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**A STUDY ON FINANCIAL PERFORMANCE AND CUSTOMER
SATISFACTION IN TIRUR CO-OPERATIVE AGRICULTURAL
AND RURAL DEVELOPMENT BANK, LTD. NO. M. 11**

by

KISHORE T V

(2014- 31 -120)



MAJOR PROJECT

Submitted in partial fulfillment of the
requirements for the post graduate degree of

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Faculty of Agriculture

Kerala Agricultural University



COLLEGE OF CO-OPERATION BANKING AND MANAGEMENT

VELLANIKKARA, THRISSUR

KERALA, INDIA

2016

Declaration

DECLARATION

I, hereby declare that this project report entitled “A STUDY ON FINANCIAL PERFORMANCE AND CUSTOMER SATISFACTION IN TIRUR CO-OPERATIVE AGRICULTURAL AND RURAL DEVELOPMENT BANK, LTD. NO. M. 11” is a bonafide record of work done by me during the course of project work and that it has not previously formed the basis for the award to me of any degree/diploma, associateship, fellowship or other similar title of any other University or Society.

Vellanikara,

29-08-2-2016



Kishore T V


2014-31-120

Certificate

CERTIFICATE

Certified that this project report entitled "A STUDY ON FINANCIAL PERFORMANCE AND CUSTOMER SATISFACTION IN TIRUR CO-OPERATIVE AGRICULTURAL AND RURAL DEVELOPMENT BANK, LTD. NO. M. 11" is a record of project work done independently by Mr. Kishore T.V. under my guidance and supervision and that it has not previously formed the basis for the award of any degree, fellowship, or associateship to him.

Vellanikara,
29-08-2-2016



Dr. T G Saji
Assistant Professor
Department of Commerce,
Sri C. Achutha Menon Government College, Thrissur

Certificate

CERTIFICATE

We, the undersigned members of the advisory committee of Mr. Kishore T V, candidate for the degree of **MBA in Agribusiness Management**, agree that the project work entitled “**A STUDY ON FINANCIAL PERFORMANCE AND CUSTOMER SATISFACTION IN TIRUR CO-OPERATIVE AGRICULTURAL AND RURAL DEVELOPMENT BANK, LTD. NO. M. 11**” may be submitted by Kishore T V in partial fulfillment of the requirement for the degree.

Dr. T G Saji
Assistant Professor
Department of Commerce,
Sri C. Achutha Menon Government College, Thrissur
(Supervising Guide)

Dr. E. G. Ranjit Kumar
Director, MBA (ABM)
College of Co-operation, Banking & Management
Kerala Agricultural University



Dr. Helen S.
Professor
Central Training Institute
Mannuthy
(External Examiner)

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Chapter - 1

Design of the Study

Chapter- 1

DESIGN OF THE STUDY

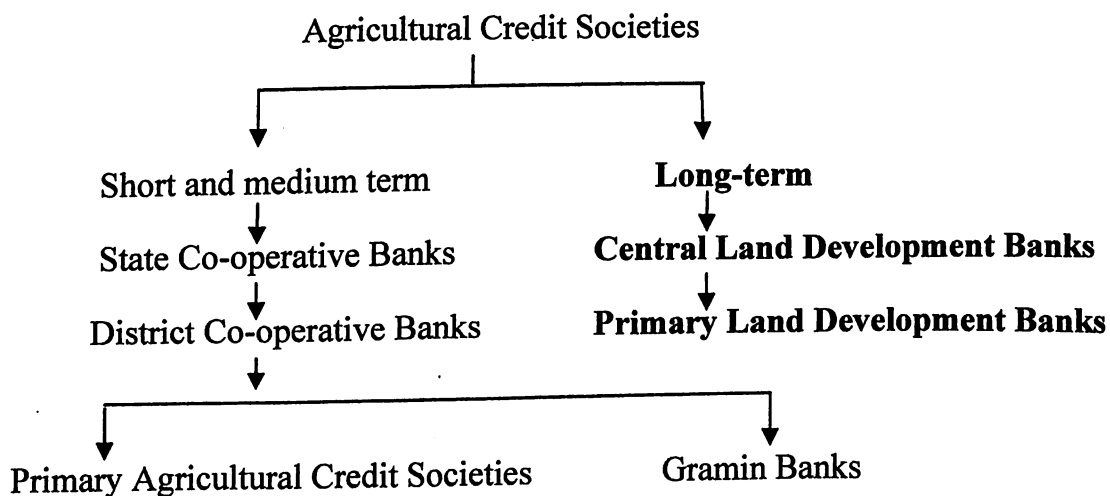
1.1 Introduction

A **Co-operative** is an autonomous association of people united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled business.

Co-operation is the process of working together, According to H.Calvet co-operation is the form of organization wherein persons voluntarily associate together as human beings on a basis of equality for the promotion of economic interest of themselves.

Today the co operative banking system plays a very important role in the development of Indian economy, especially the rural economy. Even though the co-operative system is smaller when compared to commercial banking system, its importance in the development of Indian rural economy cannot be ignored. The co operative movement was started in India with the passing of the Co-operative Credit Societies Act 1904 with the main objective of providing finance at low rates of interest to agriculturists. Until then the agriculturists were in the clutches of money lenders who charged very high rates of interest.

Structure of co-operative banking system



1.2 Statement of the problem

Co-operatives are formed for the welfare of its members and society. The existence of co-operative society depends on its financial soundness. Long term finance in agriculture is required for permanent improvement on land, construction of wells, tanks, installation of pumping sets, etc. The land development banks provide long term credit to agriculturists, in recent years, the profit earning capacity and funds management of the Primary Agricultural and Rural Development Banks in Kerala are under severe strain. Major two basic reasons can be attributed for this state of affairs. One reason is the constantly increasing over dues and the second is the inefficiency in the funds management of these banks which are the result of multiple factors. Because of these problems nowadays majority of the primary banks are forced to follow the policy of restricted lending. If this situation continues it may even question the very existence of these banks.

The banking sector industry is considered as a service oriented industry. It has to render manifold services to the people who visit the banks. Meeting the legitimate aspirations of its customers will enable the bank to maintain its image, create confidence and attract funds comparatively of low cost in a competitive environment. Customers are becoming more aware better educated and more unwilling to be treated generically. The needs and expectations of the customers change from time to time. In the co-operative banking sector, accepting the fact that cooperative sector is in a decline stage in the state, it is widely believed that the co-operative banks are not giving priority considerations to service quality when compared with banks in other sectors. It is generally felt that co-operative banks are lagging behind other banks in introducing a customer friendly banking environment. This will result declining of banks profitability.

The economic efficiency of a business organization can be measured by the analysis of financial performance of the organization. However what is the level of efficiency at which the bank is performing, its function should be analysed from the perspectives of the beneficiary, ie customer. The customer feels the products of the bank inferior to others or it appears to them less profitable and more expensive, it will definitely affect the long run sustainability of the bank. Therefore study was carried out to analyze the financial performance and customer satisfaction in Tirur Co-operative Agricultural and Rural Development Bank Ltd.

1.3 Objectives of the study

1. To analyze the financial performance of TCARD Bank.
2. To analyze the customer satisfaction towards banking services of TCARD Bank.

1.4 Methodology of the study

1.4.1 Sample for the study

Convenient sampling technique was used. Sample of 50 member customers were selected to know customer satisfaction towards the banking services.

1.4.2 Data collection

Both primary and secondary were used for the present study. Primary data were obtained from the customers of the bank by using questionnaire. Secondary data were obtained from published annual reports (10 years), bye-laws, journals and websites.

1.4.3 Period of the study

The survey period of the study was 2016 March to May

1.4.4 Tools for analysis

1. Ratios and percentages were used to analyze financial performance of the bank.
2. Five-point likert scale and customer satisfaction index were used to measure the perception of customers towards the operating performance of bank.

Customer Satisfaction Index

Index is calculated by using 5 Point Likert Scale. The opinion of the respondents were assigned marks of 1,2,3,4 & 5 representing the most negative degree of opinion to the most positive degree of opinion. For the construction of indices, the percentages were calculated to rate the statements representing selected variables on scales of different spans

The scores given by the respondents for each statement were summed up to arrive the total scores obtained for each statement, and was the divided by maximum possible score for that statement to obtain the index of that statement.

$$\text{Index of the statement} = \frac{\text{Total score obtained for the statement}}{\text{Sample size} \times \text{Maximum obtainable score for the statement}} \times 100$$

The indices calculated for the study were categorized as follows, to interpret the results. The categorization is based on the score assigned to the responses of the sample.

Below 20	-	Highly dissatisfied / Never
20-40	-	Dissatisfied / Rarely
40-60	-	Average / Occasionally
60-80	-	Satisfied / Frequently
Above 80	-	Highly Satisfied / Always

Efficiency in Mobilization

The ability of the bank in mobilizing resources and its effective deployment to different channels is analysed here.

1. Borrowings to Working Fund Ratio

The proportion of borrowings in the total working fund of the primary bank is given by this ratio. This ratio clearly indicates the extent of external dependence. A lower ratio shows the ability of the banks in mobilizing their resource

$$\text{Borrowings to Working Fund Ratio} = \frac{\text{Borrowings}}{\text{Working fund}} \times 100$$

2. Owned Fund to Working Fund Ratio

The owned fund to working fund ratio shows the volume of self resources in the working fund of these selected banks. A higher ratio shows the efficiency of the banks.

$$\text{Owned Fund to Working Fund Ratio} = \frac{\text{owned fund}}{\text{Working fund}} \times 100$$

Analysis of Deployment of Funds

The efficiency of an organization depends on the quickness in transacting its business and keeping minimum idle resources. For analyzing the banks' efficiency in deploying the funds the amount of loan (credit) given is related to working fund and amount borrowed for the purpose of lending. Maximum utilization of resources either in the form of credit or investment in securities shows the efficiency of the bank.

1. Credit to Working Fund Ratio

Credit to working fund ratio shows the proportion of working fund given as loan to beneficiaries. To find this ratio loan outstanding is related to total resources. The very purpose of Agricultural Development Bank is to provide finance to agriculturists to the maximum extent and so a higher ratio shows the efficiency of the banks in discharging their obligations.

$$\text{Credit to working Fund Ratio} = \frac{\text{Credit}}{\text{Working fund}} \times 100$$

2. Credit to Borrowings Ratio

This ratio shows the efficiency of the banks in converting the borrowings to lending.

$$\text{Credit to Borrowings Ratio} = \frac{\text{Credit}}{\text{Borrowings}} \times 100$$

Efficiency in Controlling Expenses and Improving Overall Efficiency

The ability of the primary banks in controlling their expenses and improving their overall efficiency is analysed here. Efficiency implies that all resources are being used to their potential. Efficiency relates to an activity performed with the lowest consumption of resources. The success of an organization depends on its ability to control the expenditure.

1. Interest Expense to Borrowings Ratio

The interest expense for the borrowed funds from the apex bank is the major item of expenditure for the primary banks.

$$\text{Interest Expense to Borrowings Ratio} = \frac{\text{Interest expense}}{\text{Borrowings}} \times 100$$

2. Interest Expense to Interest Income Ratio

The interest expense to interest income ratio shows the percentage of interest income which is utilized for interest payment.

$$\text{Interest Expense Interest Income Ratio} = \frac{\text{Interest expense}}{\text{Interest Income}} \times 100$$

3. Total Expense to Total Income Ratio

For every organization a reasonable margin is needed after meeting all the expenses for its survival and growth. The Agricultural Development Banks are also not exempted from this rule. They should have a sufficient sum for meeting their contingencies and for future development.

$$\text{Total Expense to Total Income Ratio} = \frac{\text{Total expense}}{\text{Total Income}} \times 100$$

4. Interest Income to Credit Ratio

This ratio reveals the proportion of interest income to credit the interest received from the beneficiaries of the bank is the return on the loan given by the banks. The rate of return is different for different schemes and for different amounts of loans. The bank can plan the outlay in different schemes to some extent and assure a reasonable return for their activities

$$\text{Interest Income to Credit Ratio} = \frac{\text{Interest income}}{\text{Credit}} \times 100$$

Profitability ratio

1. Interest Income to Total Income Ratio

Interest income is the major share of the total income of Agricultural Development Banks. Any change in the rate of interest will have a wide impact on the income and profit position of these institutions.

$$\text{Interest Income to Total Income Ratio} = \frac{\text{Interest income}}{\text{Total Income}} \times 100$$

2. Non-interest Income to Total Income Ratio

The non-interest income to total income ratio explains the above situation more clearly. This ratio shows the proportion of non-interest income in the total income of the banks.

$$\text{Non-interest Income to Total Income Ratio} = \frac{\text{Non-interest income}}{\text{Total Income}} \times 100$$

3. Interest Expense to Total Income Ratio

The substantial portion of the expenditure of the Agricultural Development Banks is in the form of interest expense for the loan taken from the apex bank.

$$\text{Interest Expense to Total Income Ratio} = \frac{\text{Interest Expense}}{\text{Total Income}} \times 100$$

4. Non-interest Expense to Total Income Ratio

The non-interest expense is another major item of expenditure of these primary banks. A proper control on this will help these institutions to maintain a reasonable return.

$$\text{Non-interest Expense to Total Income Ratio} = \frac{\text{Non-Interest Expense}}{\text{Total Income}} \times 100$$

5. Net Profit to Owned Fund Ratio

Net profit is the real accounting profit after providing all expenses and reserves for overdues. This is the amount available to shareholders. To find out whether a reasonable return obtains on the capital it is essential to relate the net profit to owned fund. Net profit is the profit available to the owners after providing all expenses and reserves for overdues. This ratio is a real indicator of the profitability of the bank. It indicates the ultimate result of the activities of the bank in monetary terms.

$$\text{Net Profit to Owned Fund Ratio} = \frac{\text{Net profit}}{\text{Owned fund}} \times 100$$

Spread Analysis

The spread analysis measures and examines the causes of changes in the difference between gross interest received on earning assets and gross interest paid on interest costing liabilities. The difference is called net interest spread. The primary banks acquire funds mainly by borrowings, in return they promise to pay interest. These banks acquire assets such as loans and investments for which they receive interest. The difference between what the banks pay for fund and what they get for fund is spread.

As stated earlier spread is the difference between interest income and interest expenditure. It is the margin available to the banks in interest transactions. The higher the margin, the safer the position of the banks.

$$\text{Spread to working fund Ratio} = \frac{\text{Spread}}{\text{working fund}} \times 100$$

Burden Analysis

The burden analysis examines the impact of non-interest expenditure and non-interest income. The net result of spread and burden is termed as the gross profit. Burden is the net difference between non-interest expenditure and non-interest income. The banks should earn sufficient non-interest income to meet the non-interest expenditure (cost of management). Then only they can maintain a reasonable level of profitability.

$$\text{Burden to Working Fund Ratio} = \frac{\text{Burden}}{\text{working fund}} \times 100$$

Gross profit to Working fund Ratio

This ratio gives the net result of spread ratio and burden ratio. This ratio is an indicator of profitability. The higher the ratio, the safer is the position of the bank.

$$\text{Gross profit to Working fund Ratio} = \frac{\text{Spread} - \text{Burden}}{\text{working fund}} \times 100$$

1.5 Variables

1. Personal Experience with the bank
2. Deposits
3. Credit Related Services
4. Attitude of staff
5. Bank premises
6. Complaint Redressal mechanism

7. Borrowings
8. Working fund
9. Owned fund
10. Credit
11. Interest expense
12. Interest income
13. Total expense
14. Total income
15. Non-interest income
16. Non-interest expense
17. Net profit
18. Spread
19. Burden

1.6 Scope of the study

The study was intended to analyze the financial performance and customer satisfaction in TCARD Bank. So it will be helpful to take decision in fund management and also helps to know performance of banking services from the perspective of customers.

1.7 Limitation of the study

The study was limited to Tirur Co-operative Agricultural and Rural Development Bank Ltd. So the inferences and the findings are difficult to generalize. ...

Chapter - 2

Review of Literature

Chapter - 2

REVIEW OF LITERATURE

2.1 Co-operative long term credit structure –overview

Rural Cooperative Credit System in India evolved into two separate streams for ST credit and LT credit. The Long Term Credit Structure had its beginning in the early 1920s with the establishment of Land Mortgage Banks to provide long term loans to farmers to redeem debts on land. The first Land Mortgage Bank was established in 1920 in Punjab followed by establishment of a large number of such banks in all provinces. The first Central Land Mortgage Bank started functioning in Madras to centralize the issue of debentures and to coordinate the working of Primary Land Mortgage Banks. The Bombay Banking Enquiry Committee (1930) mentioned about the inadequacy of resources of primary credit societies to undertake long term lending and advocated formation of Land Mortgage Banks to meet long term credit needs of farmers. The 1930s and 40s witnessed mushroom growth of Land Mortgage Banks throughout the country without any uniform pattern with regard to their size and operations. The All India Rural Credit Survey Committee recommended reorganization of Land Mortgage Banks with a State level apex body and Primary Land Mortgage Banks at taluk level affiliated to it. The Committee also recommended diversifying their operations into investment credit for agriculture. Central Land Mortgage Banks were established in almost all States during the IInd Five Year Plan which came to be known as State Cooperative Land Development Banks which were renamed as State Cooperative Agriculture & Rural Development Banks with further diversification into rural non-farm sector in the 80s.

The contributions of Agriculture & Rural Development Banks (ARDBs) to the development of Indian agriculture have been quite significant in the post Independence era. ARDBs played a very important role in improving the productivity of land especially through development of minor irrigation and facilitating farm mechanization in the 60s and 70s. While continuing to promote capital formation in agriculture, these banks started financing rural non-farm sector projects in a big way in the 80s and 90s which helped rural families to increase their income substantially through value addition to their produce apart from providing opportunities for alternate employment. The Long Term Cooperative Credit Structure comprises of SCARDBs

in 17 States operating either through their own branches at ground level or through Primary Agricultural and Rural Development Banks affiliated to the state level Apex. In Andhra Pradesh, the SCARDB was merged with Andhra Pradesh State Cooperative Bank in 1995 to form an integrated structure. Chhattisgarh State Cooperative Agriculture & Rural Development Bank was also merged with Chhattisgarh State Cooperative Bank in October 2014. In most of the states formed after 1960, State Cooperative Banks also perform investment credit operations in agriculture and rural sectors in the absence of separate structure for Long Term credit.

Issues and challenges in the long term co-operative credit structure (LTCCS)

The LTCCS is designed as non resource based specialized term lending agency. The structure consists of Agriculture and Rural Development Banks at State and Primary levels. These institutions are not given license to function as Banks coming under the purview of Banking Regulations Act. Hence they are not allowed to take deposits from public like other Rural Financial Institutions (RFIs). As a result, they are dependent heavily on borrowed funds for advancing loans. Before Independence, Government was the main source of funds for their operations. In 1961, Agriculture Refinance Corporation (ARC) was established to mobilize Long Term resources for the operations of Land Development Banks (LDBs). In 1963, ARC was renamed as ARDC. Till formation of NABARD in 1982, Agricultural Refinance and Development Corporation (ARDC) and Agricultural Credit Department (ACD) of RBI together provided funds for the operations of LTCCS. In July 1982, NABARD was formed by merging ARDC and ACD. Since then, NABARD is the main source of funds for the structure for carrying out its lending operations. The refinance support of NABARD, however, has been steadily declining since the beginning of 2000s. This has severely restricted the lending operations of SCARDBs. Moreover, SCARDBs in some States which could not access NABARD's refinance due to non-availability of Govt guarantee or failure to meet the eligibility conditions for refinance had to suspend lending operations for want of resources.

Inability to meet Short Term production credit/working capital needs of Long Term borrowers has been another major deficiency in the working of ARDBs. Because of restrictions in the Act, SCARDBs in general, were unable to diversify lending to short term purposes until recently. In recent years, ARDBs in most of the States are also meeting short term credit needs of long term borrowers out of funds mobilized as deposits from members and short term

borrowings from NCDC and banking system.

Cooperative Credit Structure also incurred heavy financial losses due to the above reasons. While such losses of the Commercial banks, RRBs and STCCS have been compensated by the government through various revamping processes, the losses of ARDBs continue to remain uncompensated. Even though Task Force No. II for LTCCS headed by Prof. Vaidyanathan recommended a revival package comprising of one time assistance by Central and State Govts. for recapitalization of ARDBs in 2006, it has not been operationalised so far.

The undue delay in implementing the revival package has considerably affected the ability of the structure to meet the credit needs of its members. In spite of these setbacks, the structure continues to be relevant and needs to be strengthened to arrest the rapid fall in the proportion of investment credit in the total flow of farm credit. The revitalization of the structure involves transformation of SCARDBs and PCARDBs into self-reliant member driven organizations capable of delivering financial services to the rural sector effectively, in a competitive environment with focus on capital formation in agriculture.

2.2 Objective

The main objective of land development bank is to promote development of agriculture and increase agricultural production. CLDBs provide long-term finance to PLDBs affiliated to them or finance directly through their branches.

2.3 Structure

Land development banks have two-tier structure,

1. Primary Land Development Bank:

These banks were originally organized to cover one or a few taluks in the district. At present they are eligible to cover one development block. All land owners are eligible to become members and borrow funds by mortgaging their land. The principal borrower is enrolled as 'A' class member and others who have interest in the mortgaged property are admitted as 'B' class members.

2. State Land Development Bank:

All primary Land Development Banks are federated into Central Land Development Bank at the State Level. In some States, there is “Unitary structure” wherein, there is only one State Land Development Bank at the state level operating through its branches and sub-branches at district and below levels. These members of the CLDBs are the PLDBs and a few individual promoters. It grants long-term loans to agriculturists through the PLDBs and branches of CLDBs. It raises funds through floating debentures, which are guaranteed by the State Government. When PLDB obtains loan from the CLDB, it assigns the mortgage deeds obtained from the borrowers to the CLDB. The CLDB floats debentures and raises funds against the security of these properties.

2.4 Raising funds

The main function of raising funds is carried out by the Central or State Land Development Bank which can really deal with the money market of the country effectively and advance loans to primary LDBs. The sources of funds of State LDBs are:-

- i. Share capital.
- ii. Issue of debentures
- iii. Loans from NABARD
- iv. Reimbursements of subsidies from the Govt.
- v. Other funds

Issue of debentures is the main source of funds for the LDBs. Debentures is a ‘Bond’ conveying and acknowledging the debt and also containing the provision of promise for payment of interest at stipulated rate and return of the principal amount. The period of debentures varies from 7 to 15 years. As LDB’s require funds of longer duration to advance LT loans to borrowers, the debenture is a convenient instrument of raising funds.

Capital

The Land Development Banks derive their funds from share capital reserves, deposits and debentures. The debentures, which account for most part of the funds in the bank, may be

issued by the banks themselves or by the State Co-operative Banks on their behalf. They are subscribed for by the public or the Government in some cases, the principal and interest of these debentures are guaranteed by the Government.

2.5 Credit services by SCARDB

Financing of the long-term credit (5 years and above) for agriculture and its allied activities and also for NFS, Rural Housing, fallow land development is the main objective of the SCARDBs. Thus, the credit delivery system of SCARDBs may be divided broadly into three sectors. Farm sector, non-farm sector and rural housing sector. ...

A) Farm sector:

Under farm sector the purposes for which the long-term loans are advanced by the SCARDBs are as follows:

1. Land Development/Land Reclamation including water conservation
2. Horticulture development (fruit crops, floriculture, mushrooms, vegetables etc)
3. Plantation crops (coconut, cashew, arecanut, rubber, coffee, cardamom, tea, bamboo etc.)
4. Diversified activities (dairy, poultry, piggery, rabbit, fishery, sheep & goat rearing, gobar-gas/bio-gas, farm house, sericulture, rural godowns, bullocks and bullock carts/camel carts, APMC, cold storages/storages etc.)
5. Wastelands development/afforestation, dry land development.
6. Payment of old debts
7. Purchase of land

Minor Irrigation works

- i. Digging/renovation of wells
- ii. Installation of pump sets
- iii. Construction of irrigation channels
- iv. Pipelines
- v. Sprinkler/drip irrigation system, Community wells
- vi. Lift irrigation system etc.

Farm Mechanization

- i. Tractor/power tillers with accessories
- ii. Combined harvester
- iii. Trolleys
- iv. Power threshers etc.

B) Non-farm Sector:

- i. Village and cottage industries
- ii. Rural artisans
- iii. Small-scale industries/agro-processing, food processing units
- iv. Small Road Transport Vehicles (up to 16 tonnes pay load capacity)

C) Rural Housing:

- i. Construction of new houses up to Rs.5 lakh
- ii. Renovation/repairs of old houses up to Rs. 1 lakh

2.6 Finance of primary bank

The principal object of a primary bank is to raise funds to be lent to its members. The primary banks are the voluntary associations of farmers who want to borrow long-term loans on mortgage of lands and are registered under the Co-operative Societies Act of the State. In the beginning each primary bank used to raise funds independently through debentures, deposits, loans etc. This leads to some difficulties. Consequently the central (state level) bank has come into existence to centralize the issue of debentures and to co-ordinate the activities of these banks. After the establishment of the apex bank, the primary banks usually borrow from the apex bank and lend to their member borrowers. Thus the primary bank is an intermediary between the apex bank and the ultimate borrower.

2.6.1 Sources of funds

As stated earlier, the sources of funds of primary banks consist of paid-up share capital, reserve fund and other reserves, borrowings from the apex bank, deposits and other current liabilities. The nature of some of the important sources, are explained below:

1. Paid up share capital :

The borrowing power of a member is linked to his share capital held in the primary bank.

2. Reserve fund :

According to the Kerala State Co-operative Societies Act 1969, not less than 15 per cent of the net profit is to be transferred to reserve fund.

3. Deposits :

The primary banks are not allowed to accept deposits like other Co-operative Banks. But they may, however, be allowed to accept deposits to a limited extent from special sources and with special objects.

4. Borrowings :

The major source of fund of primary bank is the borrowings from the apex bank.

5. Other liabilities:

The other liabilities include interest due for payment to the apex bank, dividend due to shareholders and bonus outstanding.

2.6.2 Application of funds

The application of fund consists of loan given to members, investments, cash and bank balance, fixed assets and other assets. The natures of the important applications of funds are explained below:

1. Cash and Bank Balance

Cash and bank balance represent the idle funds. It must be remembered that major part of the working funds are obtained at a cost and keeping them idle is not a prudent policy. It may be argued that the figure appearing is at the end of the year when the resources are more. Even then, if the recoveries are quickly remitted to the apex bank, it may utilize them for payment of liabilities without resorting to cash credit or, at least, may keep in call deposit with which bank earns reasonable rate of returns.

2. Investments

This item includes primary banks' contribution towards share capital of apex bank, investment of their reserve fund and other reserves, deposits of surplus funds, if any. The primary banks, generally, invest their reserves in the apex bank as they are precluded from

making investments in any other institution. However, the Registrar of Co-operative Societies may permit them to invest in others. Accordingly, they have investment in Government Securities and other Trustee Securities.

3. Loan Outstanding (Credit)

These are the amounts due from member borrowers at different due date.

4. Fixed Assets

Fixed assets of the bank include land, building, car, furniture, modern equipments etc.

5. All Other Assets

All other current assets are included under this head. This includes interest overdue, interest accrued but not due on loan outstanding etc.

2.6.3 Sources of income

1. Interest on Loan

This is the major source of income of primary banks. This includes income as interest for the loan given to beneficiaries and the penal interest received for over dues payment.

2. Miscellaneous Income (Non-interest Income)

The term miscellaneous income includes all other income other than interest on loan outstanding. Thus it includes interest on investments, dividends, application fee, administration fee and valuation fee.

2.6.4 Applications of income

1. Interest on Borrowings

This is the interest paid on funds borrowed from the apex bank. This is the major item of expenditure.

2. Establishment charges

This is the second major item of expenditure for primary banks. This includes pay and allowance, bonus, provident fund, gratuity contribution to staff etc.

3. Administration Overheads

Administration overheads include TA and DA to directors, rent, rates, taxes, stationery, maintenance of fixed assets, postage and telephone, telegram and provision.

2.7 Review literature on financial performance

Narayanaswamy and Ramachandran (1987) stated that there is scope for increasing the profit and profitability, if proper attention is paid on areas like recovery, deposit mobilization, branch expansion, reduction in manpower, operating expenses, building up of more owned funds and scientific management of funds

Kadam H.(1990) conducted a study on the financial position of the State Co-operative Agricultural Development Banks in Gujarat, Bihar and Maharashtra. The methodology adopted was the computation of average annual growth rate for the selected variables like membership, share capital, reserves, lending interest on borrowings and lending, margin and cost of management. He found that there is no consistency in the growth rate of variables between banks. He opined that in order to maximize the earning the banks need to reduce the cost of funds and, at the same time, deploy the funds where higher margin is available. He also stated that sound financial position of the Agricultural Development Banks is very important for its long run efficient operation.

Bhairav H. Desail (1991) conducted a study on the financial performance of Gujarat State Land Development Bank. Based on the study on annual financial statements of the Bank various selected ratios concerning the financial position, profitability and efficiency were worked out for a period of three years. He found that the bank is not working efficiently and profitability position is very poor. He stated that some surplus is essential for the growth of the institution and for meeting contingencies.

Sant Dass (1992) in his study revealed that keeping idle money might create a chain of problem and, therefore, the banks should take all possible steps to avoid keeping of idle funds.

Jivani and Upadhyay (1994) In a study conducted by them stated that generally the aim of financial management is profit maximization. However, the Agricultural Development Banks are considered as social banks and, therefore, profit is not the main or the only motive. Agricultural development is the main objective and supply of credit at comparatively lower rate of interest is the policy.

Muniraj(1996) in his study on improving recovery performance through effective financing of agriculture stated that the mounting over dues is one of the reasons for the erosion of profitability of banks, as it impairs banks' ability to recycle funds and restrict their access to refinance agencies like NABARD.

According to the latest estimates, SCARDBs loss making position was on account of a decline in interest income coupled with increased growth in their total expenditure on account of a steep rise in provisions and contingencies and operating expenses (RBI 2012).

According to the latest estimates long term co-operatives reported losses; their NPA ratios were also far higher than the other institutions in rural co-operatives possibly reflecting the inherent drawbacks in the recovery mechanism pursued by these institutions. The growth in the asset size of both the SCARDBs and PCARDBs remained much lower than their short term counterparts in 2011-12, as also been in the recent past. This has led to a gradual decline in the share of long term co-operatives in the total assets of the rural co-operative sector.(RBI 2012)

2.8 Review of literature on customer satisfaction

Bank is a customer oriented services industry. A bank depends upon the customers for their survival in the market. The customer is the focus and customer service is the differentiating factor. Bank can differentiate itself from competitors by providing high quality customer service, Efficacy of customer service is related with progressive operation. In the competitive banking industry, customer satisfaction is considered as the essence of success. Bank should be known about the expectation and perception of the customer. Measuring customer's expectation is the key to being able to serve the customer satisfactorily. On the other hand, with better understanding of customer's perceptions, bank can determine the actions required to meet the customer's needs. In this way they can easily satisfied the customer which is directly impact on the overall performance of the bank. Customer satisfaction is one of the important tools to run a

business and to achieve the mission statement. Indeed, customer satisfaction has great significance for the future of an institution and it is seen as a basis for securing market position and achieving other objectives of the institution. Therefore, achieving high levels of service is one method to keep customers both satisfied and loyal. The study on customer satisfaction will be incomplete without an enquiry into the studies on similar topics done by experts studies of some of the researchers are briefed below:

A study conducted by Rao (1987) on various strategies for marketing the services suggested that banks should identify their strength and weakness, evaluate, choose and implement right strategies in their organization. Further they were of the opinion that efforts must be taken by the bank officials to understand the attitudes and perceptions of their customers as accurately possible to design service offering.

Patil (1989) in his study observed that the service offered by banks are to be so worked out as to fulfill the needs of the customers. Traditionally, the co-operative bank was accustomed to think in terms of what they can offer, and not what the customers want. However it requires the co-operative bank to change orientation and start to work out schemes and service required to satisfy the need of the customers. In other words, service of the banks should be need oriented.

Vaishnav (1989) in his article entitled "Customer Movement in Indian Banking Industry", states that individual bank managements and their employees must realize that they have to face the new challenges of customer movement. Customer expectations are certainly mounting and customer satisfaction is becoming increasingly difficult. In times to come, this trend will not die down, but will become stronger.

Brahmanandhan and Narayanan (1990) in their study on Customer Service in Banks, pointed out that there could be an attitudinal change in the bank staff towards providing good customer service and that frequent contact with customers by responsible staff members, would go a long way in improving banker customer relationship. They also stressed the need for educating customer regarding various policies and procedures of the bank.

Madhukar (1990) is of the opinion that like in any business organizations, there should be machinery for dealing effectively with customer complaints in the banks. Customer feedback

should form the basis for bringing about improvements in the quality of service and product range.

Indraneel choudhary (1994), for improving customer satisfaction, banks must analyze the needs of customers and then the present infrastructure system, attitude and beliefs by which respond to the customer's needs. After this, dissatisfaction if any of the customers should be analysed on the basis of the existing system and lastly, the remedial measures should be examined and seen how far they are practicable.

Muiraj (1994), opined that the problem of customer service in banks is a complex and dynamic one and there is no readymade solution to overcome the problem. It has to be tackled by the banks in its loyalty and not in any piecemeal basis. He recommended some measures to be adopted for rendering good customer service like proper identification of customer expectations, introducing innovative services/products to manage the demand of customers, streamline age old system of technology, providing quick redressal measures to redress the grievances of the customers and extending personalized service through concern for the customer.

Reddy and Raman (1994) opined that the marketing activities of industries like banking are intangible because they are dealing with intangible products. Quality and experience of the services are being taken to determine its value. So observed that knowing the taste, need and performance of the customer are more important and rationale with scarce resources and growing concern for social objective.

Kohli (1996) in his study "customer service in banks" observed that productivity and efficiency, which are the prime aim of all the banks, are directly linked with the customer service. According to him it is very difficult for banks to serve its customers effectively without the latest technology utilization in banking business.

Tambe (1997) suggested some measures to improve customer service in banks. Sufficient investment, provision of required infrastructure, upgrading technology and human resource development programs should be given due priority in banks. Depersonalization of customer relation should be avoided. Bank employees must accept the 'Relationship Marketing' concept and there should be improvement in the quality of service. Service with a smile and courtesy

should be practiced. Quick redressal of grievances, listening patiently, acknowledging customers point of view, apologizing if the bank is at fault should be the way of dealing with customers complaints. Survey of customer satisfaction should be conducted frequently and get feedback on regular basis.

Manoj Kumar Ambashta (1997) stated that customer's orientation comprised two mutually related factors such as customer satisfaction and the efforts to fulfill that needs up to the level of their satisfaction. To put in the modern technology, customer satisfaction in the modern era may be a complicated mix of hardware(technology, product, price and quality) and software(attitude, responsiveness, deliverance and commemorations) .

Joshi (1997) opined that essentially good customer service in bank should have three basic tenets (a) courtesy (b) accuracy and (c) speed. Combination of these three tenets makes the customer service in banks praise worthy.

Philip Kotler (1998) pointed out that the customer centered organization, customer satisfaction is both a goal and a major factor in the success of that organization. Highly satisfied customers produce several benefits to such companies so that they should try to maximize customer satisfaction.

Ghosh Roy (2000) opined that delivering quality customer service is the key to customer retention through continues customer satisfaction. Making the customers to keep waiting to come back again is now the goal of any organization. He emphasized that zero customer defection is the new mantra and not zero defects.

Pai (2001) indicated that banking in the new millennium would be marked by high expectations of the customers. So banks can keep on growing only if they consciously keep moving from customer satisfaction to customer delight in every aspect of their functioning.

Murthy Narayanan (2003) viewed that customer management is not a front office function, it should be a bank wide obsession. Customer facing team should be sensitive to customer expectation at multiple touch points of the bank. Further, banks need to impart continuous training to the staff, call centre agents and direct sales agents and other customer

facing employees. The front line team should also be empowered to take decisions to support customer service.

Bhaskara Rao (2006) in his article observed that the banking sector industry is considered a service oriented industry. It has to render manifold services to the people who visit the banks. Customer service refers essentially to counter level interface or through or other modes with the customers. Modern management practices should be adopted to transform the banking operations to professional.

Jithendra kumar mishra (2007) states that satisfaction of the customer is an invaluable asset for the modern organizations, providing unmatched competitive edge. The best approach to customer retention is to deliver high level of customer satisfaction that results in, strong customer loyalty.

Tamilarasan (2008) opined that the bank must realize that better customer service through cordial relationship will ensure better customer acquisition and retention leading to enduring long term business valued relationships. Banks should have an overall understanding and 360-degree view of their customer, which is of course possible through technology enabled customer relationship management.

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Chapter - 3

*TIRUR CO-OPERATIVE
AGRICULTURAL AND RURAL
DEVELOPMENT BANK LTD. NO.*

M.11 – A Profile

Chapter - 3

PROFILE OF THE ORGANISATION

TIRUR CO-OPERATIVE AGRICULTURAL AND RURAL DEVELOPMENT BANK LTD. NO. M.11

3.1 Genesis

Tirur Co-operative Agricultural and Rural Development Bank came into existence 1973.

3.2 Area of operation

The area of operation of the bank extends to the entire Tirur Taluk of Malappuram district. The bank has two branches at Tanur and Valanchery.

3.3 Objects

To promote the economic interest of its members and more particularly to arrange for funds to be lent to its members on the security of immovable property, fixed assets or without security upon the specific guarantee of the government for the repayment of the principal and the payment of interest there on the following purposes. Accepting various types of deposits as per the guidelines of the Kerala State Co-operative Agricultural and Rural Development Bank.

Explanation:-

A) Land improvement and productive purposes mean any work construction, or activity which adds to the productivity of the land and in particular, includes the following.

1. Construction and repair of wells, tanks and other works for the exploitation of surface and ground water and storage, supply or distribution of water for the purpose of agriculture or for the use of cattle employed in agriculture and all types of irrigation.
2. Renewal of construction of any of the foregoing works or alteration there in addition there to.
3. Preparation of land for irrigation.

4. Drainage, reclamation from rivers or other waters or protection from floods or from erosion or other damage by of land used for agri-purposes or waste land which is cultivable.
5. Bunding, leveling, terracing and similar improvement.
6. Reclamation, clearance and enclosure or permanent improvement of land for agri-purposes.
7. Horticulture and plantations including forest plantations.
8. Purchase of oil engines, pump sets and electric motors for any of the purpose mentioned here.
9. Purchase of tractors and other agri-machinery.
10. Purchase of draught animals and bullock carts and other carts.
11. Increase of the productive capacity of land by addition to it of special variety of soil
12. Construction or repair of permanent farm house, cattle sheds for processing of agricultural produce at any stage.
13. Construction of stone fence, barbed wire fence or any other kinds of fence for protection of land including earthen wall.
14. Purchase of land for consolidation of holdings
15. Such other purpose as the government may specify from time to time as land improvement and production purposes for the purpose of this chapter by a special or general order.

B) Development of diary, poultry, piggery, sheep, goat and other livestock and inland and marine fisheries.

C) Procurement of fishery requisites like fishing boats, mechanized or non-mechanized fishing nets, twine, ropes and marine plant.

- D) Repairing of the farm house.
- E) Production of animal and poultry feed
- F) Procurement and installation of equipments, machinery for processing, marketing and transportation of all agri products including production of animal origin like milk meat, fish eggs and manure and construction of building for such purposes.
- G) Installation of gober gas plants.
- H) Redemption of prior debts.
- I) Payment of purchase price by tenants for purchase the right, title and interest of land lords under the Kerala Land reform Act, 1963(1 of 1984) or compensation or other amount payable for the purchase of rights of land lords under any law for the time being in force.
- J) Any other purpose conducive agricultural development as decided by the board of directors of the Kerala State Co-operative Agricultural and Rural Development Bank Ltd. With the approval of Registrar of co-operative societies from time to time.
- K) Gold loan shall be advanced to a member including B class member for agricultural allied activities and working capital.

3.4 Membership

a) Any person over 18 years of age who is competent to contract and who owns or cultivates agricultural land situated in the area of operation of the bank specified in the bye-law No.1 or who is residing in the area of operation of the bank are alone eligible for A class membership. And the government of Kerala and societies as defined in section 46 of the Kerala State Co-operative Agricultural and Rural Development Bank Act Shall be eligible for admission as a member.

b) The members admitted this clause shall be allotted "A" class shares

c) Any person may be admitted as a nominal member and allotted "B" class shares if his admission is necessary to join in the execution of any document in favor of the bank that is required to be registered by a member as co-partner.

d) No person shall be eligible for admission as a member or continue to be a member of the bank if he :-

- i. Is under any of the qualifications mentioned in section 28 of the Kerala Co-operative Societies Act 1969 or Rule 44 of the rules framed there under.
- ii. Ceases to own or cultivate agricultural land in the area of operation of the bank or if he ceases to reside in the area of operation of the bank.

Table 3.1 Membership position of TCARDB from 2005-06 to 2014-15

Year	Membership	Growth Index	Share Capital (In lakhs)	Growth Index
2005-06	22103	100	323.11	100
2006-07	24460	110	320.74	99
2007-08	24617	111	302.40	93
2008-09	26230	114	282.26	87
2009-10	25139	116	255.02	79
2010-11	25618	116	266.60	83
2011-12	21647	98	251.85	78
2012-13	22377	101	298.77	92
2013-14	22680	103	333.43	103
2014-15	24634	111	363.82	113

The table shows the membership and share capital of Tirur Co-operative Agricultural and Rural Development Bank Ltd. No. M.11, Tirur. During 2005 to 2011 the membership was increased. But later membership position showed a decreasing trend. In 2014 it showed an increasing trend. Share capital of the bank showed a decreasing trend during 2007 to 2011 after that share capital has increased as ten years maximum.

3.5 Sources of fund

The bank will ordinarily obtain funds from the following sources :

1. Share capital.
2. Loans from the State Co-operative Agricultural and Rural Development Bank.
3. Entrance and other fees.

4. It shall be competent to the committee to borrow funds from the State Co-operative Agricultural Development Bank on the Security of the mortgages executed by the members in favor of the bank and of other securities obtained by the bank and its other assets and to execute to the State Co-operative Agricultural and Rural Development Bank such documents as may be necessary in this behalf.

3.6 Loans and advances

i. ARF-Agricultural Loan

ARF loan facility will be provided for cultivation purposes, An amount upto 50 lack may be sanctioned as long term loan.

ii. Indirect Agricultural loan

Bank lends up to 10 lack as Indirect-agricultural credit for taking agribusiness activities.

iii. Vehicle loan

Bank lends for purchasing vehicles to take agri-allied activities up to 85% of amount will be sanctioned over vehicle price.

iv. Housing Loan

Bank lends for the construction of house up to 15 lakh an amount up to 5 lack will be given for renewal of house.

v. Gold Loan

An amount up to 10 lack is given as gold loan for taking agriculture activities.

vi. Swarajgar credit card facility

This credit facility is given to members those who make timely repayment of loan. This loan is especially provided for business activities. The loan amount will be up to 50,000 which also covers 1 lakh insurance coverage.

vii. Education loan

Banks lends education loan for students studying recognized educational institution in India and Abroad up to 5 lakh will be sanctioned for studying in India and up to 10 lakh will be sanctioned for studying abroad. Borrower gets 10 years repayment period.

viii. Short-term Trading Loan

This loan is to be given for licensed small traders and service sector employers as per the terms and conditions on security up to maximum 2 lakh will be sanctioned.

ix. Consumer loan

For purchasing home appliances bank lends maximum 1 lakh as consumer loan

x. JLG loan facility

Bank lends up to 50,000 to Joint Liability Group to take agriculture activities, small trading etc. the group should involve 5 to 10 people the amount should be utilized for common purpose. This scheme is specially meant for backward sections in the society.

xi. Farm tourism/ Home stay loan facility

This loan facility is meant to encourage tourism sector. Interested farmers can build modern hostage facility besides their home. Land will be taken as security.

3.6.1 Interest rate on loans

Table 3.2 Interest rate on loan

SL.No.	Type of Loan	Amount	Interest Rate
1.	Personal Loan	Up to 50000	11.00 %
		Above 50000	11.50 %
2.	Agriculture Loan	Up to 50000	11.50 %
		Above 50000	11.50 %
3.	Non-Agriculture Loan	Up to 50000	12.35 %
		Above 50000	13.35 %
4.	Housing Loan	Up to 50000	12.35 %
		Above 50000	13.35 %
5.	Gold Loan	Up to 10 lack	13 %
6.	Traders Loan	Up to 2 lack	16.50 %
7.	Consumer Loan	100000	15 %
8.	Second Hand vehicle Loan	-	15 %
9.	Cash Credit	200000	15 %

3.7 Deposits

The Apex bank Kerala State Co-operative Agricultural and Rural Development Bank accepting deposits from the public through primary bank. So the CARD Bank Tirur also receives deposits from the public as an agent. Bank has two schemes such as:

1. Fixed Deposit Scheme
2. Savings Deposit Scheme

3.7.1 Interest Rate on Deposits

Table 3.3 Interest Rate on Deposits

SL. No.	Period of deposits	Rate of interest
1. Fixed Deposits		
	15 days to 45 days	6.50 %
	46 days to 90 days	7.25 %
	91 days to 179 days	8.00 %
	180 days to 364 days	8.50 %
	1 year to 2 years	9.25 %
	2 years and above	8.75 %
2.	Savings Deposit	5 %

3.8 Management and Administration

The bank is governed by the General Body and Board of Directors. Management is vested with Board of Directors and supreme authority of the bank is vested with General Body.

3.9 General Body

The ultimate authority in all matters relating to the administration of the bank is the general body. The main functions of general body are election and removal of the elected members of the Board of directors, approval of the annual budget, the amendment of byelaw, disposal of net profit etc. Each member of the general body irrespective of the number of shares hold will have only one vote. The general body should be convened at least one in a year.

3.10 Board of Directors

The Board of Directors consists of 11 members. The term of office of the Board is three years. The board will meet in an interval of not more than one month. The quorum required for the meeting is five. The board will look after the day to day administration.

3.11 President

The president shall have an overall control on the officers of the bank. The president will be the ex- officio treasurer. He will be responsible for the administration of the society. All the accounts of the bank should be handled by the president and secretary jointly. A vice-president also will be elected for shouldering the responsibilities of the bank in the absence of president.

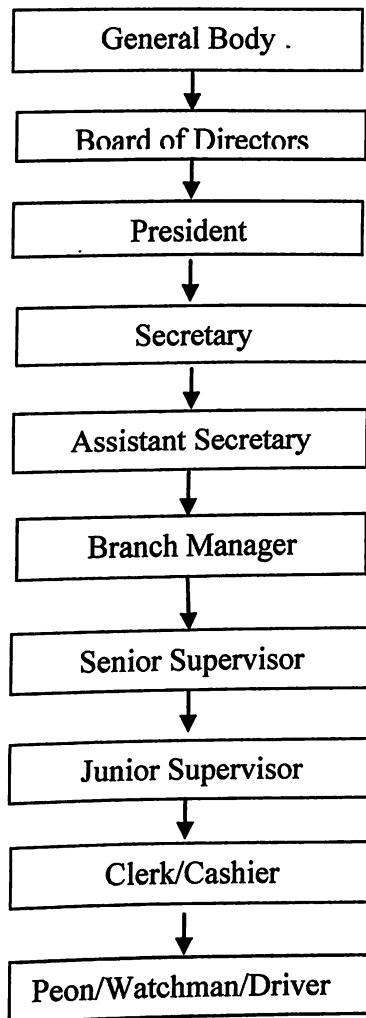
3.12 Secretary

The secretary is the chief executive officer of the bank subjected to the control of the president. He will be responsible for general administration and he is a paid employee.

3.12 Organizational Structure

The General Body from among the members elects the Board of Directors and from among themselves elects president. The whole management affairs of the bank are vested with the board. The board appoints a full time secretary who is the chief executive officer to the bank for executing the day to day activities of the bank. There are paid employees under secretary.

ORGANISATIONAL STRUCTURE



Chapter – 4

*Financial performance and Customer
satisfaction – An Analysis*

Chapter – 4

DATA ANALYSIS

PART- A

FINANCIAL PERFORMANCE ANALYSIS OF TCARD BANK

4.1 Introduction

Finance is an essential part of the economic and non-economic activities which leads to decide the efficient procurement and utilization of finance with profitable manner. Business concern needs finance to meet their requirements in the economic world. Any kind of business activity depends on finance. Hence, it is called as lifeblood of business organization. Whether the business concerns are big or small, they need finance to fulfill their business activities. In the modern world, all the activities are concerned with the economic activities and very particular to earning profit through any venture or activities. The entire business activities are directly related with making profit. (According to the economics concept of factors of production, rent given to landlord, wage given to labor, interest given to capital and profit given to shareholders), a business concern needs finance to meet all the requirements.

Finance may be defined as the art and science of managing money. It includes financial service and financial instruments. Finance is referred as the provision of money at the time when it is needed. Finance function is the procurement of funds and their effective utilization in business concerns. The concept of finance includes capital, funds, money, and amount. But each word is having unique meaning. Studying and understanding the concept of finance become an important part of the business concern. In the present business administration, financial management is an important branch it includes adoption of general management principles for financial implementation.

Tirur Co-operative Agricultural and Rural Development bank is a co-operative institution established for promoting economic progress and social justice. As a bank it deals with money so there should be proper managing of money to complete its objectives. Even though it is a co-operative profit making is secondary, the bank has to manage its finance in an efficient and effective manner.

Hence this study examines the financial performance of Tirur Co-operative Agricultural and Rural Development Bank, this chapter involves the financial performance of Tirur Co-operative Agricultural and Rural Development Bank through ratio analysis.

4.2 Efficiency in mobilization

The ability of the bank in mobilizing resource is analyzed here.

4.2.1 Borrowings to Working Fund Ratio

The proportion of borrowings in the total working fund of the primary bank is given by this ratio. This ratio clearly indicates the extent of external dependence. A lower ratio shows the ability of the banks in mobilizing their resources

$$\text{Borrowings to Working Fund Ratio} = \frac{\text{Borrowings}}{\text{workingfund}} \times 100$$

Borrowings = Borrowings from Apex bank

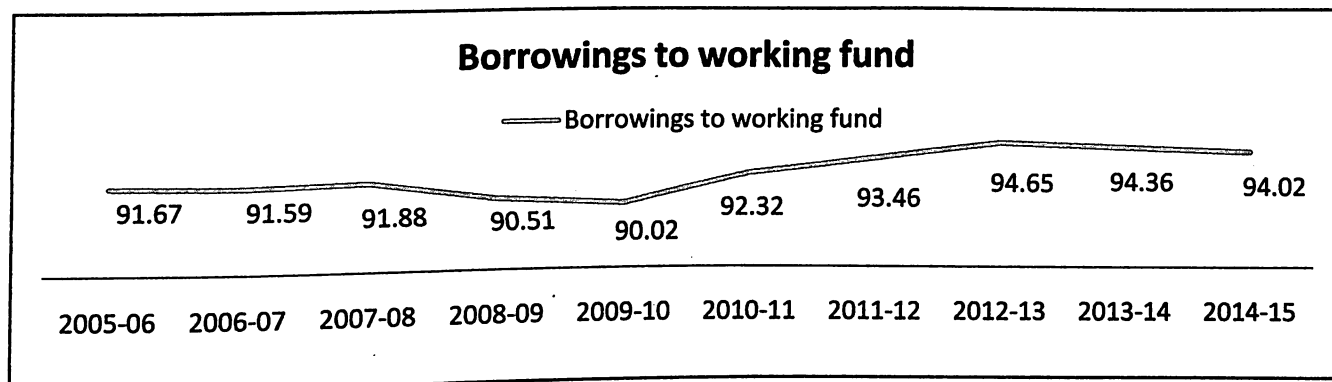
Working Fund = Reserve fund + Paid up share capital + Borrowings

Table 4.1 Borrowings to Working fund ratio of TCARD Bank from 2005-06 to 2014-15

Year	Borrowings (in lakhs)	Working Fund (in lakhs)	Ratio (%)
2005-06	5191.49	5662.85	91.67
2006-07	5110.16	5579.21	91.59
2007-08	4550.16	5000.93	91.88
2008-09	4108.58	4539.26	90.51
2009-10	3553.07	3946.58	90.02
2010-11	4107.26	4448.80	92.32
2011-12	5527.00	5913.28	93.46
2012-13	7196.22	7602.33	94.65
2013-14	7390.59	7831.62	94.36
2014-15	6349.41	6753.09	94.02

Source: Annual Report

Graph 4.1 Borrowings to Working fund ratio of TCARD Bank from 2005-06 to 2014-15



From the graph 4.1 shows the Borrowings to Working fund ratio. Bank's borrowings constitute 90 percent over working fund so that the bank fully depends on external fund of apex bank, for performing its lending function.

4.2.2 Owned Fund to Working Fund Ratio

The owned fund to working fund ratio shows the volume of self-resources in the working fund of these selected banks. A higher ratio shows the efficiency of the bank.

$$\text{Owned Fund to Working Fund Ratio} = \frac{\text{Owned fund}}{\text{working fund}} \times 100$$

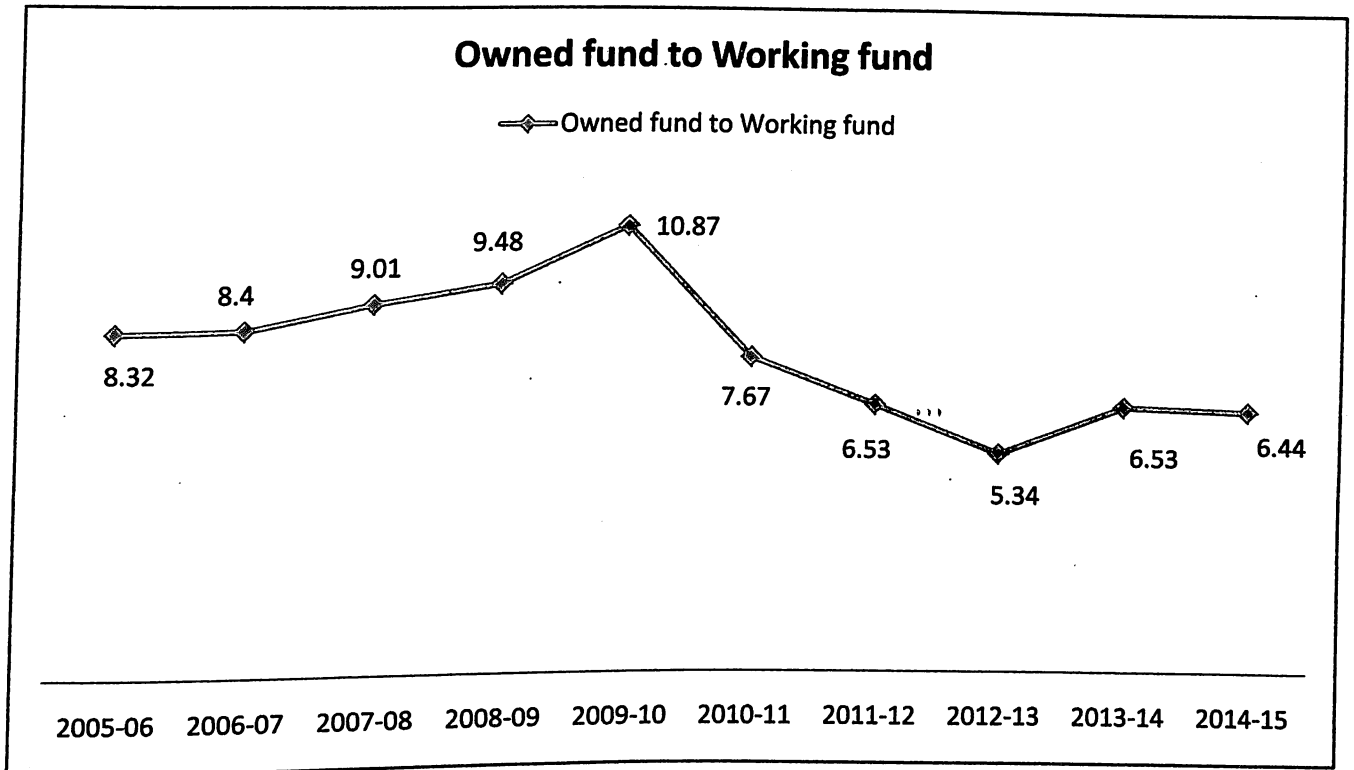
$$\text{Owned Fund} = \text{Reserve Fund} + \text{Paid-up share capital}$$

Table 4.2 Owned Fund to Working Fund Ratio of TCARD Bank from 2005-06 to 2014-15

Year	Owned Fund(in lakhs)	Working Fund(in lakhs)	Ratio (%)
2005-06	471.35	5662.85	8.32
2006-07	469.05	5579.21	8.40
2007-08	450.77	5000.93	9.01
2008-09	430.67	4539.26	9.48
2009-10	393.51	3946.58	10.87
2010-11	341.54	4448.80	7.67
2011-12	386.28	5913.28	6.53
2012-13	406.11	7602.33	5.34
2013-14	441.03	7831.62	6.53
2014-15	435.39	6753.09	6.44

Source : Annual Report

Graph 4.2 Owned Fund to Working Fund Ratio of TCARD Bank from 2005-06 to 2014-15



Graph 4.2 shows fluctuating trend in the ratio. Owned fund of the bank constitutes below 10 percent over working fund. Graph shows an increasing trend in 2008 to 2010. Later it shows a decreasing trend. In 2008 membership increased and the same resulted in increasing of share capital. It also assumes that owned fund constitutes only small percentage.

4.3 Analysis of Deployment of Funds

The efficiency of an organization depends on the quickness in transacting its business and keeping minimum idle resources. For analyzing the banks' efficiency in deploying the funds the amount of loan (credit) given is related to working fund and amount of borrowed for the purpose of lending. Maximum utilization of resources either in the form of credit or investment in securities shows the efficiency of the bank.

4.3.1 Credit to working Fund Ratio

Credit to working fund ratio shows the proportion of working fund given as loan to beneficiaries. To find this ratio credit is related to total resources. The very purpose of Agricultural Development Bank is to provide finance to agriculturists to the maximum extent and so a higher ratio shows the efficiency of the banks in discharging their obligations.

$$\text{Credit to working Fund Ratio} = \frac{\text{credit}}{\text{workingfund}} \times 100$$

Table 4.3 Credit to Working Fund Ratio of TCARD Bank from 2005-06 to 2014-15

Year	Credit (in lakhs)	Working Fund (in lakhs)	Ratio (%)
2005-06	3228.15	5662.85	57.00
2006-07	3282.45	5579.21	58.83
2007-08	2764.75	5000.93	55.28
2008-09	2578.42	4539.26	56.80
2009-10	1858.42	3946.58	47.08
2010-11	2481.22	4448.80	55.77
2011-12	2877.18	5913.28	48.65
2012-13	3696.28	7602.33	48.62
2013-14	4569.29	7831.62	58.34
2014-15	4029.82	6753.09	59.67

Source: Annual Report

Graph 4.3 Credit to Working Fund Ratio of TCARD Bank from 2005-06 to 2014-15

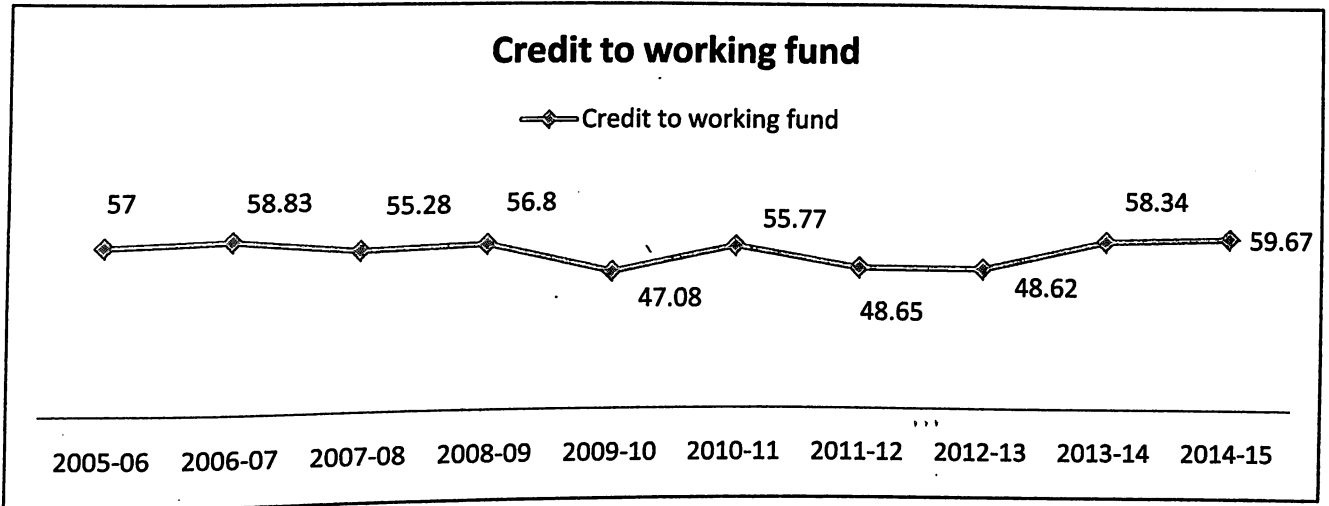


Table 4.3 and graph shows a fluctuating trend, however almost stable over the period. Credit disbursement decreased in 2009-2010. Then it fluctuates. Only half of the amount disbursed over working fund of the bank.

4.3.2 Credit to Borrowings Ratio

This ratio shows the efficiency of the banks in converting the borrowings to lending.

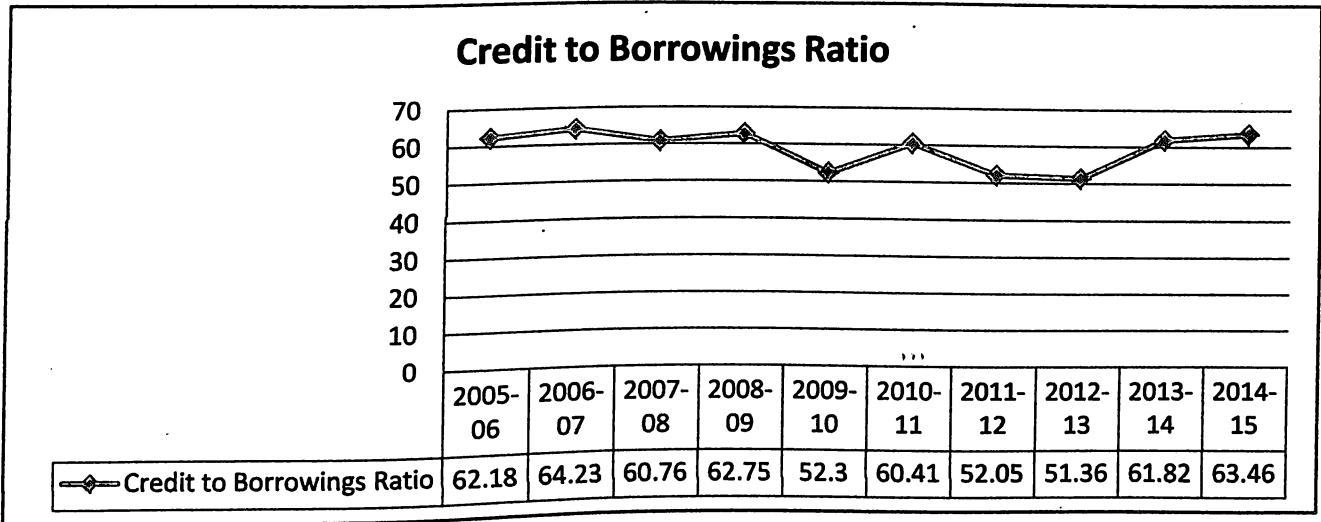
$$\text{Credit to Borrowings Ratio} = \frac{\text{credit}}{\text{Borrowings}} \times 100$$

Table 4.4 Credit to Borrowings Ratio of TCARD Bank from 2005-06 to 2014-15

Year	Credit (in lakhs)	Borrowings (in lakhs)	Ratio (%)
2005-06	3228.15	5191.49	62.18
2006-07	3282.45	5110.16	64.23
2007-08	2764.75	4550.16	60.76
2008-09	2578.42	4108.58	62.75
2009-10	1858.42	3553.07	52.30
2010-11	2481.22	4107.26	60.41
2011-12	2877.18	5527.00	52.05
2012-13	3696.28	7196.22	51.36
2013-14	4569.29	7390.59	61.82
2014-15	4029.82	6349.41	63.46

Source : Annual Report

Graph 4.4 Credit to Borrowings Ratio of TCARD Bank from 2005-06 to 2014-15



Graph 4.4 shows a fluctuating trend in Credit to Borrowings ratio it is analysed to know how much amount is disbursed over borrowings. Around 60 per cent of the borrowings were disbursed as credit.

4.4 Efficiency in Controlling Expenses and Improving Overall Efficiency

The ability of the primary bank in controlling its expenses and improving its overall efficiency is analyzed here. Efficiency implies that all resources are being used to their potential. Efficiency relates to an activity performed with the lowest consumption of resources. The success of an organization depends on its ability to control the expenditure.

4.4.1 Interest Expense to Borrowings Ratio

The interest expense for the borrowed funds from the apex bank is the major item of expenditure for the primary banks.

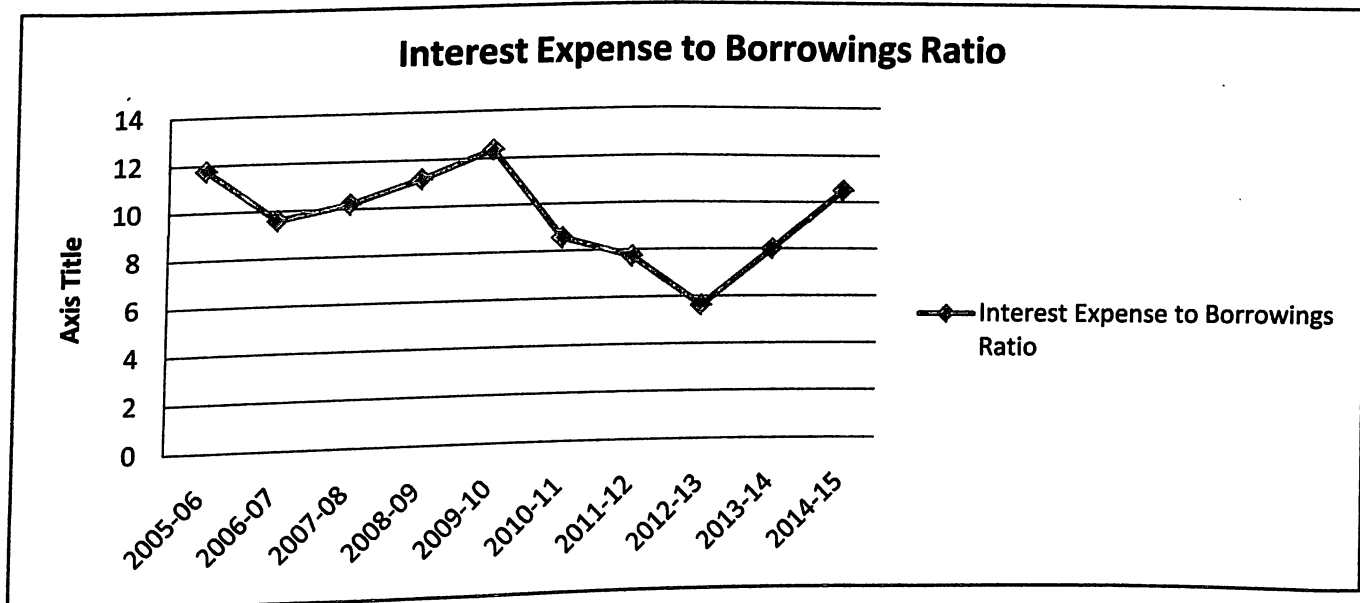
$$\text{Interest Expense to Borrowings Ratio} = \frac{\text{Interest Expense}}{\text{Borrowings}} \times 100$$

Table 4.5 Interest Expense to Borrowings Ratio TCARD Bank from 2005-06 to 2014-15

Year	Interest expense (in lakhs)	Borrowings (in lakhs)	Ratio (%)
2005-06	611.32	5191.49	11.77
2006-07	490.83	5110.16	9.60
2007-08	464.77s	4550.16	10.21
2008-09	460.32	4108.58	11.20
2009-10	439.80	3553.07475	12.37
2010-11	351.95	4107.26169	8.56
2011-12	427.56	5527.00584	7.73
2012-13	405.68	7196.22451	5.63
2013-14	585.98	7390.59465	8.00
2014-15	667.28	6349.4137	10.50

Source : Annual report

Graph 4.5 Interest Expense to Borrowings Ratio TCARD Bank from 2005-06 to 2014-15



Graph 4.5 shows the interest payment on borrowed fund from the apex bank. This ratio shows a fluctuating trend. From 2006 to 2009 it was an increasing trend, later it shows a high decreasing trend. From 2012 it has been again increasing. The bank has outstanding on its interest payment year to year that might be the reason for fluctuating trend.

4.4.2 Interest Expense to Interest Income Ratio

The interest expense to interest income ratio shows the percentage of interest income which is utilized for interest payment.

$$\text{Interest Expense to Interest Income Ratio} = \frac{\text{Interest Expense}}{\text{Interest Income}} \times 100$$

Table 4.6 Interest Expense to Interest Income Ratio of TCARD Bank from 2005-06 to 2014-15

Year	Interest expense (in lakhs)	Interest Income (in lakhs)	Ratio (%)
2005-06	611.32	681.10	89.75
2006-07	490.83	617.13	79.53
2007-08	464.77	562.06	82.69
2008-09	460.32	613.31	75.05
2009-10	439.80	534.98	82.20
2010-11	351.95	463.02	76.01
2011-12	117.40	197.57	60
2012-13	405.68	596.36	68.02
2013-14	585.98	715.21	81.93
2014-15	667.28	770.59	86.59

Source : Annual Report

Graph 4.6 Interest Expense to Interest Income Ratio of TCARD Bank from 2005-06 to 2014-15

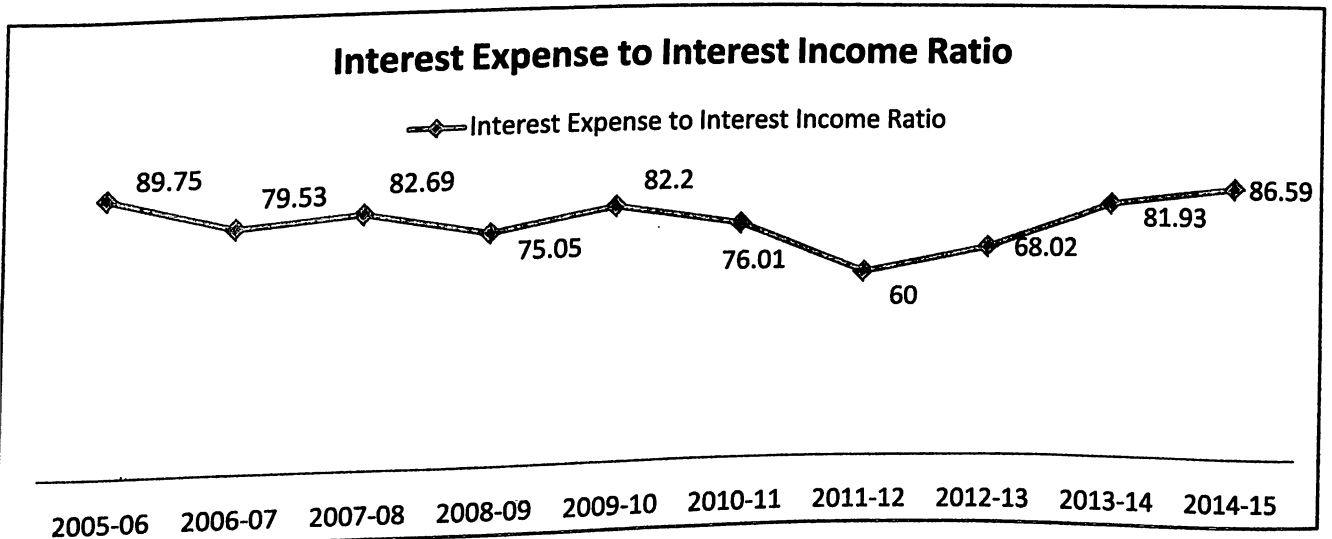


Table 4.6 shows the interest expense to interest income ratio. Almost all year 80 per cent of interest income utilized for interest payment. From 2005 to 2010 it showed a decreasing trend. From 2012 it has been increasing.

4.4.3 Total Expense to Total Income Ratio

For every organization a reasonable margin is needed after meeting all the expenses for its survival and growth. The Agricultural Development Banks are also not exempted from this rule. They should have a sufficient sum for meeting their contingencies and for future development.

$$\text{Total Expense to Total Income} = \frac{\text{Total Expense}}{\text{Total income}} \times 100$$

Table 4.7 Total Expense to Total Income Ratio of TCARD Bank from 2005-06 to 2014-15

Year	Total expense (in lakhs)	Total income (in lakhs)	Ratio (%)
2005-06	1851.48	1497.78	123.61
2006-07	1616.89	1616.89	100
2007-08	1592.79	1640.43	97.09
2008-09	1530.01	1517.81	100.80
2009-10	1345.12	1447.27	92.94
2010-11	614.78	1150.70	53.42
2011-12	672.30	965.92	70.50
2012-13	1137.97	1184.39	96.08
2013-14	1223.92	1227.35	99.72
2014-15	1321.44	1395.07	94.72

Source: Annual Report

Graph 4.7 Total Expense to Total Income Ratio of TCARD Bank from 2005-06 to 2014-15

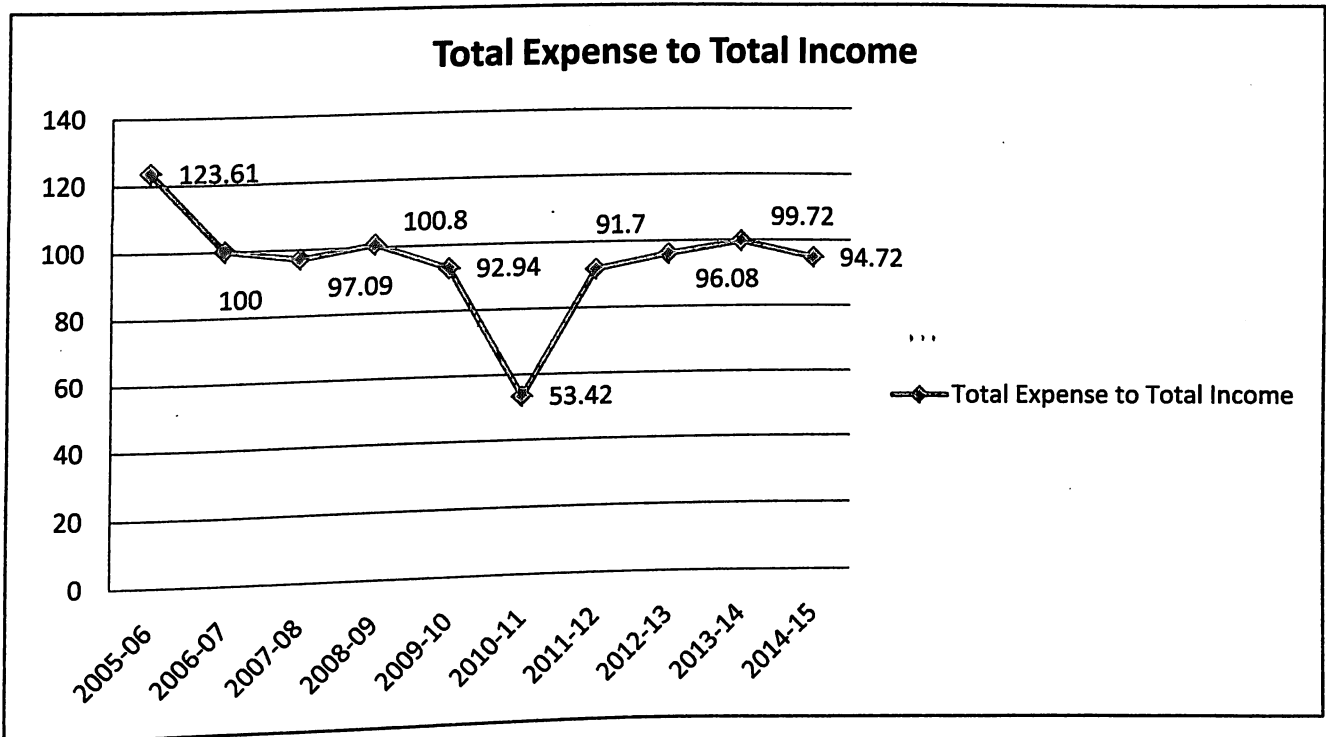


Table 4.7 shows total expense to total income. It shows how much percent of money utilized over total income. Mostly the ratio constitutes above 90 percent. It is a slight decreasing trend, in 2011 and it fallen down to 60 percent. After that it showed an increasing trend.

4.4.4 Interest Income to Credit Ratio

This ratio reveals the proportion of interest income to credit the interest received from the beneficiaries of the bank is the return on the loan given by the bank. The rate of return is different for different schemes and for different amounts of loans. The bank can plan the outlay in different schemes to some extent and assure a reasonable return for their activities.

$$\text{Interest Income to Credit Ratio} = \frac{\text{Interest income}}{\text{Credit}} \times 100$$

Table 4.8 Interest income to Credit Ratio of TCARD Bank from 2005-06 to 2014-15

Year	Interest income (in lakhs)	Credit (in lakhs)	Ratio (%)
2005-06	681.10	3228.15	21.09
2006-07	617.13	3282.45	18.80
2007-08	562.06	2764.75	20.32
2008-09	613.31	2578.42	23.78
2009-10	534.98	1858.42	28.78
2010-11	463.02	2481.22	18.66
2011-12	197.57	2877.18	7.7
2012-13	596.36	3696.28	16.13
2013-14	715.21	4569.29	15.65
2014-15	770.59	4029.82	19.12

Source: Annual Report

Graph 4.8 Interest income to Credit Ratio of TCARD Bank from 2005-06 to 2014-15

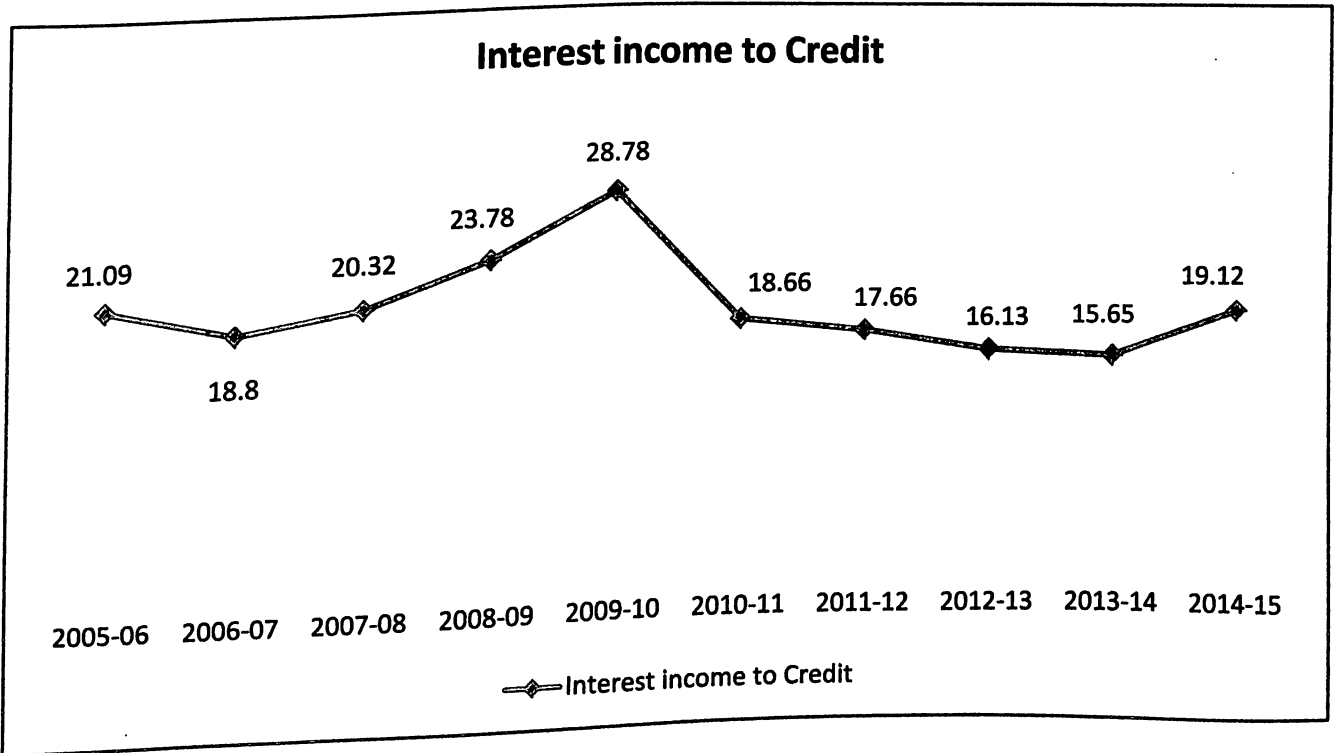


Table 4.8 shows interest income to credit ratio. The ratio increased 2007 to 2009. In 2009 it increased to 29 percent. The annual report of bank states that the board worked well to get repayment of outstanding amount of loan and interest.

4.5 Profitability Ratio

4.5.1 Interest Income to Total Income Ratio

Interest income is the major share of the total income of Agricultural Development Banks. Any change in the rate of interest will have a wide impact on the income and profit position of these institutions.

$$\text{Interest Income to Total Income Ratio} = \frac{\text{Interest Income}}{\text{Total Income}} \times 100$$

Table 4.9 Interest Income to Total income Ratio of TCARD Bank from 2005-06 to 2014-15

Year	Interest income (in lakhs)	Total income (in lakhs)	Ratio (in lacks)
2005-06	681.10	1497.78	21.09
2006-07	617.13	1616.89	18.80
2007-08	562.06	1640.43	20.32
2008-09	613.31	1517.81	23.78
2009-10	534.98	1447.27	28.78
2010-11	463.02	1150.70	18.66
2011-12	197.57	965.92	20.47
2012-13	596.36	1184.39	16.13
2013-14	715.21	1227.35	15.65
2014-15	770.59	1395.07	19.12

Source: Annual Report

Graph 4.9 Interest Income to Total income Ratio of TCARD Bank from 2005-06 to 2014-15

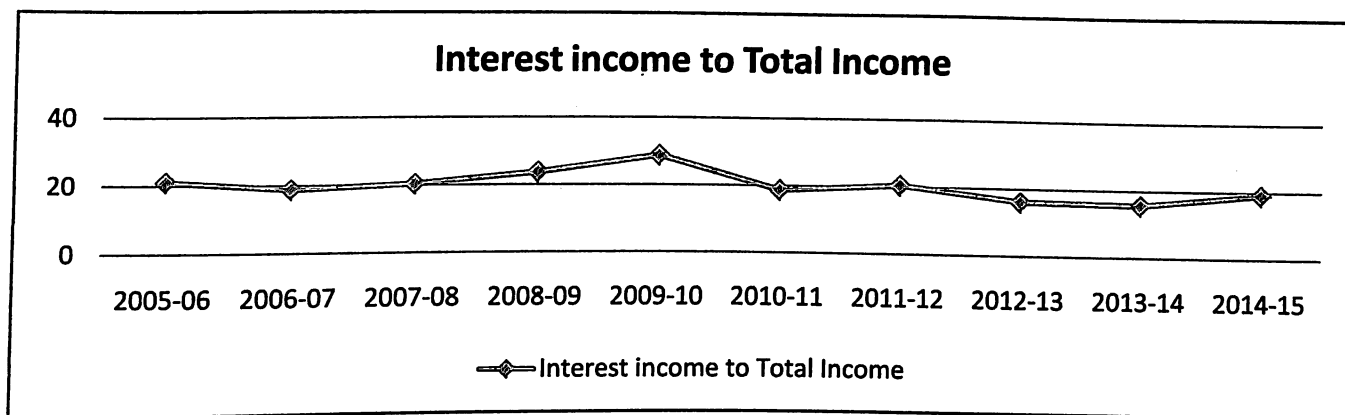


Table 4.9 shows the Interest income to total Income ratio. The trend shows a fluctuating trend. From 2005 to 2010. It is found that recovery campaign of the bank played a good role increasing the trend in 2009-10. Later on it showed a decreasing trend.

4.5.2 Non-Interest Income to Total Income Ratio

The non-interest income to total income ratio explains the above situation more clearly. This ratio shows the proportion of non- interest income in the total income of the banks.

$$\text{Non-interest Income to Total Income Ratio} = \frac{\text{Non-Interest Income}}{\text{Total Income}} \times 100$$

Table 4.10 Non-interest income to Total Income Ratio of TCARD Bank from 2005-06 to 2014-15

Year	Non- interest income (in lakhs)	Total income (in lakhs)	Ratio (%)
2005-06	36.06	1497.78	2.40
2006-07	33.00	1616.89	2.04
2007-08	39.85	1640.43	2.42
2008-09	30.49	1517.81	2.00
2009-10	49.16	1447.27	3.39
2010-11	92.86	1150.70	8.07
2011-12	30.13	965.92	3.11
2012-13	106.34	1184.39	8.97
2013-14	74.05	1227.35	6.03
2014-15	75.70	1395.07	5.42

Source: Annual Report



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Graph 4.10 Non-Interest income to Total Income Ratio of TCARD Bank from 2005-06 to 2014-15

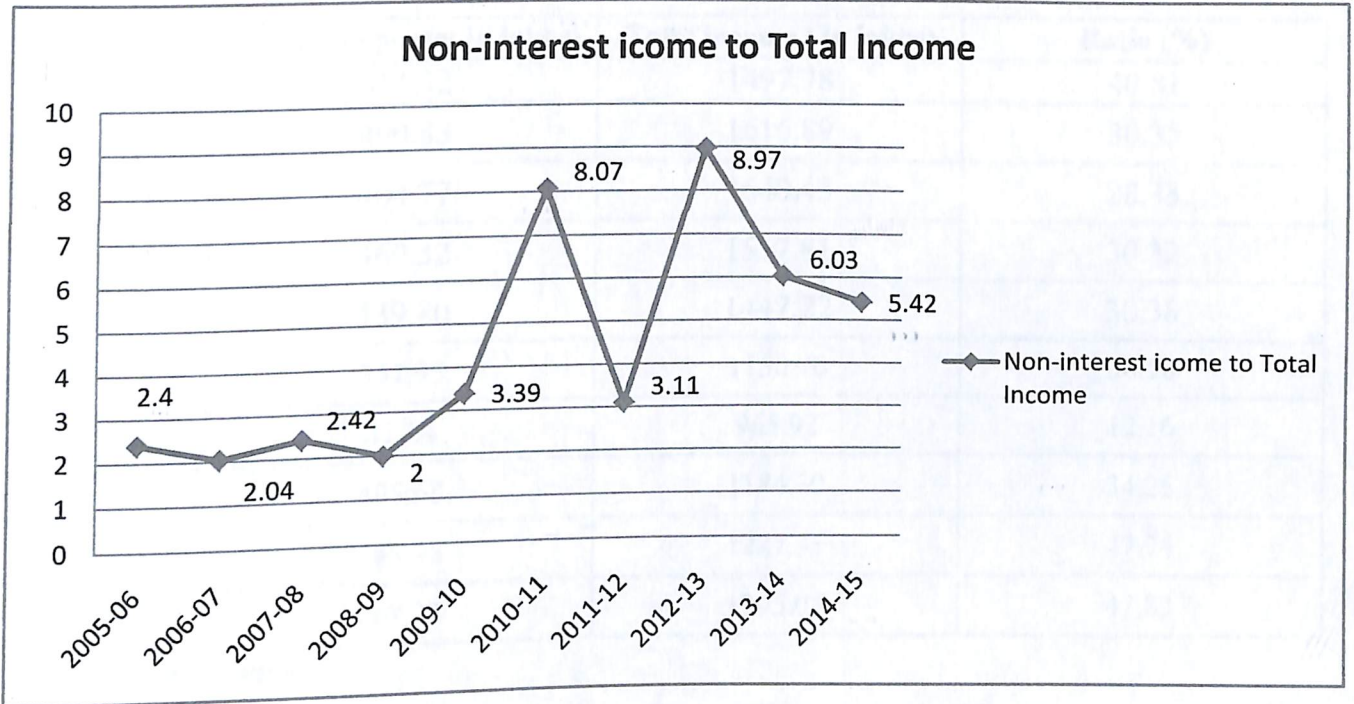


Table 4.10 shows Non-interest income to total income ratio. The per cent of Non-interest income contributes only a small portion over total income. The 2010-2011 showed a great increase in the non-interest income. Again in 2012 it showed an increasing trend.

4.5.3 Interest Expense to Total Income Ratio

The substantial portion of the expenditure of the Agricultural Development Banks is in the form of interest expense for the loan taken from the apex bank.

$$\text{Interest Expense to Total Income} = \frac{\text{Interest expense}}{\text{Total Income}} \times 100$$

Table 4.11 Interest Expense to Total Income Ratio of TCARD Bank from 2005-06 to 2014-15

Year	Interest expense(in lakhs)	Total income (in lakhs)	Ratio (%)
2005-06	611.32	1497.78	40.81
2006-07	490.83	1616.89	30.35
2007-08	464.77	1640.43	28.33
2008-09	460.32	1517.81	30.32
2009-10	439.80	1447.22	30.38
2010-11	351.95	1150.70	30.58
2011-12	117.4	965.92	12.16
2012-13	405.68	1184.39	34.25
2013-14	585.98	1227.35	47.74
2014-15	667.28	1395.07	47.83

Source : Annual Report

Graph 4.11 Interest Expense to Total Income Ratio of TCARD Bank from 2005-06 to 2014-15

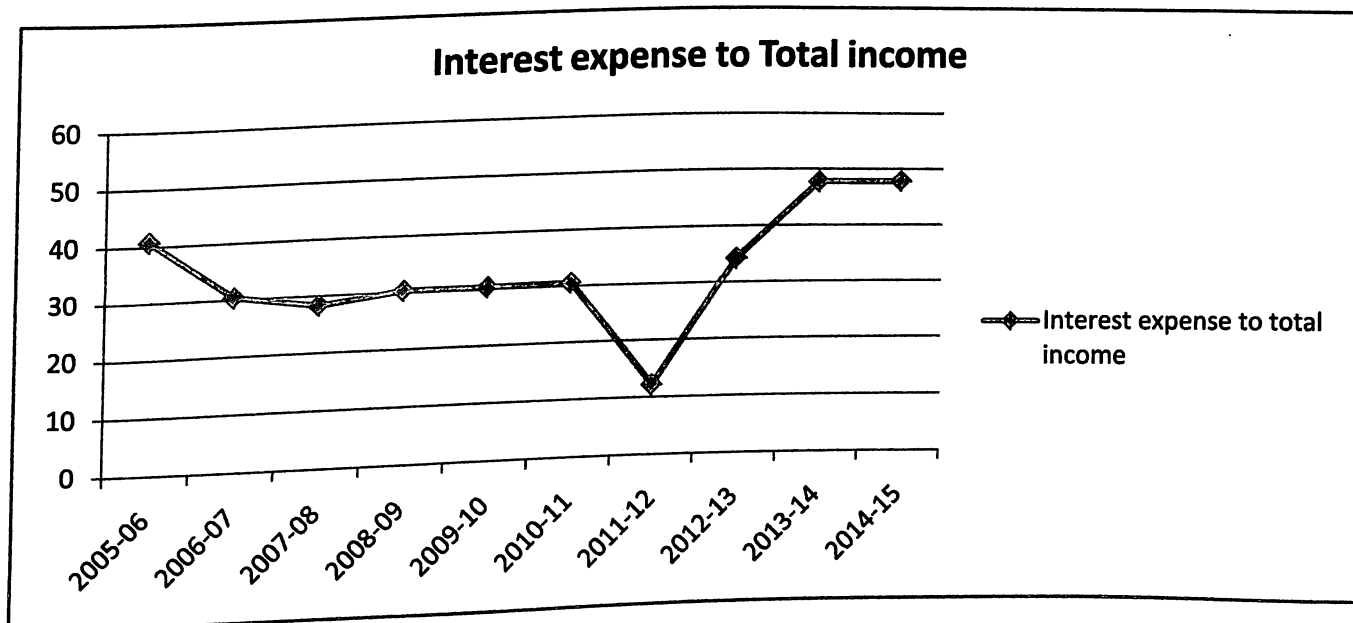


Table 4.11 shows a fluctuating trend. Around 30 to 50 percent of income utilized for interest payment. It decreased in the year 2011-12 and showed consecutive growth for the remaining year.

4.5.4 Non-interest Expense to Total Income Ratio

The non-interest expense is another major item of expenditure of these primary banks. A proper control on this will help these institutions to maintain a reasonable return.

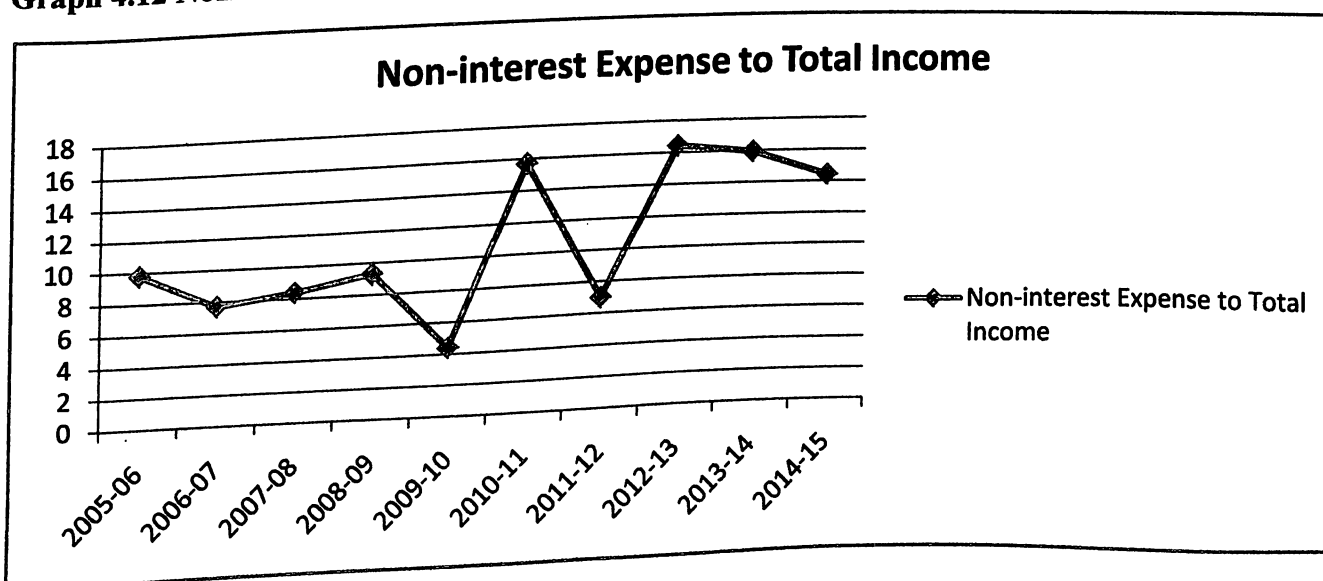
$$\text{Non-interest Expense to Total Income Ratio} = \frac{\text{Non-Interest expense}}{\text{Total Income}} \times 100$$

Table 4.12 Non-interest Exp. to Total income Ratio of TCARD Bank from 2005-06 to 2014-15

Year	Non-interest expense (in lakhs)	Total income (in lakhs)	Ratio (%)
2005-06	134.54	1497.78	9.80
2006-07	124.71	1616.89	7.71
2007-08	137.69	1640.43	8.39
2008-09	141.36	1517.81	9.31
2009-10	64.49	1447.27	4.42
2010-11	180.67	1150.70	15.70
2011-12	66.14	965	7
2012-13	194.56	1184.39	16.42
2013-14	195.76	1227.35	15.95
2014-15	201.23	1395.07	14.42

Source: Annual Report

Graph 4.12 Non-interest Exp. to Total income Ratio of TCARD Bank from 2005-06 to 2014-15



Graph 4.12 shows an irregular trend on non-interest expense to total income. From 2005-06 to 2009-2010 the ratio was at decreasing rate . In the period 2012 it increased and later it slightly decreased after wards.

4.5.5 Net Profit/ Net loss to Owned Fund Ratio

Net profit is the real accounting profit after providing all expenses and reserves for overdue. This is the amount available to shareholders. To find out whether a reasonable return obtains on the capital it is essential to relate the net profit to owned fund. This ratio is a real indicator of profitability of the bank.

$$\text{Net Profit/Net loss to Owned Fund Ratio} = \frac{\text{Netprofit or netloss}}{\text{Ownedfund}} \times 100$$

Table 4.13 Net loss to Owned fund Ratio of TCARD Bank from 2005-06 to 2014-15

Year	Net Loss (in lakhs)	Owned fund (in lakhs)	Ratio (%)
2005-06	353.70	471.35	75.03
2006-07	356.11	469.05	75.92
2007-08	308.48	450.77	68.43
2008-09	320.68	430.67	74.45
2009-10	218.52	393.51	55.53
2010-11	239.89	341.54	70.23
2011-12	224.68	386.28	58.16
2012-13	178.27	406.11	43.89
2013-14	174.83	441.03	39.64
2014-15	101.20	435.39	23.24

Source : Annual Report

Graph 4.13 Net loss to Owned fund Ratio of TCARD Bank from 2005-06 to 2014-15

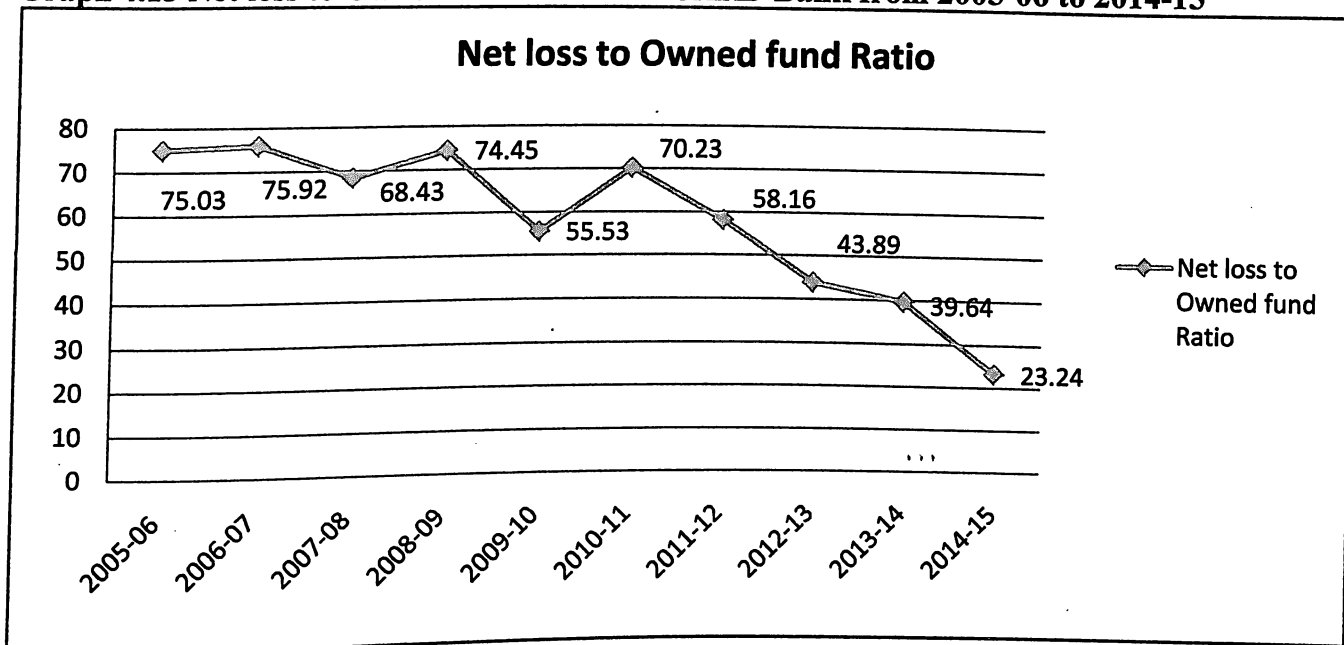


Table 4.13 shows the net loss to working fund ratio the bank continuously made net loss over the study period. In fact ratio was fluctuating until 2010-11, but the stronger recovery mechanism enabled the bank to improve their revenue condition, hence the loss ratio declined significantly after 2011-10. If the situation continuous the bank will attain better position in the coming years.

4.5.6 Spread Analysis

The spread analysis measures and examines the causes of changes in the difference between gross interest received on earning assets and gross interest paid on interest costing liabilities. The difference is called net interest spread. The primary banks acquire funds mainly by borrowings, in return they promise to pay interest. These banks acquire assets such as loans and investments for which they receive interest. The difference between what the bank pays for fund and what they get for fund is spread.

Spread to Working Fund Ratio

As stated earlier spread is the difference between interest income and interest expenditure. It is the margin available to the banks in interest transactions.

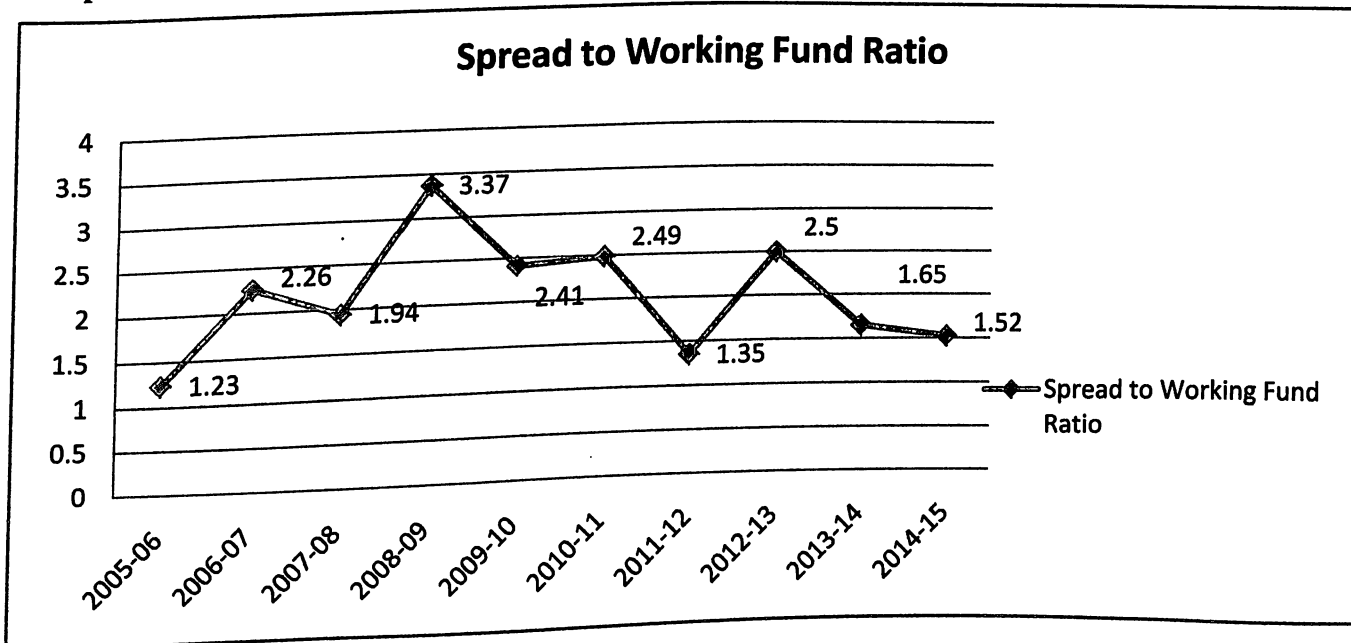
$$\text{Spread to working fund Ratio} = \frac{\text{spread}}{\text{working fund}} \times 100$$

Table 4.14 Spread to Working Fund Ratio of TCARD Bank from 2005-06 to 2014-15

Year	Spread (in lakhs)	Working fund (in lakhs)	Ratio (%)
2005-06	69.77	5662.85	1.23
2006-07	126.29	5579.21	2.26
2007-08	97.28	5000.93	1.94
2008-09	152.99	4539.26	3.37
2009-10	95.17	3946.58	2.41
2010-11	111.06	4448.80	2.49
2011-12	80.76	5913.28	1.35
2012-13	190.68	7602.33	2.50
2013-14	129.22	7831.62	1.65
2014-15	103.31	6753.09	1.52

Source : Annual Report

Graph 4.14 Spread to Working Fund Ratio of TCARD Bank from 2005-06 to 2014-15



The graph 4.14 The interest spread of the bank is contributing only a meagre portion of the working fund of the bank. More over the ratio has been considerably declined during later part of the study period. The bank has to depend more on external sources for their working fund.

4.5.7 Burden Analysis

The burden analysis examines the impact of non-interest expense and non-interest income. The net result of spread and burden is termed as the gross profit. Burden is the net difference between non-interest expense and non-interest income. The banks should earn sufficient non-interest income to meet the non-interest expenditure (cost of management). Then only they can maintain a reasonable level of profitability.

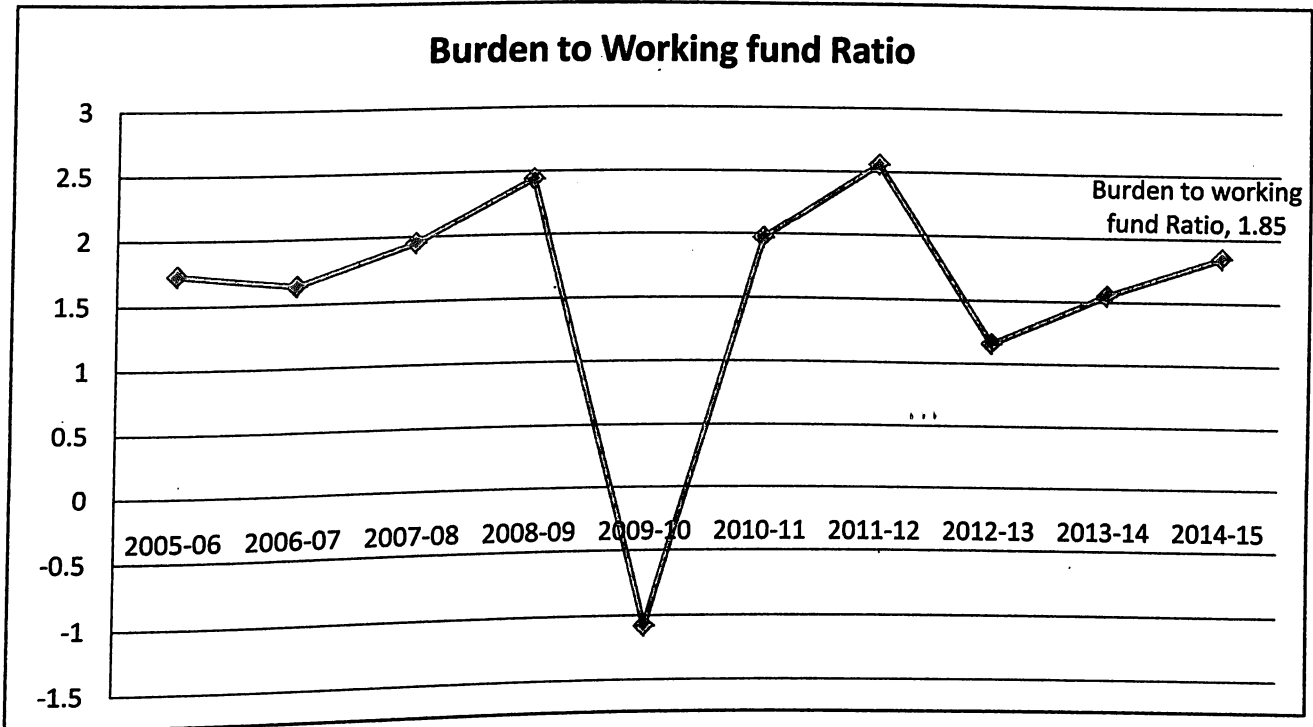
$$\text{Burden to Working Fund Ratio} = \frac{\text{Burden}}{\text{working fund}} \times 100$$

Table 4.15 Burden to Working fund Ratio of TCARD Bank from 2005-06 to 2014-15

Year	Burden(in lakhs)	Working fund(in lakhs)	Ratio (%)
2005-06	98.47	5662.85	1.73
2006-07	91.68	5579.21	1.64
2007-08	97.84	5000.93	1.95
2008-09	110.87	4539.26	2.44
2009-10	-42.67	3946.58	-1.08
2010-11	87.80	4448.80	1.97
2011-12	101.20	5913.28	2.56
2012-13	88.22	7602.33	1.16
2013-14	121.71	7831.62	1.55
2014-15	125.52	6753.09	1.85

Source: Annual Report

Graph 4.15 Burden to Working fund Ratio of TCARD Bank from 2005-06 to 2014-15



Graph 4.15 shows a fluctuating trend of burden to Working fund ratio. It is a bad situation for the bank because except 2009 to 2010. It showed unsatisfactory trend, it indicated that the bank has no adequate non-interest income to meet its non-interest expense.

8. Gross profit to Working fund ratio

This ratio gives the net result of spread ratio and burden ratio. This ratio is an indicator of profitability. The higher the ratio, the safer is the position of the bank.

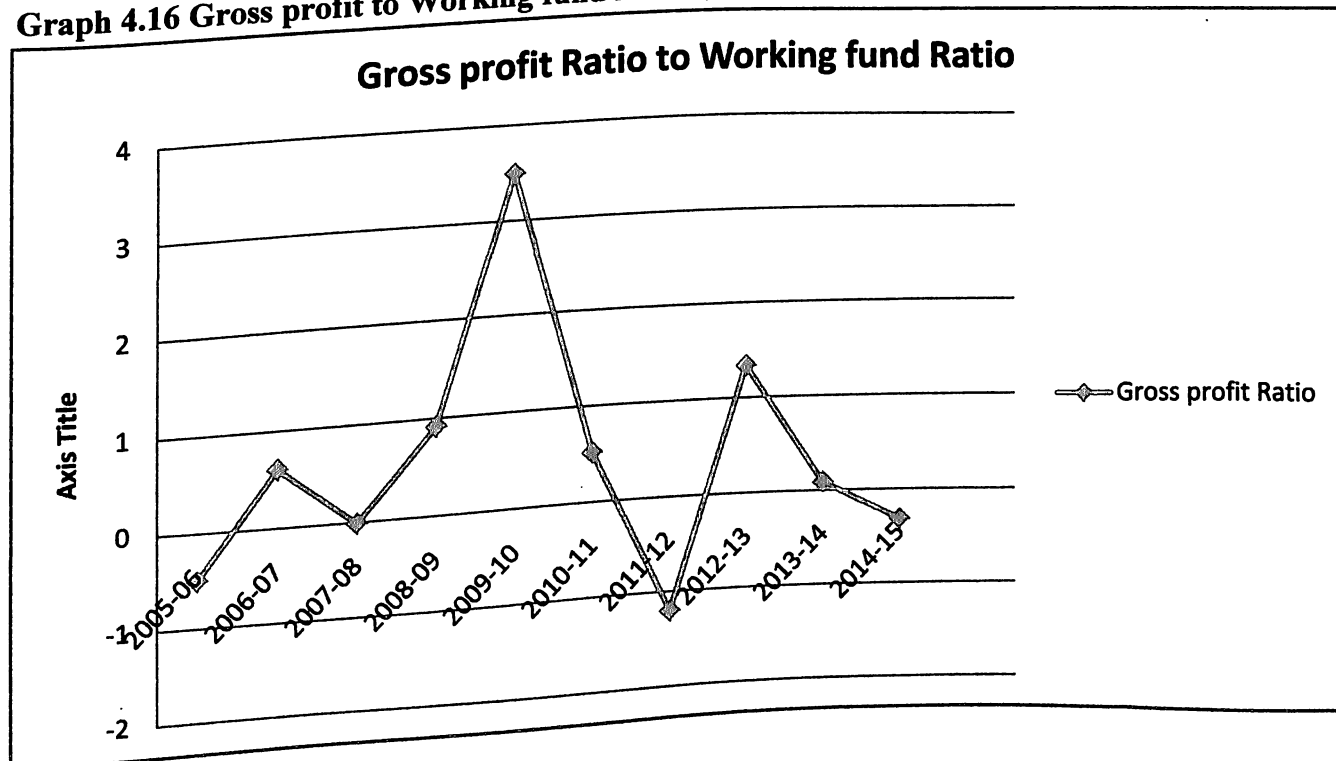
$$\text{Gross profit to Working fund ratio} = \frac{\text{Spread} - \text{Burden}}{\text{working fund}} \times 100$$

Table 4.16 Gross profit to Working fund Ratio of TCARD Bank from 2005-06 to 2014-15

Year	Spread (in lakhs)	Burden (in lakhs)	Gross Profit	Working Capital (in lakhs)	Ratio (%)
2005-06	69.77	98.49	-28.71	5662.85	-0.50
2006-07	126.29	91.72	34.58	5579.21	0.61
2007-08	97.28	97.85	-0.56	5000.93	-0.01
2008-09	152.99	110.87	42.12	4539.26	0.92
2009-10	95.17	-42.66	137.84	3946.58	3.49
2010-11	111.06	87.81	23.26	4448.8	0.52
2011-12	80.76	151.75	-70.98	5913.28	-1.20
2012-13	190.68	88.23	102.46	7602.33	1.34
2013-14	129.22	121.72	7.50	7831.62	0.09
2014-15	103.31	125.53	-22.22	6753.09	-0.32

Source: Annual Report

Graph 4.16 Gross profit to Working fund Ratio of TCARD Bank from 2005-06 to 2014-15



The graph 4.16 shows gross profit ratio. It shows a fluctuating trend. In the year 2007 to 2010 gross profit showed an increasing trend. In 2009-10 the bank had performed well. Then it showed a decreasing trend. During the later period it showed a decreasing trend. The bank has been getting only less amount of gross profit over the working capital.

4.6 Conclusion

The financial performance analysis of TCARD Bank has done to know the financial position of the bank. The analysis covered efficiency in mobilization, analysis of deployment of funds, efficiency in controlling expenses and improving overall efficiency, and profitability are analysed here by using ratios. The ratio analysis was done by using annual report from 2005-06 to 2014-15. After analyzing the financial performance it was seen that the bank has to put more effort to be a successful one.

PART- B

DATA ANALYSIS ON CUSTOMER SATISFACTION

4.7 Introduction

Customer satisfaction is an important factor in success of any business organization. Customer satisfaction is considered as the essence of success of a service concern like bank also. Bank should be known about the expectation and perception of the customer. Measuring customer's expectation is the key to being able to serve the customer satisfactorily. On the other hand, with better understanding of customer's perceptions, bank can determine the actions required to meet the customer's needs. In this way they can easily satisfy the customer which is directly impact on the overall performance of the bank. Hence this chapter deals with the analysis of customer satisfaction of TCARD Bank Tirur.

A customer level survey was conducted with a view to assess the extent of customer satisfaction, derived by the customers of the bank. The survey has helped to reveal certain important aspects with regard to the nature of services provided by TCARD Bank Tirur. Further this study was also intended to providing sufficient remedial action for improving the level of customer satisfaction of the bank.

For the purpose of primary data analysis a sample size of 50 customers was selected. A detailed survey schedule was issued among the customers to gain an insight into the level of satisfaction derived by them out of the services rendered by the bank.

4.8 Socio economic profile of customers

Table 4.17 depicts the socio-economic profile of the customers. It is important for the banker to know the customer's basic details. The customers of the bank constitutes heterogeneous group in which many are differing to age, place, income, education etc. This results in different expectation in quality for the same services by different customers. That is, the satisfaction may different according to the nature of customers. A better service to a person may be an average service to another. Hence the profile of the customers are analysed here to know which category of people attract the bank.

Table.4.17 Socio Economic status of the respondents

Location of the respondents		
Location	Frequency	Percentage
Urban	12	24
Rural	38	76
Total	50	100
Gender wise classification		
Gender	Frequency ...	Percentage
Male	36	72
Female	14	28
Total	50	100
Age group of sample respondents		
Age group	Frequency	Percentage
18-35	18	36
36-55	26	52
56 above	6	12
Total	50	100
Educational status of the respondents		
Educational status	Frequency	Percentage
Below SSLC	14	28
SSLC	18	36
Plus Two	10	20
Degree	7	14
PG	1	2
Total	50	100
Occupational status of the respondents		
Occupational status	Frequency	Percentage
Govt. Sector	2	4
Private sector	12	24
Farmers	9	18
Business	9	18

Self employment	16	32
Non-Resident	2	4
Total	50	100
Distribution of monthly income		
Income level (₹	Frequency	Percentage
Below 10,000	27	54
10,000-25,000	15	30
25,000-50,000	8	16
Total	50	100

Source: Primary data

Table 4.17 reveals that 76 per cent of the respondents belong to rural area. Male customers constitute 72 per cent. Regarding the age group highest portion belongs to 36-55, only 6 customers from above 56 age group. While looking into the educational status 36 per cent of the respondents have SSLC education. 28 per cent belongs to below SSLC. On analyzing the occupational status 16 customers are doing self employment 24 per cent belongs to private sector. 54 per cent of the Sample respondent's monthly income belongs to below Rs. 10000.

4.9 Personal experience with the bank

4.9.1 Reason for taking Membership

Reason for opening membership is analysed here, to know how many customers took membership for taking loan and deposit money.

Table 4.18 Reason for taking membership

SL.No	Reason	Frequency	Percentage
1	For Taking loan	37	74
2	For deposit Money	13	26
	Total	50	100

Source : Primary data

Table 4.18 reveals that 74 per cent of the respondents took membership for taking loan. Since the bank is a land development bank, which lending over mortgage of land, so mostly the membership is opened for taking loan. For increasing savings habit of people apex bank has

opened schemes such as savings deposit scheme and Fixed Deposit scheme. TCARD bank act as an agent for collecting the money.

4.9.2 Customer's relation with bank staff

Customer relationship is a success factor. Maintaining customer relation adds value on customer satisfaction. Here analyzes how many customers have good relation with bank staff.

Table 4.19 Customer's relation with bank Staff

SL. No.	Employees	Frequency	Percentage
1.	Secretary	5	10
2.	Officer	8	16
3.	Clerk	9	18
4.	Peon	5	10
5.	Nil	23	46
	Total	50	100

Source: Primary data

Table 4.19 shows that 46 per cent of the sample respondents have no relationship with bank staff .Rest of the part have familiarity with the bank staff. In this customer driven business world it is important to maintain relationship with customers.

4.9.3 Response on necessary to know the bank staff for an easy transaction

Question was asked to know whether customers know bank staff for an easy transaction.

Table 4.20 The responses of customers

SL.No	Response	Frequency	Percentage
1.	Necessary	16	32
2.	Not Necessary	34	68
	Total	50	100

Source : Primary data

Table 4.20 shows that 68 per cent of the respondents disagree with this question. They state that there is no need to know personally bank staff for an easy transaction.

4.9.4 Customers awareness about various services of bank

Bank is offering various services. The most widely used services of the bank are credit and deposit services. An attempt is made here to analyze the customer's awareness about banking services.

Table 4.21 Customer's awareness about various services of the bank

Serial No	Type of Services	No of respondents	Percentage
1.	Deposit		
	Fixed Deposit	32	64
	Savings Deposit	34	68
2.	Loans		
	ARF – Agricultural Loan	43	86
	Agribusiness Loan	36	72
	Vehicle Loan	24	48
	Housing Loan	45	90
	Personal Loan	18	36
	Gold 1 Loan	46	92
	Traders Loan	9	18
	Consumer Loan	28	56
	Second hand Vehicle Loan	16	32
	Cash credit	13	26

Source: Primary data

Table 4.21 reveals details about deposit services and credit services. Above 60 per cent of the respondents aware of both of the two deposit schemes. Regarding credit related services 86 per cent of the respondents know agricultural loan. 90 per cent age of the population knows housing loan. 92 per cent knows gold known. Traders loan, cash credit and second hand vehicle loan are the least known services among the customers.

4.9.5 Primary sources of information about the banking services

A source of information is an important factor because customers know services from different channels. The information channels are analysed here to find out most preferable channel.

Table 4.22 Primary Sources of Information about the banking services

SL. No.	Primary Sources of information	Frequency	Percentage
1	Membership application	14	28
2	GB meeting	9	18
3	Interaction with board	2	4
4	Notice	10	20
5	Friends and relatives	15	30
	Total	50	100

Source: Primary data

The table 4.22 shows primary sources of information about the services of the bank 30 per cent of the respondents knew services from their friends and relatives. 28 per cent knew at the time of membership application. 20 per cent knew from notice board and advertisement displayed at the bank. Although word of mouth plays significant role in sharing information about the banking services.

4.10 Deposits

4.10.1 Type of deposit

Type of deposit hold by respondents are analysed here.

Table 4.23 Type of deposit hold by members

SL.No	Type of deposit	Frequency	Percentage
1.	Savings Deposit	9	70
2.	Fixed Deposit	4	30
3.	Total	13	100

Source: Primary data

Table 4.23 shows most preferable deposit scheme hold by the respondents. Among the 13 depositories 9 has savings deposit. They occupy 70 per cent. These accounts are mainly opened for encouraging savings habit among members. As the bank is a land mortgage bank it does not have the permission to accept funds from public, the accounts are controlled by the apex bank. Primary bank only acts as an agent.

4.10.2 Reason for depositing money

Reason for depositing money is analysed here.

Table 4.24 Reason for depositing money

SL. No.	Reason	Frequency	Percentage
1	High interest rate	4	31
2	Relation with staff	3	24
3	Convenience to reach the bank	5	38
4	Quality of service	1	7
5	Total	13	100

Source : Primary data

Table 4.24 indicates that 38 per cent of the customers deposit money because of convenience to reach the bank. Fixed deposit holders are opened account because of high interest rate, 24 per cent convinced that they have opened account because of familiarity with the bank staff.

4.11 Credit related services

4.11.1 Type of loan taken by the respondents

The bank provides different type of loans. Analysis is done to know which the most preferable loan services of the bank are.

Table 4.25 type of loan taken by the respondents

SL.No.	Transaction	Frequency	Loan
1	ARF-Agri Loan	6	14
2	Home loan	9	21
3	Agribusiness loan	3	7
4	personal loan	2	5
5	Vehicle loan	1	2
6	Gold loan	11	26
7	Traders loan	2	5
8	Consumer loan	4	10
9	Jewel purchase loan	4	10
	Total	42	100

Source: Primary data

Table 4.25 shows the portfolio of loan taken by respondents, Among the 42 customers who have taken loan 26 per cent took gold loan and 21 per cent took home loan, and these are the main type of loan sanctioned by the bank. Agriculture loan sanctioning is low compared to

home loan and gold loan. As a bank for encouraging agriculture sector this information is not supporting the operational objective of the bank.

4.11.2 Response regarding interest rate on loan

Question was asked to know the response over interest rate on loan. This table analyzes respondent's answer.

Table 4.26 Response over interest rate on loan.

SL.No	Response	Frequency	Percentage
1	High	23	62
2	Average	11	30
3	Low	3	8
	Total	37	100

Source: Primary data

Table 4.26 shows respondents feedback over interest rate on loans. 62 per cent states that the interest rate is high. Such information is not surprising one as the cost of borrowings in co-operative sector is usually high.

4.11.3 Satisfaction level on formalities of loan service

A loan sanctioning may take formalities such as application formalities, timely approval, installment and interest this table analyzes respondent's satisfaction on loan service.

Table 4.27 Satisfaction level on formalities of loan service.

SL.No.	Transaction	Total score	Satisfaction Index	Rank
1.	Application formalities	129	51	2
2.	Timely approval	123	49	3
3.	Installment	136	54	1
4.	Interest	95	38	4
	Satisfaction Index		48	

Source: Primary data

Table 4.27 shows the satisfaction index on various formalities of the bank. The satisfaction score is 48 which fall into the category of Average satisfaction level. Most of the customers dissatisfied with interest and timely approval.

4.11.4 Response regarding awareness to legal formalities if the borrower becomes defaulter

Question was asked to know the awareness level of respondents over formalities if the borrower becomes a defaulter. The respondent's answer is analyzed here.

Table 4.28 Response regarding awareness to legal formalities if the borrower becomes defaulter

SL.No	Response	Frequency	Percentage
1	Know	36	85
2	Not know	6	15
	Total	42	100

Source: Primary data

Table 4.28 shows 85 per cent of respondents are aware about the formalities if the borrower becomes defaulter. It shows customer's safe attitude towards borrowings.

4.11.5 Compliant over credit services

Complaint over credit service is analysed here.

Table 4.29 Complaint on Credit Services

SL. No.	Reason	Frequency	Percentage
1	Lack of information about credit Services	3	8
2	Cumbersome procedures	17	40
3	Attitude of staff is impolite	-	-
	No complaint	22	52
	Total	42	100

Source : Primary data

Table 4.29 reveals the complaint over credit services and 40 per cent respondents have complaint about cumbersome procedures. Following 8 per cent has complaint on lack of information about credit services. 55 per cent has no complaint. Sanctioning of loan by the bank takes more procedures and takes atleast one month. So the customers dissatisfied with cumbersome procedures.

4.12 Attitude of staff

4.12.1 Behaviour of employees with customers

The staff of the bank has direct contact with customers. So the behavior of the staff will be affecting the customer satisfaction level. Effective delivery of the services will result good

satisfaction level so the dealing of the personnel with customers are of utmost importance. Here an attempt is made to examine the satisfaction level of customers as regards the behavior of staff.

Table 4.30 Behaviour of employees with customers

SL.No.	Behavior	Total Score obtained	Satisfaction Index	Rank
1	Polite	236	94	2
2	Courteous	239	96	1
3	Service minded	222	89	3
4	Impersonal	175	70	4
Satisfaction Index			87	

Source: Primary data

From the table 4.30 it is clear that customers are always satisfied with behaviour of the bank staff. Here the satisfaction Index worked out for behaviour of bank staff is 87. Which fall under the category of 'Always' polite. So it can infer that employee's behavior towards customer is always polite, courteous, and service minded.

4.12.2 Services of the bank staff

Table 4.31 Services of the bank staff

SL No	Type of services	Total Score obtained	Satisfied Index	Rank
1	Priority in attending customers	217	86	2
2	Prompt service	195	78	4
3	Always willing to help me	199	79	3
4	Fast solving of queries	216	87	1
5	Reminds me formalities of services	168	67	5
Satisfaction			79	

Source: Primary data

Table 4.31 shows that the services of the bank staff. The satisfaction index on the type of services is 79, which fall into category of 'Frequently' service. The satisfaction index is high in fast solving of queries so, which infer that bank staff 'Always' good in fast solving of queries raised by customers. Second ranked service is priority in attending customers. The last ranked service is Reminds them about formalities of service.

4.12 Bank premises

Table 4.32 Customer's response over bank premises

SL. No.	Reason	Satisfied		Dissatisfied	
		No	Percentage	No	Percentage
1	Location of the bank	46	92	4	8
2	Parking space	6	12	44	88
3.	Satisfaction over bank environment	36	72	14-	28
4.	Space to carryout transaction	40	80	10	20

Source : Primary data

Table 4.32 reveals that 92 per cent of the respondents satisfied with the location of the bank, because the bank situates in the central part of Tirur town. All customers can easily reach the bank. But there is no adequate parking facility so that 88 per cent of the respondents are dissatisfied with its parking area. 72 per cent of the customers satisfied with the bank's environment. 80 per cent of respondents satisfied with space to carry out transaction. Bank provides drinking water facility and seating facility. But there is no fan, magazine and table besides the seat of customers.

4.13 Complaint redressal mechanism

Respondents were asked whether they inform the management in case they find any problem with any services offered by the bank.

Table 4.33 Informing of complaint

Always	Frequently	Occasionally	Rarely	Never
4	9	2	1	34

Source: Primary data

From 4.33 It is evident that the bank providing good service. If there is complaint, customers inform indirectly the bank officials. The complaint and suggestion box is not appeared at proper place of the bank.

4.14 Conclusion

After analyzing variables such as personal experience with the bank deposit services, time taken to complete transaction, credit related services, attitude of staff, bank premises and complaint redressal mechanism lot of valuable information are found, on some variables bank has to improve. Attitude of staff shows a good result. But some dissatisfaction appears in credit related services and it is because of legal formalities on mortgage of land. While considering bank premises bank has to take some measures to satisfy customers. Customers are mostly dissatisfied with parking area and facilities at the bank. Complaint redressal mechanism should be effective, bank officials should hear customers and ask them what they need and suggestions to improve services. Bank has to establish a feedback mechanism to improve their service. Although service of the bank is satisfactory eventhough it is a land mortgage bank.

Chapter - 5

Summary of Findings and Suggestions

Chapter - 5

SUMMARY OF FINDINGS AND SUGGESTIONS

PART - A

FINANCIAL PERFORMANCE

5.1 Introduction

The development of agriculture holds the key to the progress of Indian economy. A strong foundation of agriculture is a necessary condition for sustainable economic and social development in our economy. Without this, it will be impossible to accelerate growth and ensure sustained improvement of the economy of the people. Because of the inter relationship existing between agricultural development and general economic development, There is an urgent need for increased agricultural production.

The Agricultural and Rural Development Banks are the pioneers in long-term credit for doing agricultural activities and were established only for this purpose. In recent years they have been expanding their activities and diversified lending portfolio not only for the activities based on agriculture, but also for non-farm sectors and housing in rural India. Thus the scope for Agricultural and Rural Development Banks is increasing. But their financial characteristic often makes it difficult for them to meet the expectations placed on them.

5.2 Findings of the study

1. Borrowings to working fund ratio shows the mere external dependence to apex bank. Owned fund over working capital constitutes only small portion. This situation drives to depend more on external sources of fund.
2. Credit to Working fund ratio does not show supporting result, because only half portion of working fund is given as credit.
3. Above 80 per cent of income utilized for interest payment. The bank's primary source of income is interest income, as the bank lends only half portion of working capital and big portion of income is paid for interest payment. Hence the condition is not favorable to the bank.

1. Total expense to total income ratio shows an unfavorable result above 90 per cent of income utilized for meeting expenses, so the bank could not hold sufficient portion of income for future development.
2. Non-interest expense to total income shows an increasing trend from 2012.
3. Bank consistently not pays the interest on borrowings to apex bank.
4. Bank had suffered huge loss in the year 2005-06, that is 75 per cent loss suffered on owned fund, over the years it decreased up to 23 per cent in the last year. It can infer that bank is in a good position as compared to previous years.
5. The interest spread of the bank is contributing only a meagre portion of the working fund of the bank. More over the ratio has been considerably declined during later part of the study period. The bank has to depend more on external sources for their working fund.
6. Burden ratio shows a negative growth, it is an unfavorable situation for the bank, because except 2009-10 it showed a negative trend. Bank has not adequate non-interest income to meet its non-interest expense.

5.3 Suggestions

1. The Owned fund position of the primary bank can be improved by capital contribution of the apex bank and government.
2. The bank showed a good recovery performance in the year 2009-10, it resulted in all over efficiency of the bank so the same mechanism can be adopted in succeeding years.
3. Bank can deploy more fund for rural development and agriculture development. Deployment of fund is low over borrowings.
4. Bank delays in interest payment on borrowed fund to apex bank, it should be in a consistent mode.
5. Loan recovery mechanism can be done to improve the efficiency of the bank.
6. Bank has to control its expenses otherwise the major portion of interest income may be utilized for settlement of expense.
7. Burden ratio shows an unfavorable situation so the bank has to make proper actions to maintain margin.

8. As the bank is a land mortgage bank it should be keen on controlling expense because It has no the authority to accept fund from public.
9. Burden ratio shows a negative result. The bank has to ensure that there should be an adequate means to pay non-interest expense without using interest income

5.4 Conclusion

The project work on “Performance of Tirur Co-operative Agricultural and Rural Development Bank : A study on Financial Performance and Customer Satisfaction ” at the bank reveals the financial performance of the bank for the past ten years from 2005-06 to 2014-15. After analyzing some variables of finance. The bank has to put more effort to improve its financial performance for which certain suggestions are made in this study. The bank suffers net loss although it performs well because in 2005-06 the net loss was above seventy percentages. According to its characteristics the bank suffers by some procedural issues. The resources of the bank should be used in such a way that it can improve the financial position and makes the bank’s condition sound.

PART-B

CUSTOMER SATISFACTION

5.6 Introduction

In this customer driven business world it is very essential to satisfy customer. This aspect is not free from a merely service oriented institutions like banks. A bank is a facilitator of economic and social development in the world. It provides intangible services like loans, deposit services, insurance, social empowerment services. So these services should have good value as per the customers demand otherwise it is difficult to satisfy them. Value addition on services is an important factor. It may be as a service with a smile, meet customers politely, give them comfortable environment etc. In the banking industry co-operative credit institutions have significant role, there is a general opinion in the industry that co-operative institutions fail to satisfy customers. As the relevance of customer satisfaction is increasing today the co-operative bank has to adopt proper policy implication in the customer relationship management. So this study deals with customer satisfaction in Tirur Co-operative Agriculture and Rural Development Bank on selected variables.

5.7 Findings

Findings of the study on selected variables outlined below:

1. On analyzing the socio-economic profile of the customers. The study finds majority of the customers come from rural area. The age group of customers is mostly between 36-55. Mostly the Educational status of customer fall below plus two. While considering the occupational status majority of the customers are doing self employment and private sector job. Monthly income level of customers fall into the category of below Rs.10000.
2. 74 per cent of the customers opened membership for availing credit facility. Around half of the customers have no personal interaction with the bank officials.
3. When analyzing the various services, Customers mostly know agriculture loan, housing loan and gold loan. Some specific loan schemes are ignorant to them. Customers knew the services from their friends and relatives, and while giving membership application. Word of mouth publicity plays a vital role.

4. Bank receives deposit services like savings deposit and fixed deposit to improve savings habit of members. From the depositories 70 per cent of the respondents have savings deposit. Reasons for depositing money into the bank are convenience to reach the bank and relationship with staff and high interest rate.
5. Study finds that mostly availed loans by customers are home loan, gold loan and agricultural loan.
6. 62 per cent of the customers remarked that interest on loan is high compared to other banks. When looking into the customer satisfaction level on formalities of loan service. Customer satisfaction is average on application, timely approval, and interest. Dissatisfaction level is increased on timely approval and interest. 84 per cent of the customers are well aware about formalities if the borrower becomes defaulter. As a land mortgage bank there is cumbersome procedures to sanction a loan so the main customer dissatisfied problem is cumbersome procedures in credit related services.
7. On analyzing the behaviour of employees with customers, majority of customers remarked they are always polite, courteous and service minded. An analysis is made to find out customers perception on employees service. 54 per cent of customers reveal that employees are fast in solving of queries, but other services are not exhibit good from the customer's perspective such as Priority in attending customers, prompt service and remind services of bank staff.
8. Looking into the bank premises location of the bank is in a good place all the customers can easily reach the bank. But there is no adequate parking facility. 88 per cent of customers dissatisfied on this facility. Bank provides drinking water facility. The absence of fan, comfortable seating facility makes distraction in providing comfortable environment to customers.
9. Most of the customers occasionally inform the complaint. However they informally giving complaint through bank officials. The complaint box is not appeared in a proper place.

5.8 Suggestion

1. As the customers are coming from rural area with low income and low educational status. The bank has to do more on rural development. A co-operative is formed to empower member's economic and social goals. The age group of members reveals that they are in a medieval stage of life struggling with financial responsibilities, so the bank has to form policies according to their needs. Majority of the members are dissatisfied on interest rate. So it has to consider the profile of members while fixing interest.
2. The bank's main function is providing long term loan on mortgage of land. Majority of the customers opened membership for availing loan facility. Customers only know common loan services, special schemes are ignorant to them. Hence the bank can do marketing activities to attract members for special schemes.
3. To attract more number of customers bank can provide different types of schemes at the interest rate prevailing in the banking industry, on that way bank can develop savings habit among rural community.
4. As the interest rate is high on loans bank has to consider customer perceptions. Most of them dissatisfied with interest rate. Bank has to simplify loan procedures because customer satisfaction is high on timely approval of loan.
5. Behaviour of the staff should be developed as maximum, because their behaviour represent the bank's behaviour towards customers and also their services should be developed, because employees behaviour is lack in priority in attending customers, prompt service, willingness to help reminds service formalities. Hence the bank has to conduct classes on customer relationship management for employees.
6. Bank has to ensure proper environment to satisfy customers. Bank should take actions to establish a better parking facility and provide good seating facility and fans. Majority of customers revealed that the bank should adopt new technological advancements. Bank lacks in using modern equipment and tools, they said that paper work may consume more time. Hence the bank should make proper strategies to satisfy customers from the changing business environment.



7. If there is a complaint it should be solved fast as possible. A complaint and suggestion box should be established in a proper place, because the available one is not in a proper place. A feedback mechanism should be established to know customers feedback.

5.9 Conclusion

The project work in Tirur Co-operative Agriculture and Rural Development Bank was an attempt to analyze the customer satisfaction. A survey has been conducted to know the customers satisfaction and perceptions on selected variables. It can be concluded that the bank should put more efforts to satisfy the customers for which certain suggestions are made in this study. Customer's tastes and preferences may change time to time. Hence the bank has to maintain a customer relationship and watch their changes towards banking services.

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ANNEXURE

COLLEGE OF CO-OPERATION, BANKING AND MANAGEMENT

KAU, VELLANIKKARA

Customer Satisfaction towards Banking Services of Tirur Co-operative Agricultural and Rural Development Bank, Ltd No M.11

SURVEY QUESTIONNAIRE

I. PERSONAL EXPERIENCE WITH THE BANK

1. Name : _____
2. Gender : Male Female
3. Age : _____
4. Qualification : a) Below SSLC b) SSLC
c) Plus Two d) Degree/Diploma
e) Post Graduate
5. Occupation : a) Public Sector b) Private Sector
c) Farmer d) Business
e) Professional f) Unemployed
6. Annual Income (in Rs.) : _____
7. Residence : Urban Rural
8. Why did you take membership?
- i. To obtain a loan
- ii. To deposit money

9. Indicate whether you know personally any of the following staff

- a. Secretary
- b. Any officer
- c. Clerk
- d. Peon/ watch man

10. Do you consider it necessary for you to know some bank staff personally for a speedy transaction?

Yes No

11. What are the services of the bank you know?

Deposits

- a. Savings Deposit
- b. Fixed Deposit

Loans

- a. ARF – Agricultural Loan
- b. Non-Agricultural Loan
- c. Vehicle Loan
- d. Housing Loan
- e. Personal Loan
- f. Gold I Loan
- g. Traders Loan
- h. Consumer Loan
- i. Second hand Vehicle Loan
- j. Cash credit

12. From where did you come to know the services?

- a. At the time of membership application
- b. GB meeting
- c. Official letters
- d. Intervention with board
- e. Notices or other material
- f. Others (specify).....

II. DEPOSITS

1. Which type of deposit do you have in this bank ?

a. Savings Deposit b. Fixed Deposit

2. Kindly specify the reason for depositing in this bank

High interest rate ...

Convenience

Familiarity with the staff

Quality of service

Other reason specify.....

III. CREDIT RELATED SERVICES

1. What type of credit facility do you currently avail with bank ?

a. ARF – Agricultural Loan b. Non-Agricultural Loan

c. Vehicle Loan d. Housing Loan

e. Personal Loan f. Gold 1 Loan

g. Traders Loan h. Consumer Loan

i. Second hand Vehicle Loan j. Cash credit

2. Do you think it is necessary to know any one of the bank staff for an easy sanction of loans?

Yes No

3. Do you think that the rate of interest is high? Yes No

4. How long did it take your loan application sanctioned?.....

5. Indicate your satisfaction level on the following indicators?

	Highly Satisfied	Satisfied	Average	Dissatisfied	Highly dissatisfied
Application formalities					
Timely approval			...		
Installment					
Interest					

6. Do you know the legal formalities of the bank if you become a defaulter?

Yes No

7. Do you have any complaint regarding the credit facilities?

Lack of information about credit facilities

Cumbersome procedures

Attitude of staff is impolite

Others(Specify).....

IV. ATTITUDE OF STAFF

1. How do the employees of the bank behave with you?

	Always	Frequently	Occasionally	Rarely	Never
Polite					
Courteous					
Service minded					
Impersonal but helpful					

2. Please rate services of the bank staff.

	Always	Frequently	Occasionally	Rarely	Never
Priority in attending customers					
Prompt service					
Always willing to help me					
Fast solving of queries					
Reminds me formalities of services					

V. BANK PREMISES

1. Is the Location of the bank convenient to you ?

Yes No

2. Is there adequate parking space for parking your vehicle?

Yes No

3. Is the bank's environment comfortable to you ?

Yes No

4. Is it easy to identify various sections of the bank

Yes No

5. Is there enough space for you to carry out your transaction ?

Yes No

6. Does the bank provide basic amenities to you ?

Drinking water Yes No

Seating facility Yes No

Fan Yes No

Reading Materials Yes No

VI. COMPLAINT REDRESSAL MECHANISM

1. Do you inform the management the problem you face regarding various services of the bank?

Always Frequently Occasionally Rarely Never

2. How did you inform the complaint?

By written complaint

By informal interaction with officials

At General Body meeting

3. Did you have any complaint to the services of the bank? Yes No

4. If yes, What was the complaint?.....

5. How was the complaint dealt with?

Promptly attended and problem solved

Sympathetically considered

Not attended

6. Is a complaint box or suggestion box available at the bank? Yes No

7. Do you have any suggestions for improving the quality of service?

.....

