBS located in the state are affiliated to the Tamil Nadu state agriculture and Rural Development bank.

Statement of the problem:

The over dues and NPAS have crippled financial solvency and cramped productivity and profitability of PCARDBS. Hence an attempt is made to study whether the sample unit faces such problem in lending to farm and non-farm sector. The present study has been undertaken to examine financial position, lending, recovery operation and NPA position of PCARDB, Mayiladuthurai.

Objectives:

- To analyse the lending and recovery operations of sample bank.
- To examine the over dues and NPA position of sample bank.

Methodology:

This study is based on secondary data. The secondary data were collected from the audit reports of the bank. The required data is also collected from the relevant books, journals and websites. The Mayiladuthurai PCARDB is one of the important Rural Development Banks in Nagapattinam District. The bank was registered 29.06.1930 and commences its working on 12.07.1930.

Period of study:

The studies cover the period of two years from 2009– 2010 to 2010 -2011.

Table -1
Performance analysis of PCARDBs for the years 2010 and 2011
(Rs in lakhs)

S. No	PARTICULARS	2010	2011
1	Share capital	44.58	44.48
2	Reserve	531.03	191.51
3	Deposits	46.25	44.58
4	Borrowing	812.90	189.33
5	Loan issued	188.86	330.81
6	Loan outstanding	116.22	109.8
7	Demand	154.17	363.36
8	Collection	7.31	254.11
9	Overdue	146.86	109.25
11	Percentage of Recovery	4.74	69.93

Sources: Audit reports from sample bank.

From the above table-1 is very clear that the financial position and performance sample bank is very weak .An analysis comparing demand, collection and overdue has been carried out to assess the recovery performance. The poor recovery performance of the bank was judged in terms of overdue .The percentage of Recovery is low in 2010 compared to 2011.The overdue has been high during the study periods.i.e2010and 2011. The overall position of sample bank is borrowing fund (Borrowing and Deposits) is increasing trend than Owned fund (share capital and reserve). It is observed that the following are the major issues in PCARDBs.

MAJOR ISSUES:

Over Dependence on Borrowed Funds

More than 80% of resources are raised as borrowings. Dependence on borrowed funds results in uncertainty and inadequacy in the availability of funds, stringent conditionality and lack of control over cost of funds.

High over Dues and NPAs

High over-dues and NPAs necessitating high provisioning at unaffordable level results in huge losses and also locking up of entire owned funds in over dues without any returns. Defective lending, inadequate monitoring and follow up of loans, inadequate recovery efforts and absence of effective recovery strategies are some of the internal controllable factors of over dues whereas govt. policies of directed credit programme , adverse impact of loan waivers and write offs and defaulter friendly policies of govt and political parties are important external controllable factors. Uncontrollable factors like natural calamities and fall in agricultural prices also contribute significantly to over dues.

Uncovered risk costs

Uncovered risk costs is a major problem in the sector in the absence of timely and adequate relief to borrowers affected by natural calamities, absence of risk funds or insurance of assets and reluctance of refinancing agencies to share risk costs of lending

Excessive controls and external interferences in the working

Excessive control and interference by govt. lead to lack of autonomy and operational freedom. Many banks lack freedom to take decisions on operational matters like fixing rate of interest on loans, deployment of funds, appointment of staff, procedure for sanctioning of loans, delegation of authority etc. leading to wrong and/ or delayed decisions in critical areas and inefficient operations.

Low staff productivity

Low staff productivity due to over staffing coupled with inadequate efforts to tap business potential has affected viable operations of many banks especially at the primary level. Lack of productivity norms for recruitments is the main reason for over staffing.

Lack of professionalism

Lack of professionalism and absence of own a cadre of professionals is a common feature in all institutions in the structure. The positions of the chief executive and senior executives are filled by deputation from govt. there is no selection process for appointment of CEOs and no system of direct recruitment at officer level.

Short comings in HRD and training

HRD and training policies are absent in most of the banks. There is no system of assessment of training infrastructure are generally poor. There is no motivation as well as Encouragement for self training and voluntary efforts by staff to upgrade skills and knowledge.

Duality of control and ineffective regulatory arrangements

Cooperation is a state subject but the business of cooperative banks and financial institutions is a central subject. State has the mandate to regulate and ensure the cooperative aspects of the workings of these institutions like democratic management, elections to the board, holding of general body meeting as frequently as prescribed by law, settlement of disputes etc. apart from registration. The banking and credit banking being central subjects cannot be regulated by State authority and come within the purview of RBI/NABARD.

Ineffective audit

The cooperative audit generally failed to set appropriate norms and standards to help cooperative institutions to operate efficiently in a competitive market environment. The system of cooperative audit also proved to be very expensive compared to industry standards. Cooperative audit also has regulated in huge arrears, defeating the very purpose of audit.

Ineffective regulatory mechanism

Duality/multiplicity of control without clear demarcation of area of control by different agencies makes regulatory mechanism ineffective. Failures to evolve and strengthen internal checks controls and regulatory systems have significantly contributed to the inefficient working of ARDBs.

Deficiencies in the systems and procedures

The loan procedure is generally cumbersome involving delay and wastages. Information system also needs to be modernized for timely flow of information and facilitating information based decision making

Customer services

Customer services are neglected in ARDBs. Under competitive market conditions in lending and resource mobilization, better attention to customer service has become vital.

Suggestions for improving the performance of PCARDBs:

Mounting NPAs and over dues seriously affected the viable working of ARDBs. Effective measure to improve recovery is the vital aspect of the preparedness of ARDBs for reforms. Banks have to adopt appropriate recovery strategy and management. Strengthening recovery machinery, effective use of legal recovery measures, accountability to staff who recommended loans in respect of chronic over dues, fixing field officer wise targets and introducing a system of incentives/penalties, involvement of non official leadership in the recovery process, implementation of one time settlement scheme, reviewing loan policies and

procedures to ensure good lending are some of the important ingredients of an effective recovery strategy.

Business Diversification

ARDBs have to diversify their loans portfolio into emerging growth areas in the rural economy for minimizing risk costs and to cross subsidise the losses and uncovered risks in their farm sector advances

Another objective of diversification should be to meet the production and consumption credit needs of members which are not met by ARDBs at present. The inability of ARDBs to provide all kinds of loans under a single window has resulted in loss of business for banks and inconvenience to members.

Resource mobilization

Banks have to focus on strengthening resource base to reduce their dependence on borrowed funds and to achieve higher business levels for sustainable viability.

Deposit mobilization programme by ARDBs has not been successful due to restrictions in the scheme and also lack of efforts on the part of the banks to popularize the scheme.

Deposit mobilization does not appear to be a reliable source of cost effective resources so long as ARDBs are not converted into full-fledged banks and are able to mobilize all kinds of deposits with services to depositors as in the case of other banks.

Membership including present, past and potential will be an assured source of resources for banks through contributions of share capital, at the minimum level recommended by vikhe patil committee, mobilizing thrift and enhanced ratio of share linking. Resource instruments such as tax free bonds and debentures without govt. guarantee are also potential sources for strengthening resource base.

Professionalization, HRD and training

Inducting professionals at executive and board level, appointment of CEOs and senior executives on the basis of a selection process, a transparent system of recruitment, promotions and transfers are essential for improving professionalism in the banks.

Many banks have excess staffing which needs to be downsized by implementing VRS. Bank also should make an assessment of the human resource needs in the context of full fledged banking functions. HRD policy and strategy need to be evolved for this purpose.

Infrastructure adjustments

The financially strong SCARDBs who will satisfy the norms for conversion into full fledged banks will have to evolve a plan and strategy for branching out full-fledged banking operations in a phased manner. Thus will involve identifying potential locations and starting branches on adding full-fledged banking operations in the existing branches in a phased manner in such a way that all the potential centres identified are covered in 4-5 year period

Building, physical facilities including computerized working environment have also to be planned in advance.

Streamlining systems and procedure

Loan procedures and documentation in ARDBs need to be simplified. The procedure should be convenient and hassle free. There should be easy access to information. Number of times a person has to come to the bank and number of days he has spent for completing the procedural requirements for getting loan is the yardstick of the level of customer friendliness of procedure. The loan procedure, including system of appraisal and documentation needs to be streamlined in order to make it customer friendly from the above angle.

Computerisation

Computerisation is required for efficient operations, accuracy and timeliness of information and customer convenience. The employees should get computer knowledge to increase the efficiency of their work.

Image building and public relations

Image building and public relations should be an area of focus. The image of cooperatives as inefficient institutions without much concern for customers needs to be changed. Conscious efforts involving appropriate systems change of attitude and mindsets supported by effective public relation strategy are necessary for this. Banks also need to build up its identity in the minds of public to insulate itself from scams and failures in the cooperative sector elsewhere.

Conclusion

“**Rural credit is the real credit**”. So the State Governments is serious and lent support and Process of legal Action against wilful defaulter are Expedited, the recovery could be improved by drawing an action plan at the level of the bank. Political will to recover is important and the state government should come forward to support all measures for recovery vitiated by the banks

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