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Research Article

An Analytical Study on Non-performing Assets of selected DCCBs (District Central Co-operative Bank) in Tamil Nadu.

Mr. P.Rajendran ,
Ph.D Research Scholar in Commerce.Periyar University.

ABSTRACT:

A Non-Performing Asset (NPA) refers to a classification for different types of loans and advances. A loan is in arrears when principles amount or interest payments are late or missed. A loan is in default when the lender considers the loan agreement to be broken and the debtor is unable to meet his obligations. The Non- Performing Assets do not generate interest but at the same time require banks to make provision for such Non- Performing Assets out of their current profit. This study was mainly focused influence of standard assets with non-performing assets.

Note: Gross advance, Investment, and standard Assets.

INTRODUCTION:

The Central cooperative bank is the strongest institution in the Indian cooperative banking structure. The District Central Cooperative banks which form a part of the three tier credit system occupy a strategic place. It is spokesman not only for the primary agricultural credit societies in a district but also the other types of cooperative institutions. It acts as a balancing centre of all cooperative institutions in a district. The success of primary agricultural credit societies at village level and state cooperative banks at the apex level depend much on the strength and the efficient operations of the district central cooperative banks. A sound and strong District Central Cooperative Bank is capable of providing the required financial assistance to primary agricultural credit societies and also to support the apex banks in ensuring greater flow of credit from the NABARD.

Non-Performing Assets (NPA) :

A Non-Performing Asset (NPA) refers to a classification for different types of loans and advances. A loan is in arrears when principles amount or interest payments are late or missed. A loan is in default when the lender considers the loan agreement to be broken and the debtor is unable to meet his obligations. The Non- Performing Assets do not generate interest but at the same time require banks to make provision for such Non- Performing Assets out of their current profit.

The presentation of prudential standards has introduced another time in the change procedure of banking industry all in all. The recognizable proof of the NPAs according to the prudential standards indicated by the RBI is a pre-essential for the best possible administration of the NPAs. According to the rules of the RBI, the State Co-operative Banks and the Central Co-operative Banks began actualizing the prudential standards from the accounting year 1996-1997. One of the significant reasons referred the presentation of the standards has been the ingenuity of Non-performing Assets (NPAs) in banks. Credits or advances given by banks become Non-Performing when the premium and/or portion of chief stays late for over 90 days. Advances which don't create any income and which is farfetched influence the indispensable capacity of banks viz. intermediation (activating reserve funds and giving account to venture).

Statement of the Problem:

The increasing NPA is the result of non-recovery of loans and advances. Managing NPA, i.e., proper identification of NPA, safeguarding the securities, recovery of loans and advances, proper appropriation of the recovery, arresting creation of NPA, etc. is essential for the banks. This inspired the researcher to study the Non- Performing Assets of District Central Co-operative Banks in Tamil Nadu.

Hypothesis of the study:

1. There is no significant effect to influence the Non- Performing Assets on Gross Advances.

2. There is no significant consequence to influence the NPA on Investments.

Objectives of the study:

This research has been undertaken with the following objectives are:

1. To evaluate standard assets with NPAs of the selected District Central Cooperative Banks (DCCBs) in Tamil Nadu.
2. To Analyse the Non-Performing Assets in selected DCCBs in Tamil Nadu.

Collection of Data:

This study was mainly focused on secondary data. The researcher has collected data from available documents records, published and unpublished, in order to gathered information. And also has collected Various Books, journals, reports, monographs, seminar papers, co-operative audit circulars and reports of committees.

Sampling Design:

This study has framed sampling design based on the division. Among the four divisions the researcher has chosen west division, in this division has three DCCBs in Dharmapuri, Salem and Erode District respectively. In this study is framing and collect the information based on annual report from 2007-2008 to 2016-2017. All the information based on Non- Performing Assets (NPA), financial information's and other relevant information.

REVIEW OF LITERATURE:

This study has reviewed various literature related to title, and also found the research gap from various Indian and foreign review.

1.J. Murthy, et al. (1988) have reviewed that default cuts down the arrival collecting to diminish powerful pace of intrigue and decreases the assets distribution and expands their reliance on outer sources along these lines expanding the expenses.

2.Berger, et al., (1997) analyzed the connection between issue credit and bank proficiency by utilizing the Granger-causality procedure and found that the significant level of issue advances makes banks increment spending on checking, working out or potentially auctioning off these advances and perhaps to turn out to be progressively tenacious in controlling the part of their current advance portfolio that is as of now performing.

3. Prem Sharma (1998) opined that in the outcome of the Financial Sector Reforms, the co-usable banks needed to address the difficulties of the budgetary part changes by contending with Public Sector Banks and Private Sector Banks in the assembly of stores, investment funds and progressing of credits to tone up their practical viability and to achieve capital sufficiency standards.

4. Monica Soni, (2002) in her paper investigations the NPA position of two significant segments of Rural Banking viz. the Co-usable Banks and the Regional Rural Banks. The circumstance with respect to NPA the board by various co-usable banks isn't at all agreeable. It shows that an enormous extent of complete NPAs is contributed by RRBs in the present suitability class.

5. D. Satish (2002) in their investigation inferred that the arrangements of the securitization and remaking of money related resources law would give the teeth to banks and monetary establishments to dispose of their NPAs. In any case, the Combo idea of the mandate, which joins three disconnected issues of securitization, resource reproduction and requirement of security intrigue, may very well confuse the situation.

ANALYSIS AND INTERPRETATION

TABLE.1

GROSS ADVANCES ON NPAs

Sl. No.	Name of the DCC Branch	Regression Co-efficient X_A	t-Statistics	Constant	R^2	F
1.	Dharmapuri	-.042 (.036)	-1.423	161.64*	.128	1.367
2.	Erode	-.021 (.012)	-1.730	50.617*	.200	2.423
3.	Salem	.017 (.014)	1.632	19.562	.169	1.944

* Significant at 0.5% Level. Figures in Parentheses are Standard Errors.

Interpretation:

From the above table shows that, the results of Non-Performing Assets and advances influencing of Gross advances is analysed with the Linear Multiple Regress Model. The LMR model indicated among the three District Central Cooperative Banks (Dharmapuri, Erode, and Salem), which are found to be statistically not significant on influencing of Gross advances on NPAs. Nevertheless, the R value of Dharmapuri is 0.0128, followed by Erode is 0.200 and Salem is 0.169. Of these banks only Dharmapuri DCCB and Erode have shown the 5% significant level than the Salem DCCBs. Therefore, the overall performance of the selected District Central Cooperative Banks appears not to be good. It is mentioned in the co-efficient of determination of R2 value is 0.036 in Dharamapuri, Erode is 0.012 and Salem is 0.014 percent. Therefore, the study concluded that among the three District Central Cooperative Banks except the Salem and the other two are for satisfactory level.

STANDARD ASSETS ON NPAs

TABLE. 2

Sl. No.	Name of the DCC Branch	Regression Co-efficient X_{STA}	t-Statistics	Constant	R^2	F
1.	Dharmapuri	-.041 (.012)	-1.802	167.275*	.214	2.457
2.	Erode	-.013 (.001)	-1.733	40.332*	.232	2.871
3.	Salem	.014 (.005)	1.438	23.528	.133	1.436

* Significant at 0.5% Level. Figures in Parentheses are Standard Errors.

From the above table depicts that, the result of Non-Performing Assets and Standard Assets are influencing on NPAs is analysed through applying linear Multiple Regression Model (LMR). It shows that, among the three DCCBs (Dharmapuri, Erode, and Salem), Dharmapuri and Erode were found to be satisfactory level of 5 percent significant. The R value of Dharmapuri is 0.214, followed by Erode is 0.232 and Salem is 0.133. Therefore, the overall performance of the selected DCCBs appears not to be good. Moreover, the factor value of Dharmapuri DCCBs 2.457 followed by Erode DCCBs is 2.871 and Salem DCCBs is 1.436. Therefore, the study concluded that among the three DCCBs, Dharmapuri DCCBs and Erode DCCBs are satisfactory level of influence on NPAs and Standard Assets.

INVESTMENTS ON NPAs

TABLE – 3

Sl. No.	Name of the DCC BANKS	Regression Co-efficient X_{NA}	t-Statistics	Constant	R^2	F
1.	Dharmapuri	-1.489 (0.541)	-1.028	358.749	.109	1.065
2.	Erode	-17.131 (11.088)	-1.800	1104.497*	.255	2.790
3.	Salem	7.506 (6.938)	1.333	248.039	.214	2.042

* Significant at 5 Percentage Level. Figures in Parentheses are Standard Errors.

From the above table reveals that, the result of influence of Non-performing assets on Investment is analysed with Linear Multiple Regression Model (LMR). Among the three District

Central Cooperative banks (Dharmapuri, Erode and Salem), Erode DCCB is found to be satisfactory at 5 per cent significant level. R value of Dharmapuri is 0.0109 and Salem is 0.0214. Despite, the overall performance of the selected DCCBs shows that the Dharmapuri DCCBs is 1.065, followed by Erode DCCBs is 2.790 and Salem DCCBs is 2.2042. As a result, it concluded that among the three DCCBs only Erode DCCB is moderately influence of NPAs on Investment than Dharmapuri DCCBs and Salem DCCBs.

.SUGGESTIONS:

1. The growth rate of branches is comparatively very low in the Dharmapuri bank. This bank must open up new branches in areas where branches are not branches of another bank to raise their deposits.

2. A negative and significant growth rate of reserves were found only in the Dharmapuri bank. This bank should create reserve funds out of their profit to meet unforeseen contingencies and as a built-in safety of funds by having financial stability over a period of time.

3. A very low growth rate of deposits was found in the Dharmapuri bank. Dharmapuri bank must focus its attention on the mobilization of low-cost deposits of savings and current deposits with the help of innovative banking services like e-banking, e-transfer, ATM facilities, etc., and to concentrate on by providing more loans, a bank can attract new customers and collect more deposits

4. An insignificant growth rate of borrowings was found only in the Dharmapuri bank. This bank may borrow funds directly from any financial institution regulated/approved by RBI/NABARD. The NABARD, state co-operative bank and the state government must provide the necessary financial support to this bank by which the bank will be able to distribute loans to the Primary Agricultural Co-operative Banks (PACBs) and their customers.

CONCLUSIONS:

The DCC banks are playing an important role in providing credit to different sectors of the economy for various purposes. DCC banks form an integral part of the banking system in India. These banks operate mainly for the benefit of rural areas, particularly the agricultural sector. They are the main source for the institutional credit to farmers, cottage and small scale industries and the public.

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