

A Study on Loan Recovery Performance of a Cooperative Bank

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Abstract

A cooperative society is organized by its members, managed by them and the services are used by them. Primary Agricultural Cooperative Credit Societies (PACCS) are functioning at the grassroots level to fulfill the financial needs of its members. They extend a variety of loans to its members from the funds generated in the form of share capital contributed by its members, deposits collected and loan from its federation viz., district central cooperative bank. The effectiveness in managing the affairs of the PACCS purely depends on the extent of loan and more particularly in the recovery of loan extended to its members. Ammaianayakkanur Primary Agricultural Cooperative Credit Society (society) functioning in Dindigul District, Tamilnadu is purposively selected for the study. The study is undertaken mainly to understand the recovery performance of the society. The data pertaining to the society is for six years starting from 2012-13 to 2017-18. Descriptive statistical tools are used to have a meaningful inferences from the study. The study revealed that the recovery performance is ranged between 91 per cent and 99 per cent with an average of 96 per cent during the study period. The reasons cited for such a recovery performance are maintaining cordial relationship by the employees with the borrowers, frequent visits of the employees to the borrowers, peer pressure of the borrowers in repaying the loan amount.

Key Words: *PACCS, demand, collection, recovery performance.*

Introduction

Primary Agricultural Cooperative Credit Societies (PACCS) are functioning at the grassroots level to fulfill the financial needs of its members. They extend a variety of loans to its members from the funds generated in the form of share capital contributed by its members, deposits collected and loan from its federation viz., district central cooperative bank. Even though PACCS aim at rendering service to its members, it requires a meagre surplus for its survival and growth in the long run. The effectiveness in managing the affairs of the PACCS purely depends on the extent of loan and more particularly in the recovery of loan extended to its members. The performance of a PACCS in terms of recovery of loans will enlighten in recovery management practices of PACCS. Hence this study.

Methodology

It is an analytical study carried out the aim of assessing the recovery performance of Ammaianayakkanur Primary Agricultural Cooperative Credit Society (society) functioning in Dindigul District, Tamil Nadu is purposively selected for the study.. Secondary data found in the audit reports of the society are collected using interview schedule. The data pertaining to the society is for six years starting from 2012-13 to 2017-18. Descriptive statistics such as tabulation, diagrams, and annual growth rate are used for meaningful analysis of the data.

Analysis and Discussion

The society was started in 1968. It serves 4474 members dwelling in 10 villages around its office as on 2017-18. The owned funds comprises of share capital (Rs.131 lakhs) and Reserves (Rs.25 lakhs). While the borrowed funds comprises of deposits (Rs.199 lakhs.) and borrowings (Rs.344 lakhs).

The society provides various types of loans such as agricultural loans and non-agricultural loans. Agricultural loans comprises of KCC loan, Agricultural jewel loan, Medium Term Agricultural loan (MT drip irrigation loan and MT ISB loan) and Joint Liability Group loans. Non-Agricultural loans are Non-Agri jewel loan, loan on deposit, SHG loans, micro credit loan, TAMCO loan, TABCEDCO loan, vehicle loan, education loan and consumer loan.

Recovery Position of the society

The society uses the borrowed funds which comprises of deposits collected and borrowings from its federation District Central Cooperative Bank for lending purposes. The borrowings of the society purely depends on the demand from its members as various kinds of loans. The level of recovery of loans is one of the major yardsticks to measure the efficiency of a society. Moreover, the profit or loss of the society is also mainly depends on the performance of recovery of loans by the society. The recovery of the loan depends on various factors which include loyalty of the borrower, peer pressure, natural calamity, quantum of production, price of the product, influence of intermediaries, government policy and the like.

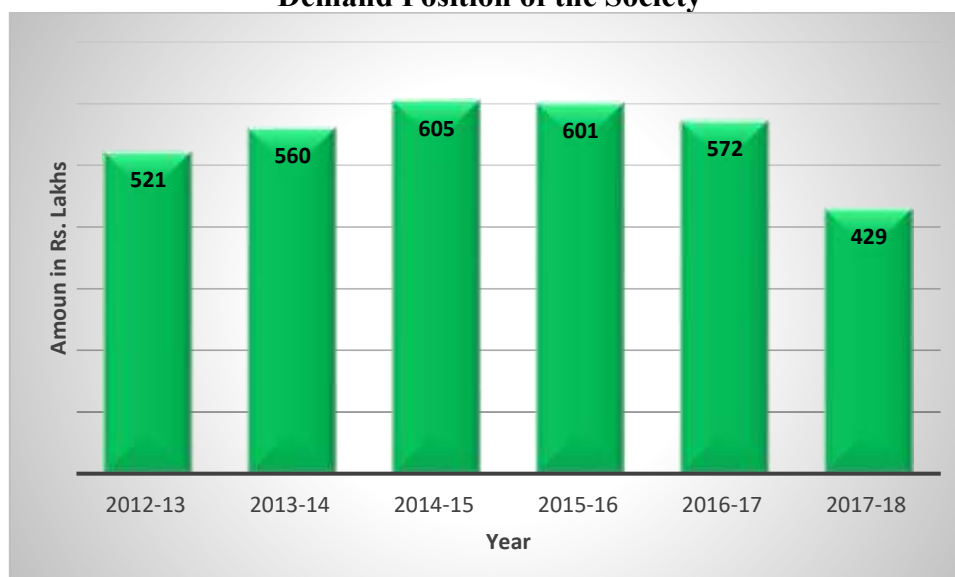
Demand Position of the Society

The society normally prepares a list called as “Demand list” to fix the responsibility of recovery of loan. While preparing the list, due care has been taken to add the present loan extended to its members and their previous loan due.

Table 1
Demand Position of the Society

Year	Demand (Rs. in Lakhs)	Annual Growth Rate (in percentage)
2012-13	521	-
2013-14	560	7.49
2014-15	605	8.04
2015-16	601	-0.66
2016-17	572	-4.83
2017-18	429	-25.00

Figure 1
Demand Position of the Society



The demand of the society in respect of the quantum of loan amount to be collected shows from the table 1 and figure 1 that it ranged between Rs.429 lakhs and Rs.605 lakhs. The trend in the demand has been on increase from the first year (Rs.521 lakhs) to Rs.605 lakhs in the third year under study and thereafter it shows a declining trend and stood at Rs.429 lakhs during 2017-18. The annual growth rate clearly indicate this trend and the percentage of increase is found to be meagre while the percentage of decrease is found to be more than that of increase. At the last year under study, the decrease is almost 25 per cent to that of the previous year.

Collection Position of the Society

The collection of loan amount extended to the borrower members are normally centered on the maturity (due date) of period of loan. As most of the loans are extended by the society to its members for undertaking agricultural operations, the collection period is tend to be around the harvest period. The collection position of the society is presented in table 2 and figure 2.

Table 2
Collection Position of the Society

Year	Collection (Rs. in Lakhs)	Annual Growth Rate (in percentage)
2012-13	515	-
2013-14	544	5.63
2014-15	564	3.68
2015-16	587	4.08
2016-17	550	-6.30
2017-18	391	-28.91

Figure 2
Collection Position of the Society



The performance of the society in terms of collection of loan extended to its members from the above table 2 and figure 2 reveals that the quantum of amount collected ranged between Rs.391 lakhs and Rs.587 lakhs. The table reveals that the a peak in collection is found during 2015-16 wherein Rs.587 lakhs recovered while the least is found during 2017-18 wherein Rs.391 lakhs has been recovered.

The trend in collection shows an increasing during the first four years of the study i.e., from Rs.515 lakhs in the year 2012-13 increased to Rs.587 lakhs during 2015-16. However, the annual growth rate is showing a

meagre rate i.e., 3 to 5 percent increase. After touching the peak recovery performance, the trend started decreasing in the next year registered with up to 6.30 percent decrease over previous year and at the end of the year a sudden fall in recover is noticed that too with 28.91 percent decrease over the previous year recovery. Thus, at the beginning of the years under study, the recovery performance of the society seems to be good and at the end of the year poor performance in recovery is noticed.

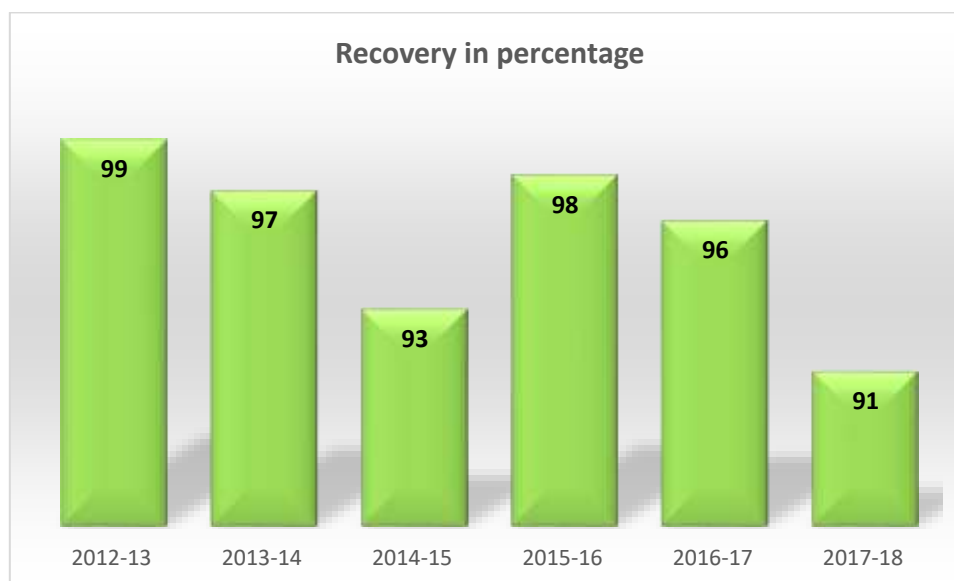
Recovery Performance of the Society

Table 3
Recovery Performance of the Society

Year	Recovery performance (in percentage)	Annual Growth Rate (in percentage)
2012-13	99	-
2013-14	97	-2
2014-15	93	-4
2015-16	98	5
2016-17	96	-2
2017-18	91	-5

Percentage of collection over the demand is worked out which shows the recovery performance of the society. It shows that the recovery percentage is ranged between 91 per cent and 99 per cent.

Figure 3
Recovery Performance of the Society



The trend in recovery (in per cent) shows a fluctuate trend i.e., from the initial highest recovery percentage decreased for the next two years and during 2015-16 it geared up once again and decreased for the next two years. The main reason attributed for the low level of recovery is mainly due to natural calamity which affected the crop production. The reasons cited for higher proportion of recovery are adequate and timely rainfall coupled with the maintaining cordial relationship by the employees with the borrowers, employees' participation in recovery campaign i.e., frequent visits of the employees to the borrowers, and the peer pressure found among the borrowers in repaying the loan.

Findings of the Study

The following are the important findings of the study.

The annual growth rate clearly indicate the trend percentage of increase is found to be meagre while the percentage of decrease is found to be more than that of increase. At the last year under study, the decrease is almost 25 per cent to that of the previous year.

At the beginning of the years under study, the recovery performance of the society seems to be good and at the end of the year poor performance in recovery is noticed.

The trend in recovery (in per cent) shows a fluctuate trend i.e., from the initial highest recovery percentage decreased for the next two years and during 2015-16 it geared up once again and decreased for the next two years.

The performance of the society in terms of recovery seems to be poor from the point of absolute figures and annual growth rate.

Suggestions

Since the recovery performance of the society is not steady growing during the period under study, the following measures to be adopted for achieving a steady growth in recovery.

The members are loyal to their society in repaying except during crops affected due to natural calamity. Frequent visit by the employees to the members especially in their field and harness their loyalty in repayment.

Members repay mostly by the peer pressure. The employees of the society make use of such peer pressure found among the members by why of encouraging the members who promptly repay their loan to advice, influence, guide other members to repay in time.

Special campaign to motivate the members to repay the loan especially during the harvest time may be organized.

The society may make arrangements for getting proper price for the members agricultural production by linking them to the marketing cooperative society and sale of goods in the nearby market in the name of the society to avoid unnecessary influence intermediaries in fixing the prices.