

ANALYSIS OF NON-PERFORMING ASSETS (NPA's) IN THE DISTRICT CENTRAL COOPERATIVE BANKS OF TIRUNELVELI REGION, TAMILNADU

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1.1 INTRODUCTION

Recovery of credit is very essential for ensuring smooth flow of recycling of credit. Timely recovery of advances not only keeps the business running with uninterrupted flow of funds but also reduces the bad debts and keeps the borrowers (both individual and cooperative societies) eligible for obtaining the credit in future. Thus, the efficiency of the working of the central bank depends upon its performance on the recovery front.

The incidence of overdues in the agricultural credit system has been increasing over the years and has been steadily eroding the financial soundness of the system. This continues to be the big issue. It had attracted considerable attention and had been examined by several committees and research workers. The first major comprehensive study on the subject was undertaken in 1974 by a committee set up by RBI under the chairmanship of Dr.C.D. Devey. Various other committees have also subsequently dealt with this issue in general terms but the study by C.D.Devey still remains the most comprehensive document on the subject. Irrespective of the reference date, the level of overdues is among the most important indicators of the financial health of a lending institution. The important causes for the over dues were crop failure due to natural calamities, inefficient supervision over the end use of credit, absence of proper linking of credit with marketing, willful defaulters and lack of interest on the part of management of CCBs in initiating recovery. The management of Overdue is the most important task for the banker as it affects the profitability as well as erosion of the working funds. The success of the banking also depends more on control over the overdues. The accumulation of overdue will result in mounting of non-performing assets and will reduce the banks performance significantly. This area assumes importance now even before with the introduction of stringent Non-performing assets (NPA) norms. Hence the attention of the bank management is always drawn to this aspect. Levels of overdues in the credit system could be measured either in relation to demand for the year or in relation to 'outstanding' at the end of the year.

Loans and advances are assets of the banks as they play an important part in gross earnings and net profits of banks. The share of advances in the total assets of the banks forms more than 60 percent and as such it is the backbone of banking a structure. Bank lending is very crucial for it makes possible the financing of agricultural, industrial and commercial activities of the country. The strength and soundness of the banking system primarily depends upon the health of the advances. In other Words improvement in assets quality is fundamental to strengthening the working of banks and improving their financial viability (*NABARD: 1998*). The first foundation of NPAs was constituted in England by the recommendation of the Bazlay committee. The implementation of prudential norms in Indian banking system based on the recommendations of the Narismham committee in 1991, RBI has constituted significant steps towards introduction of transparency in accounting practices and bringing the norms to internationally accepted standards.

"A Non-performing Asset (NPA) is defined generally as a credit facility in respect of which interest or installment of principal has become past due. A credit facility may be treated as past due if it remains outstanding for a period of 30 days after due date. For instance, if due date for payment of interest/principal is 31 March, then loan becomes past due on 30 April".

The Narismham committee defined NPA as an advance whereas on the balance sheet date. The following are:

- In respect of term loans, interest remains past due for a period of more than 180 days.
- In respect of overdraft and cash credits accounts remain out of order for a period of more than 180 days
- In respect of bills purchased and discounted, the bills remain overdue and unpaid for a period of more than 180 days.
- In respect of other accounts, any amount to be received remains past due for a period of more than 180 days.

An amount is considered past due when it remains outstanding for 30 days beyond the due date. This quantum of NPA as a percentage of advances is one of the critical indicators of the quality of a bank's loan portfolio and hence its overall health. No other single indicator simply reflects the status of quality of assets and its impact on the bank's viability than the figure of net NPAs.

Net NPAs are derived from Gross NPAs by excluding (i) balance in interest suspense account (ii) DICGC/ECGC claim received and kept in suspense account pending adjustment (for final settlement), (iii) part payment received and kept in suspense account and (iv) total provision held. In fact after publication of the Narasimham Committee Report (1991) profitability and its related issues including reduction of NPAs received priority on the agenda of all banks. The committee further recommends that in view of the different practices hitherto followed by banks and financial institutions in this regards they would be given a period of 3 years beginning with the year 1991-92 to conform on a uniform basis to the above norms. Bankers are now required to recognize such loans faster and then classify them as problem assets. The basic factor to determine whether an account is NPA or not is the record of recovery not and the availability of security uniform basis to the above norms. Bankers are now required to recognize such loans faster and then classify them as problem assets. The basic factor to determine whether an account is NPA or not is the record of recovery not and the availability of security.

Provisioning is necessary considering the erosion in the value of security charge to banks over a period of time. Therefore, after the assets of CCBs/SCBs are classified in to various categories (viz. Standard, Sub-standard, Doubtful and Loss assets) necessary provision has to be made of the same. The details of provisioning requirements in respect of various categories of assets are mentioned below.

Standard assets: This is not an NPA. It does not disclose any problems and does not carry more than normal credit risk attached to the business. Thus, in general, all the current loans, ST agricultural and non-agricultural loans which have not become NPA may be treated as standard assets. No provisions are required.

Sub-standard assets: This is an NPA for a period not exceeding two years. Provisions to be made-10% of outstanding balance minus interest debited and not collected during the year minus unrealized interest of corresponding previous year in use of new NPAs identified during the year (DICGC) cover will not be available for sub-standards assets.

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Doubtful assets: An asset which remained overdue for a period exceeding 3 years (3-4 years 4-6 years and above 6 years) in respect of both agricultural and non-agricultural loans should be treated as doubtful. In case of all types of term loans, where installments are overdue for more than 3 years, the entire outstanding in term loans should be treated as doubtful and 100% provision is to be made depending upon the period for which an assets has remained overdue/NPA, 20%, 30%, and 50% of the secured portion i.e., estimated realizable value of the out standings.

Loss Assets: Loss assets are those where loss is identified by the Bank/ Auditor/ RBI/NABARD inspectors but the amount has not been written off wholly or partly. In other words, an asset which is considered unrealizable and/ or of such little value that its continuance as a doubtful asset is not worth-while should be treated as a loss asset. The entire loss assets should be written off. If the assets are permitted to retain in the books for any reason, 100% of the out standings thereof should be fully provided.

1.2 STATEMENT OF THE PROBLEM

DCCBs occupy a place of significance in the cooperative credit delivery system. They act as a spokesperson of the cooperative movement at district level. The success or otherwise of the cooperatives in a district level largely depends upon the efficiency of the functioning of DCCBs. The founders of the movement envisioned the role of DCCBs beyond the boundaries of mere financing bank. DCCBs are expected to serve as a financing bank for the primaries in a district, guide them in their day to day operations, supply of necessary manpower and technology wherever it is required, voicing on behalf of primaries at policy level etc., Because of this integrated role, DCCBs are strategically located and integrated with the cooperative system.

Hence, they are not only acting as financing banks but also act as development banks for the cooperatives at district level. To do these multifarious functions DCCBs should have a well-defined management system. In the total management of the DCCBs, financial management occupies a place of importance as the functions of these institutions are also governed by the Banking Regulation Act. Even a minor deviation from banking norms would attract penal actions from the law enforcing authorities. On the one side, DCCBs are expected to act as a financing bank for the primaries, which are in majority of the cases managed by untrained work force. On the other side, DCCBs are expected to follow the banking norms as well as implement the State Governments schemes and programmes for the development of the state. Most DCCBs that fail seem to do so because of problems in their loan portfolio. Non-performing loans grow to such extent that revenues fall off and loan expenses as well as operating costs absorb all the earnings that remain. The bad loan situations usually arise from combination of factors. In this regard, it is pertinent to study how these banks mobilize the resources and deploy them. Hence funds management of the DCCBs is an important issue and their financial performance is to be studied with their impact on NPA's in DCCBs. In this context, the questions apt to arise are:

- Whether the financial performances of the banks are in satisfactory manner in terms of NPA's?

To find out the answer to these questions, an analytical study had to be undertaken. The results of such studies will help to find out the problem, difficulties, impacts etc., and to frame financial policies by the DCCBs for the benefits of the farmers, the community and other stakeholders.

1.3 REVIEW OF LITERATURE

Several individual researchers had studied a few facets of NPA's of selected DCCBs in selected areas. To know how far the ground is already prepared and to identify the gaps therein and to spell out the issues which need further intensive and comprehensive analysis, an attempt is made to review the related literature.

1.3.1 Gowthaman A. and Srinivasan T, (2010) in their article entitled, "Effective Funds Management by the Kumbakonam Central Cooperative Bank" has presented the DCCBs are modal centers of financial institution in the cooperative sector in a district. They have to mobilize the available resources and utilize them in the most efficient and profitable manner. As a consequence of this situation, efficiency in funds management has down considerably and profitability of the DCCBs in Tamilnadu is found decreased. In this paper an attempt is made to analyze the funds management of the bank for the period of 1998-99 to 2007-08.

1.3.2 Surya Rao K, (2007) in his study, "Performance of Cooperative Banking. A study of DCCB - Eluru, Andhra Pradesh", applied ratio such as profitability analysis, productivity analysis, solvency position, and operational efficiency and SWOT analysis. The study revealed through productivity analysis that the rate of deposits per employee has lagged behind that of the loans per employee ratio. Thus there is need on the part of employees to mobilize deposit to meet loans demand in view of disparity in the growth rate in these two ratios. Accordingly the ratio values of deposits per employee, productivity of employees can be improved. The solvency ratios showed that the bank was maintaining an average cash reserve ratio of 11 per cent that is much more than the stipulated ratio of 6 per cent. The operational efficiency ratios concluded the satisfactory performance. Finally SWOT analysis revealed various aspects of the Eluru DCCBs. The study suggested strengthening of the working capital and to increase the deposit from member societies. The bank should utilize the opportunity of expanding their lending operations. Depending on external sources of borrowing such as refinance from apex bodies could be minimized by promoting deposits mobilization.

1.3.3 Fulbag Singh and Balwinder Singh, (2006) in their study "Profitability of the Central Cooperative Banks in Punjab- A decomposition Analysis", they analyzed the profitability position of the Central Cooperative Bank in Punjab. Two different years have been studied with the help of a frame work of Return on Equity (ROE) model. The sample of bank with high business volume and those with low business volume had been tested separately. The study could be concluded that as far as the profitability performance was concerned, the central Cooperative Bank of Punjab had worked well. The miscellaneous income in comparison to the total income has been in lower profile in these banks. The switching over to high yield non-farm sector advances has helped to register a positive trend in financial margin in almost all the banks. The implementation of prudential norms from 1996-97 have helped the banks to generate an awareness on adverse effect of overdue/ non-performing assets in these banks.

1.3.4 Raja. S, (2005) in his study, "Performance Evolution of MDCCB Ltd- an Application of Structural and Growth Analysis", analyzed the pattern of each component of the financial statements such as balance sheet and profit and loss account over a period of time. The study found out that performance of the Madurai District Central Cooperative Bank (MDCCB) using structural and growth analysis. Macro mean has been used to exhibit the strength and weakness of each factor considered. The major result of the study is macro mean which in respect of interest received constitutes 99% of the total income, 97% for interest paid, 21% in the case of operating expenses, 94% for spread and it is at 93% for burden. As regards book profit, it works out to be 7% the revolution of the growth rate analysis are that net loss has recorded the growth at 17%, operating

expenses at 18%, spread at 13%, burden 20% advances and aggregate deposits at 6% each and fixed deposits and saving deposits at 9% each. The study concluded that the burden rate should be reduced by effecting cost control measure and spread rate be increased so that profitability can be at higher rate.

1.4 OBJECTIVES OF THE STUDY

The specific objectives of the present study are:

1. To analyze problems and prospects of NPA's in the DCCBs, and
2. To offer suitable suggestions for the development of the DCCBs

1.5 METHODOLOGY

Mainly-analytical method has been followed for studying the NPA's of Tirunelveli (TIDCCB), Virudhunagar (VIDCCB), Thuthukudi (TUDCCB) and Kanyakumari (KADCCB) District Central Cooperative Banks in Tirunelvel Region, Tamil Nadu. The secondary data were collected from the profit and loss account and balance sheet for the selected DCCBs. The macro level data were collected from the office of the Joint Registrar of Cooperative Audit in Tirunelveli region, Tamilnadu State Apex Cooperative Bank, Tamilnadu State Cooperative Unions, National Federation of State Cooperative Banks, NABARD and RBI.

1.6 SAMPLING

The present study has adopted the purposive sampling method for the selection of sample banks. Among the five cooperative regions (Chennai, Coimbatore, Trichy, Madurai and Tirunelveli) categorized by the Registrar of Cooperative Societies, Tirunelveli region was purposively selected. The considerations kept in mind were that the Tirunelveli region of Tamilnadu is popular for Agriculture, Fisheries, Dairy and Industrial growth. This region also covers plain and coastal areas with different cropping patterns. Four districts of this region were served by the four District Central Cooperative Banks namely Tirunelveli, Viruthunagar, Thoothukudi and Kanyakumari DCCBs. These four banks were selected for the present study.

1.7 SCOPE OF THE STUDY

A strong network of the District Central Cooperative Banks is a prerequisite for the sound performance of the three tier cooperative credit structure. DCCBs not only provided much needed financial assistance to PACBs but also ensured the smooth flow of credit to various sectors in the district. The success of these banks depends on efficient management of funds. The study has mainly focused attention to study the NPA's of the four DCCBs in Tirunelveli Region. The results of this study will help in identifying the lacuna if any in the NPA's of the DCCBs and to frame financial policies and programme to the benefit of the banks and the community.

1.8 PERIOD COVERED BY THE STUDY

The period of the study has been taken-up from the financial year 1998--99 to 2008-09 (11 years) as complete and comprehensive secondary data both for macro and micro level were available only for these years. The period of eleven years was considered for analysis.

1.9 TOOLS USED FOR DATA COLLECTION

For collecting the required secondary data from the selected DCCBs, a comprehensive schedule was prepared and used. The schedule was pre-tested and finalized.

1.10 FRAME WORK OF ANALYSIS

The data collected were subduced into a digestible account by appropriate coding, computing and tabulations. The basic tools of statistical analysis like average, standard deviation, growth index, growth rate, trend and NPA's were employed.

1.11 RESULTS AND DISCUSSION

Banking institutions are intermediaries between depositors and borrowers. They are dealing with others money and they have greater moral responsibility to keep their integrity and honesty. It will create overall problems to the banker when the money lent as loans has become non-recoverable. Their liquidity and profitability will be affected. Further loans cannot be issued in time. When the capital is locked idle, it will lead to erosion of financial resources. Such Non-performing Assets (NPA) has assumed greater attention among commercial and cooperative banks.

Table- 1.1
Loans and Advances Issued

(Rs. in lakhs)

Ban ks Years	TIDCC B	VIDCC B	TUDC CB	KADC CB	TOTAL	Trend										
	Amt.	GI	GR	Amt.	GI	GR	Amt.	GI	GR	Amt.	GI	GR	Amt.	GI	GR	
1998-99	12102	100.0	-	25639	100.0	-	12245	100.0	-	28707	100.0	-	78693	100.0	-	74709
1999-00	13416	110.9	10.9	25718	100.3	0.3	12824	104.7	4.7	28568	99.5	-0.5	80526	102.3	2.3	79884
2000-01	17732	146.5	32.2	26327	102.7	2.4	14271	116.6	11.3	25401	88.5	-11.0	83731	106.4	4.0	85058
2001-02	17949	148.3	1.2	29425	114.8	12.0	14498	118.4	1.6	28408	98.9	11.8	90280	114.7	7.8	90233
2002-03	18873	156.0	5.2	29145	113.7	-1.0	14924	121.9	2.9	30680	106.9	8.0	93622	119.0	3.7	95408
2003-04	18263	150.9	-3.2	30785	120.1	5.6	12628	103.1	-15.0	36916	128.6	20.3	98592	125.3	5.3	100583
2004-05	23077	190.7	26.4	32105	125.2	4.3	13460	109.9	6.6	37270	129.8	0.9	105912	134.6	7.4	105758
2005-06	19504	161.2	-15.0	33415	130.3	4.1	13815	112.8	2.6	38417	133.8	3.1	105151	133.6	-1.0	110933
2006-07	21188	175.1	8.6	32937	128.5	-1.0	15480	126.4	12.1	45563	158.7	18.6	115168	146.4	9.5	116108
2007-08	23977	198.1	13.2	42166	164.5	28.0	16022	130.9	3.5	43051	150.0	-5.5	125216	159.1	8.7	121282
2008-09	30322	250.6	26.5	33931	132.3	-20.0	18508	151.2	15.5	46758	162.9	8.6	129519	164.6	3.4	126457
Avg.	19673	162.6	9.57	31054	121.1	3.1	14425	117.8	4.1	35431	123.4	4.94	100583	127.8	4.7	
SD	5016.7	41.45	14.8	4780	18.64	12	1801.7	14.71	8.43	7539	26.26	10	17407	22.12	3.2	

Amt. = Amount, GI = Growth Index, GR= Growth Rate

The total loans and advances issued by the selected DCCBs during the study period has increased from Rs.78693 lakhs in 1998-99 to Rs.129519 lakhs in 2006-07; an increase of about 64.6 percent. Comparatively, the TUDCCB had recorded lowest lending. The KADCCB had recorded high lending compared with other three banks. The average lending of the banks per year were Rs.19673 lakhs, Rs.31054 lakhs, Rs.14425 lakhs and Rs.35431 lakhs for TIDCCB, VIDCCB, TUDCCB and KADCCB respectively. The loans and advances of the selected banks had recorded increasing trend during the study period. The projected loans and advances of the banks for the year 2020 stand at Rs.178206 lakhs. (The liner trend of $Y=100583+517x$ was worked out).

Table- 1.2
Loans Outstanding

(Rs. in lakhs)

Ban ks Years	TIDCC B	VIDCC B	TUDC CB	KADC CB	TOTAL	Trend										
	Amt.	GI	GR	Amt.	GI	GR	Amt.	GI	GR	Amt.	GI	GR	Amt.	GI	GR	
1998-99	10983	100	-	12342	100	-	8822	100	-	12571	100	-	44718	100	-	43046
1999-00	10841	98.7	-1.3	12466	101.0	1.0	9138	103.6	3.6	12543	99.8	-0.2	44988	100.6	0.6	48092
2000-01	13991	127.4	29.1	13312	107.9	6.8	10579	119.9	15.8	14259	113.4	13.7	52141	116.6	16.0	53138
2001-02	15048	137.0	7.6	15203	123.2	14.0	11632	131.9	9.9	15779	125.5	10.7	57662	128.9	11.0	58184
2002-03	16950	154.3	12.6	16955	137.4	12.0	13858	157.1	19.1	18069	143.7	14.5	65832	147.2	14.0	63229
2003-04	17548	159.8	3.5	19687	159.5	16.0	13200	149.6	-4.7	21975	174.8	21.6	72410	161.9	10.0	68275
2004-05	16931	154.2	-3.5	20283	164.3	3.0	13038	147.8	-1.2	24472	194.7	11.4	74724	167.1	3.2	73321
2005-06	17479	159.1	3.2	21430	173.6	5.7	13815	156.6	5.9	25641	204.0	4.8	78365	175.2	4.9	78367
2006-07	17836	162.4	2.0	20123	163.0	-6.0	13154	149.1	-4.8	23669	188.3	-7.7	74782	167.2	-5.0	83412
2007-08	20093	182.9	12.7	22227	180.1	10.0	16032	181.7	21.9	28334	225.4	19.7	86686	193.9	16.0	88458
2008-09	23094	210.3	14.9	25532	206.9	15.0	18509	209.8	15.5	31587	251.3	11.5	98722	220.8	14.0	93504
Avg.	16436	149.6	7.4	18142	147	7	12889	146.1	7.4	20809	165.5	9.08	68275	152.7	7.7	
SD	3625.5	33.01	9.61	4384	35.53	7.1	2845.6	32.26	9.84	6565	52.23	8.9	17161	38.38	7.1	

Amt. = Amount, GI = Growth Index, GR= Growth Rate

It is clear table that the total loans outstanding of the selected DCCBs had increased from Rs.44718 lakhs in 1998-99 to Rs.98722 lakhs in 2008-09; an increase of about 120.8 per cent. It was almost increasing year after year. Individually, the bank figures also depicted the same picture. During the year 2008-09 TIDCCB, VIDCCB, TUDCCB and KADCCB had Rs.23094 lakhs, Rs.25532 lakhs, Rs.18509 lakhs and Rs.31587 of loans outstanding respectively. Comparatively, the TUDCCB had low level of loan outstanding. A liner trend of $Y=68275+5045$ evidences a steady progress. The trend values in loans outstanding almost match with the actual loans outstanding. This leads to the conclusion that loans outstanding increased every year uniformly during the study period. The projection for the year 2020 is Rs.143961 lakhs of loans outstanding.

Table- 1.3
Recovery Performance

(Rs. in lakhs)

Ban ks Years	TIDCC B	VIDCC B	TUDCC B	KADCC B	TOTAL										
	D	C	B	D	C	B	D	C	B	D	C	B	Amt.	GI	GR
1998-99	5887	4137	1750	8436	6920	1516	4146	3090	1056	16320	15186	1134	34789	29333	5456
1999-00	6879	4730	2149	9493	7661	1832	4803	3781	1022	17346	15999	1347	38521	32171	6350
2000-01	7002	5034	1968	10391	8397	1994	4401	3115	1287	21389	20318	1071	43183	36863	6320
2001-02	7232	5235	1997	12001	10399	1602	6481	5194	1287	28999	26888	2111	54713	47716	6997
2002-03	7856	6189	1667	11686	9887	1799	6261	4490	1771	30170	28391	1779	55973	48957	7016
2003-04	7777	6026	1751	13396	11698	1698	8043	5625	2418	35631	33009	2622	64847	56358	8489
2004-05	8150	7022	1128	15823	15075	748	7927	6730	1197	37973	35772	2201	69873	64599	5274
2005-06	8985	7791	1194	13160	12500	661	8210	6894	1316	41229	36249	4980	71585	63433	8152
2006-07	10673	8766	1907	19654	18862	792	8635	7346	1289	49763	47537	2226	88726	82511	6214
2007-08	12461	10755	1706	18241	17019	1222	8905	7660	1245	40870	38386	2484	80477	73821	6656
2008-09	14592	13100	1492	21698	19985	1713	9124	7985	1139	49957	46915	3041	95370	87985	7385

D-Demand, C-Collection, B-Balance

The above table depicts the recovery performance of selected banks. The overall recovery performance of banks showed the increasing trend. However the overdues also showed the increasing trend of every year. Comparatively, the KADCCB had higher recovery performance compared with other three banks. In the TUDCCB lowest recovery was found.

Table- 1.4
Proportion of Collection to Demand and Balance

(Rs. in lakhs)

Ban ks Years	TIDCC B	VIDCC B	TUDCC B	KADCC B	TOTAL										
	D	C%	B%	D	C%	B%	D	C%	B%	D	C%	B%	D	C%	B%
1998-99	5887	70	30	8436	82	18	4146	75	25	16320	93	7	34789	84	16
1999-00	6879	69	31	9493	81	19	4803	79	21	17346	92	8	38521	84	16
2000-01	7002	72	28	10391	81	19	4401	71	29	21389	95	5	43183	85	15
2001-02	7232	72	28	12001	87	13	6481	80	20	28999	93	7	54713	87	13
2002-03	7856	79	21	11686	85	15	6261	72	28	30170	94	6	55973	87	13
2003-04	7777	77	23	13396	87	13	8043	70	30	35631	93	7	64847	87	13
2004-05	8150	86	14	15823	95	5	7927	85	15	37973	94	6	69873	92	8
2005-06	8985	87	13	13160	95	5	8210	84	16	41229	88	12	71585	89	11
2006-07	10673	82	18	19654	96	4	8635	85	15	49763	96	4	88726	93	7
2007-08	12461	86	14	18241	93	7	8905	86	14	40870	94	6	80477	92	8
2008-09	14592	90	10	21698	92	8	9124	88	12	49957	94	6	95370	92	8
Mean	8863	79	21	13998	89	11	6994	79	21	33604	93	7	63459	88	12

D-Demand, C%-Collection Percent, B%-Balance Percent

It is evident from the above table that the overall percentage of balance to demand of the selected banks ranged between 7 to 16 percent. The average annual overdues of the TIDCCB and VIDCCB was high (21 percent) and was low with KADCCB. Comparatively, the KADCCB had higher collection amount than the other three banks. The overall figure shows that the banks had about 11 percent of the loan demands as overdues.

Table- 1.5
Extent of Delinquent Credit - Overdues

(Rs. in lakhs)

Banks Years	TIDCC B	VIDCC B	TUDC CB	KADC CB	TOTAL	Trend										
	Amt.	GI	GR	Amt.	GI	GR	Amt.	GI	GR	Amt.	GI	GR	Amt.	GI	GR	
1998-99	1750	100	-	1517	100	-	1057	100	-	1134	100	-	5456	100	-	6251
1999-00	2149	122.8	22.8	1832	120.8	21.0	1022	96.7	-3.3	1347	118.7	18.7	6350	116.4	16.1	6352
2000-01	1968	112.4	-8.5	1994	131.4	8.8	1287	121.8	25.9	1072	94.5	-20.0	6320	115.8	-0.3	6453
2001-02	1997	114.0	1.5	1602	105.6	-20.0	1287	121.8	0.2	2111	186.2	96.9	6997	128.2	11.0	6554
2002-03	1667	95.2	-17.0	1799	118.6	12.1	1771	167.5	37.6	1779	156.9	-16.1	7016	128.5	0.3	6655
2003-04	1751	100.0	5.0	1698	111.9	-6.2	2418	228.8	36.5	2622	231.2	47.4	8489	155.5	21.0	6756
2004-05	1128	64.4	-36.0	748	49.3	-56.1	1197	113.2	-50.0	2201	194.0	-16.1	5274	96.6	-38.0	6857
2005-06	1194	68.2	5.9	660	43.6	-12.2	1316	124.5	9.9	4980	439.2	126.1	8152	149.3	55.0	6957
2006-07	1907	109.0	59.8	792	52.2	20.3	1289	121.9	-2.1	2226	196.3	-55.2	6214	113.9	-24.0	7058
2007-08	1706	97.4	-11.0	1222	80.6	54.0	1245	117.8	-3.4	2484	219.0	11.6	6656	122.1	7.1	7159
2008-09	1492	85.2	-13.0	1713	112.9	40.1	1139	107.8	-8.5	3041	268.2	22.4	7385	135.3	11.0	7260
Avg.	1701.1	97.2	1.0	1416	93.4	5.8	1366.2	129.3	3.8	2272	200.4	19.6	6755.7	123.8	5.3	
SD	322.27	18.4	25.9	480.6	31.7	31.2	400.02	37.9	25.8	1094	96.4	55.7	1000.3	18.3	25.0	

Amt. = Amount, GI = Growth Index, GR = Growth Rate

The above table reveals that the overdues of the selected DCCBs had increased from Rs.5456 lakhs in 1998-99 to Rs.7385 lakhs in 2008-09; an increase by 23.8 percent. However, the amounts showed a fluctuating trend. The overdues were very high during 2003-04 and 2005-06 after which it was declining. This reduction in the overdue position may be attributed to strict implication of NPA norms resulting in high collection. Decreasing overdues is a positive sign for the bank's development. The trend analysis results shows a linear trend of $Y=6755+100$ evidencing a steady growth on overdues. The anticipated overdue of the banks in 2020 is Rs.8269 lakhs.

Table- 1.6
Non-Performing Assets Position

(Rs. in lakhs)

Banks Years	TIDCC B	VIDCC B	TUDC CB	KADC CB	TOTAL	Trend										
	Amt.	GI	GR	Amt.	GI	GR	Amt.	GI	GR	Amt.	GI	GR	Amt.	GI	GR	
1998-99	1374	100	-	1361	100	-	1060	100	-	982	100	-	4777	100	-	7696
1999-00	2203	160.3	60.3	2159	158.6	58.6	2403	226.7	127.0	963	98.1	-1.9	7728	161.8	61.8	8749
2000-01	3306	240.6	50.1	2705	198.8	25.3	2944	277.7	22.5	926	94.3	-3.8	9881	206.8	27.9	9802
2001-02	3946	287.2	19.4	2857	209.9	5.6	3410	321.7	15.8	934	95.1	0.9	11147	233.3	12.8	10855
2002-03	4727	344.0	19.8	3919	288.1	37.2	4991	470.8	46.4	928	94.5	-0.6	14565	304.9	30.7	11908
2003-04	4838	352.1	2.4	4727	347.3	20.6	5557	524.2	11.3	1530	155.8	64.9	16652	348.6	14.3	12961
2004-05	4743	345.2	-2.0	3555	261.2	-25.0	4675	441.0	-16.0	1435	146.1	-6.2	14408	301.6	-13.0	14014
2005-06	4343	316.1	-8.4	3875	284.7	9.0	5589	527.3	19.6	1532	156.0	6.8	15339	321.1	6.5	15067
2006-07	5275	383.9	21.5	3826	281.1	-1.3	5267	496.9	-5.8	2172	221.2	41.8	16540	346.2	7.8	16120
2007-08	5603	407.8	6.2	4118	302.6	7.6	3873	365.4	-26.0	1632	166.2	-25.0	15226	318.7	-7.9	17173
2008-09	5948	432.9	6.2	3924	288.3	-4.7	4832	455.8	24.8	1600	162.9	-2.0	16304	341.3	7.1	18226

Avg.	4210	306.4	15.9	3366	247.3	12.1	4055	382.5	19.9	1330	135.5	6.8	12961	271.3	13.4	
SD	1414.8	103	22.3	985.6	72.42	23.4	1460.3	137.8	42.5	412.6	42.02	26.1	4002.5	83.79	21.4	

Amt. = Amount, GI = Growth Index, GR= Growth Rate

The non-performing assets of the selected banks during the study period had increased from Rs.4777 lakhs in 1998-99 to Rs.16304 lakhs in 2008-09; an increase by 241.3 per cent was indicated. The average growth rate in NPA was 13.4 percent. However, the KADCCB had lower growth rate and the TIDCCB had higher growth rate. The Non-performing assets of the banks were found to be higher during the period 2003-04 to 2006-07. The liner trend revealed that the growth rate in NPA was comparatively higher which is observed to be an unsatisfactory trend. The projection for the year 2020 is calculated at Rs. 28756 lakhs. A decadal average NPA to total loans outstanding of the four banks were TIDCCB 25 percent, VIDCCB 18 percent, TUDCCB 31 percent and KADCCB 7 percent and overall non-performing assets noticed 19 percent.

Table- 1.7
Non-Performing Assets Provisions

(Rs. in lakhs)

Ban ks Years	TIDCCB	VIDCC B	TUDCC B	KADCC B	TOTAL											
	Amt.	GI	GR	Amt.	GI	GR	Amt.	GI	GR	Amt.	GI	GR	Amt.	GI	GR	
1998-99	291	100	-	260	100	-	431	100	-	802	100	-	1784	100	-	
1999-00	469	161.2	61.2	606	233.1	133.0	495	114.8	14.8	819	102.1	2.1	2389	133.9	33.9	
2000-01	574	197.3	22.4	408	156.9	-33.0	1334	309.5	169.0	825	102.9	0.7	3141	176.1	31.5	
2001-02	908	312.0	58.2	904	347.7	122.0	1917	444.8	43.7	834	104.0	1.1	4563	255.8	45.3	
2002-03	1947	669.1	114.0	1490	573.1	64.8	3312	768.4	72.8	858	107.0	2.9	7607	426.4	66.7	
2003-04	2344	805.5	20.4	2763	1063.0	85.4	3891	902.8	17.5	1343	167.5	56.5	10341	579.7	35.9	
2004-05	1763	605.8	-25.0	1658	637.7	-40.0	3388	786.1	-13.0	1222	152.4	-9.0	8031	450.2	-22.0	
2005-06	2706	929.9	53.5	2171	835.0	30.9	4124	956.8	21.7	1385	172.7	13.3	10386	582.2	29.3	
2006-07	3005	1033.0	11.0	2851	1097.0	31.3	4337	1006.0	5.2	2087	260.2	50.7	12280	688.3	18.2	
2007-08	3829	1316.0	27.4	3683	1417.0	29.2	3770	874.7	-13.0	1479	184.4	-29.0	12761	715.3	3.9	
2008-09	4046	1390.0	5.7	3631	1397.0	-1.4	4057	941.3	7.6	1493	186.2	0.9	13227	741.4	3.6	
Avg.	1989	683.6	31.8	1857	714.2	38.4	2823	266.3	29.7	1195	149.0	8.2	7865	440.8	22.4	
SD	1330.	7	457.3	38.5	1252	481.7	59.3	1492.7	346.3	54.4	412.4	51.42	26	4300.9	241.1	24.9

Amt. = Amount, GI = Growth Index, GR= Growth Rate

The NPA provisions of the selected banks during the study period had increased from Rs. 1784 lakhs in 1998-99 to Rs. 13227 lakhs in 2008-09; an increase by 641 per cent. The average growth rate in NPA provisions was 22.4 per cent. However, the fluctuations were noticed during that study period. Comparatively, the VIDCCB had average high growth rate followed by TIDCCB, TUDCCB and KADCCB i.e., 38.4 percent, 31.8 percent, 29.7 percent and 8.2 percent respectively.

Table- 1.8
Business Results

(Rs. in lakhs)

Bank s Years	TIDCCB	VIDCCB	TUDCCB	KADCCB	TOTAL										
	Amt.	GI	GR	Amt.	GI	GR	Amt.	GI	GR	Amt.	GI	GR	Amt.	GI	GR
1998-99	-44	100	-	47	100	-	8	100	-	30	100	-	41	100	-
1999-00	-328	745.5	645.5	-902	-1919.0	-2019.0	-41	-512.5	-613	70	233.3	133.3	-1201	-2929.3	-3029.0
2000-01	-1143	2597.7	248.5	-444	-944.7	-50.8.0	-949	-11863.0	2215.0	-153	-510.0	-319.0	-2689	-6558.5	123.9
2001-02	-298	677.3	-73.9	-320	-680.9	-27.9	-791	-9887.5	-16.6	55	183.3	-136.0	-1354	-3302.4	-49.6
2002-03	-1544	3509.1	418.1	-111	-236.2	-65.3	-987	-12338.0	24.8	93	310.0	69.1	-2549	-6217.1	88.3
2003-04	-348	790.9	-77.5	-348	-740.4	213.5	-331	-4137.5	-66.5	111	370.0	19.4	-916	-2234.1	-64.1
2004-05	953	-2166.0	-374.0	1909	4062.0	-648.6	1506	18825.0	-555.0	508	1693.3	357.7	4876	11893.0	-632.3

2005-06	-1979	4497.7	-308.0	-911	-1938.0	-147.7	-710	-8875.0	-147.0	-4321	-14403.0	-951.0	-7921	-19320.0	-262.4
2006-07	-566	1286.4	-71.4	6	12.8	-100.7	778	9725.0	-210.0	10	33.3	-100.0	228	556.1	-102.9
2007-08	-2065	4693.2	264.8	-585	-1245.0	-9850.0	-783	-9787.5	-201.0	53	176.7	430.0	-3380	-8243.9	-1582.0
2008-09	102	-231.8	-105.0	722	1536.0	-223.4	4	50.0	-101.0	5	16.7	-90.6	833	2031.7	-124.6
Avg.	-660	1500	51.6	-85.18	-181.2	-1175	-208.7	-2609.1	30.1	-322	-1072	-53.3	-1276	-3111.3	-512.3
SD	929.4	2112.3	325.4	806.6	1716	3073	782.5	9781.24	795.7	1336	4453	386.3	3140.6	7660	1002

Amt. = Amount, GI = Growth Index, GR= Growth Rate

It is disheartening to note that the banks were running on loss during most of the years and was on increasing trend. However, the figures of the individual banks were not matching. Comparatively, the VIDCCB, TUDCCB, KADCCB had good performance than the TIDCCB. VIDCCB and TIDCCB could earn profit during 2004-05 and 2008-09. The projected business result for the year 2024 is Rs. -1506.7 lakhs.

Table – 1.9
Assumed Profit for DCCBs in Thirunelveli Region

(Rs. in lakhs)

Year	Profit/ Loss	NPA	Assumed Profit
1998-99	41	4777	4818
1999-00	-1201	7728	6527
2000-01	-2689	9881	7192
2001-02	-1354	11147	9793
2002-03	-2549	14565	12016
2003-04	-916	16652	15736
2004-05	4876	14408	19284
2005-06	-7921	15339	7418
2006-07	228	16540	16768
2007-08	-3380	15226	11846
2008-09	833	16304	17137
Avg.	-1276	12961	11688

The average assumed profit of the selected region was Rs. 11688 lakhs during the study period. It is evident from the table that if the DCCBs take much effort to collect the over dues, they will not be in a position to earn a considerable profit and tide over the problems.

Table – 1.10
Audit Classification

Years	TIDCCB	VIDCCB	TUDCCB	KADCCB
1998-99	A	A	A	A
1999-00	B	A	B	A
2000-01	D	A	B	A
2001-02	D	D	D	A
2002-03	D	D	D	A
2003-04	D	D	D	A
2004-05	D	D	D	B
2005-06	D	D	D	A
2006-07	D	D	D	A
2007-08	D	D	D	A
2008-09	D	D	D	A

The audit classification is made on the basis of different norms. It is clear from the above table that the performance of KADCCB was very high as it was classified under 'A' category. The TIDCCB, VIDCCB and TUDCCB were mostly classified under 'D' category.

1.2 FINDINGS

The present study, "A study on the problems and prospects of NPA's in the DCCBs in Tirunelveli Region, Tamilnadu State" is an analytical one. The study was conducted in Tirunelveli Region, Tamilnadu state. Among the five Cooperative Regions in Tamilnadu, Tirunelveli Region (South Region) covering four DCCBs was selected and secondary data were used for the analysis. A decadal period was covered by this (1998-99 to 2008-09). Statistical tools of statistical like Percentage, Mean, Standard Deviation, Growth index, Growth rate, Trends were used for analysis. The major findings and conclusion are presented in the following paragraphs.

1.12.1 Loans and Advances Issued

The total loans and advances issued by the selected DCCBs during the study period has increased from Rs.78693 lakhs in 1998-99 to Rs.129519 lakhs in 2006-07; an increase of about 64.6 percent. However, increases in figure were noticed. Comparatively, the TUDCCB had recorded lowest lending. The KADCCB had recorded high lending compared with other three banks. The average lending of the banks per year were Rs.19673 lakhs, Rs.31054 lakhs, Rs.14425 lakhs and Rs.35431 lakhs for TIDCCB, VIDCCB, TUDCCB and KADCCB respectively. The loan and advances of the selected banks had recorded increasing the trend during the study period

1.12.2 Loans Outstanding

The total loans outstanding of the selected DCCBs had increased from Rs.44718 lakhs in 1998-99 to Rs.98722 lakhs in 2008-09, an increase of about 120.8 per cent. It was almost increasing year after year. Individually, the bank figures also depicted the same picture. During the year 2008-09 TIDCCB, VIDCCB, TUDCCB and KADCCB had Rs.23094 lakhs, Rs.25532 lakhs, Rs.18509 lakhs and Rs.31587 of loans outstanding respectively. Comparatively, the TUDCCB had low level of loan outstanding. A liner trend of $Y=68275+5045$ evidences a steady progress. The trend values in loans outstanding almost match with the actual loans outstanding. This leads to the conclusion that that loans outstanding increased every year uniformly during the study period.

1.12.3 Recovery Performance

The overall recovery performance of banks showed the increasing trend. The overdues also showed the increasing trend of every year. Comparatively, the KADCCB had higher recovery performance compared with other three banks. In the TUDCCB had lowest recovery was found among the four banks during the reference period.

1.12.4 Proportion of Collection to Demand and Balance

It is evident from the overall percentage of balance to demand of the selected banks ranged between 7 to 16 percent. The average annual overdues of the TIDCCB and VIDCCB was high (21 percent) and was low with KADCCB. The KADCCB had higher collection amount than the other three banks. The overall figure shows that the banks had about 11 percent of the loan demands as overdues.

1.12.5 Overdues

The overdues of the selected DCCBs had increased from Rs.5456 lakhs in 1998-99 to Rs.7385 lakhs in 2008-09 an increase by 23.8 percent. However, the amounts showed a fluctuating trend. The overdues were very high during 2003-04 and 2005-06 after which it was declining. This reduction in the overdue position may be attributed to strict implication of NPA norms resulting in high collection. Decreasing overdues is a positive sign for the bank's development

1.12.6 Non-Performing Assets

The non-performing asset of the selected banks during the study period had increased from Rs.4777 lakhs in 1998-99 to Rs.16304 lakhs in 2008-09 an increase by 241.3 per cent was indicated. The average growth rate in NAP was 13.4 percent. However, the KADCCB had lower growth rate and the TIDCCB had higher growth rate. The Non-performing assets of the banks were found to be higher during the period 2003-04 to 2006-07.

1.12.7 Non-Performing Assets Provisions

The NPA provisions of the selected banks during the study period had increased from Rs. 1784 lakhs in 1998-99 to Rs. 13227 lakhs in 2008-09; an increase by 641 per cent. The average growth rate in NPA provisions was 22.4 per cent. However, the VIDCCB had average high growth rate followed by TIDCCB, TUDCCB and KADCCB i.e., 38.4 percent, 31.8 percent, 29.7 percent and 8.2 percent.

1.12.8 Assumed Profit

The assumed profit of the selected DCCBs was Rs. 11688 lakhs during the study period. It is evident from the table that if the DCCBs take much effort to collect the over dues, they will not be in a position to earn a considerable profit and tide over the problems.

1.12.9 Business Results

It is disheartening to note that the banks were running on loss during most of the years and was on increasing trend. However, the figures of the individual banks were not matching. Comparatively, the VIDCCB, TUDCCB, KADCCB had good performance than the TIDCCB. VIDCCB and TIDCCB could earn profit during 2004-05 and 2008-09. The projected business result for the year 2024-25 is Rs. 1506.7 lakhs.

1.12.10 Audit Classification

The audit classification is made on the basis of different norms and the performances of KADCCB were very high as it was classified under 'A' category. The performance of TIDCCB, VIDCCB and TUDCCB were classified under 'D' category.

1.13 SUGGESTIONS

1.13.1 NPA's Reduction

NPAs in the banks have been drain on profitability of banks. A double edged sword affecting profitability by not recognizing interest income on NPAs and the additional burden of provisioning on NPAs. Therefore all the banks should minimize their NPAs very close to Zero percentage of total credit. To achieve this bank has to follow their credit portfolio very closely taking necessary action, even when the first installment or interest is defaulted by and borrower. For such follow it is necessary to have a perfect and speedy information system for giving statements like watch and special watch statements.

1.13.2 Funds Augmentation

Reserve funds created in DCCBs are accumulated out of profits generated by the banks. Though share capital have cost in the form of dividend distribution, reserve funds do not entail any cost. Therefore the banks should attempt to generate more profit and transfer substantial portion of the profit to the reserve funds. The importance of deposits of the cooperative banking structure to provide satisfactory service to any program of agricultural production and industrial manufacturing hardly needs to be emphasized. DCCBs must tap deposits from urban and rural areas so that they may be able to provide funds in large amount to farm and non-farm sector developments. To generate more deposits the banks have to be delivering a host of attractive schemes. The best method of reducing cost of funds by DCCBs is to increase the current deposit and saving deposits (CASA deposits). These two deposits carry nil or less interests. These funds when deployed as loans the spread will be more and more profitability to the bank. Therefore every bank should try to maximize CASA deposits to the tune of at least 35 percent of the total deposits.

1.13.3 Non-interest Income

The banks should meet their total establishment expenditure out of non-interest income. For this purpose the banks have to introduce many fee based products like bank guarantees letter of credit etc...

1.13.4 Advanced Facilities

The DCCBs may go for CBS implementation which will strengthen the bank with technology based products like ATM, Debit card, internet banking, mobile banking etc.

1.13.5 Reduction in Cost of Management

The major income expenditure portfolios in banking are "interest collected" and "interest paid". On the expenditure side, establishment expenses contribute a major portion. The introduction of modern technologies and efficient HR management will reduce the manpower requirements and thereby the salary bill of the banks.

1.13.6 Supervision over Utilization

Proper supervision over the end use of loan is required to check credit delinquencies. The working of PACBs can be considerably improved by proper supervision and inspection by the DCCBs. Supervisor should ensure that the loans are used only for the purpose for which they have been obtained.

1.14 CONCLUSION

Invariably in all the selected DCCBs of this study conducted in the Tirunelveli region of the Tamilnadu State zigzag trends were found especially with reference to position in a) Loans and advances issued b) Loans outstanding c) Recovery performance d) Proportion of collection to demand and balance e) Overdues f) NPA's Position g) NPA's Provisions h) Assumed Profit and i) Business Results and j) Audit classification during the study period. There was more than a two-fold increase in the loans issued as well as in loans outstanding during the study period. But the delinquent credit (i.e., overdues) was recorded to be about one fourth (i.e., 25%) of loans outstanding. The Non-performing assets and provisions had shot up enormously over the years. It is inferred that the losses were mainly due to these NPA provisions. Invariably in all the selected DCCBs of this study conducted in the Tirunelveli Region of the Tamilnadu State TIDCCB and VIDCCB was not satisfactory, TUDCCB and KADCCB was satisfactory were found especially with reference to position in NPA's. The 'KRA's (Key Result Areas) with reference to NPA's was very high.

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