

Lending Performance of Sathyamangalam Large sized Multipurpose Cooperative Society with respect to Joint Liability Group Loan

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Abstract: Cooperative sector is the third emerging sector in India. Cooperative societies to rendering services to poor people in rural areas. It is imperative to discuss the lending performance of Joint Liability group in LAMP Society from 2008-2009 to 2016-2017. Growth and development of LAMP Society were based on the key area of Deposit, Loans and advances, Borrowings, Profitability and productivity. Lending performance concept occupies pivotal role in the theory of financial management. The analysis of financial statement is a process of the evaluation, the relationship between various components of the financial statement for better understanding of the performance of Sathyamangalam LAMP Society. In this structure, the researcher is made an attempt to know the financial soundness by applying tools like Trend analysis Average annual growth rate, Compound annual growth rate.

Keywords : Deposit, Loans and Advances, Borrowings, Trend analysis, Profitability.

1. Introduction

In Tamil Nadu, there are 22 Large Sized Multipurpose Cooperative Societies. with an aim of improving the socio-economic status of the tribal people and to provide a market for their produce, to sell produce like samai, varagu, honey and tamarind under a common brand name. The benefit of tribal people and those living in hilly areas, LAMPS were formed with the primary objective of providing credit and distributing agricultural inputs to improve farm productivity. Apart from providing essential commodities through PDS shops and Super markets, they also help in marketing agricultural produce and minor forest produce of tribal people. The concept of group lending among tribal people has also been widely promoted. Generally the members of a JLG would engage in similar type of economic, social and standard of living conditions in rural areas. JLG members are expected to provide support to each other in carrying out occupational and social activities.

2. Objectives

1. To study deposit and lending performance of LAMP Society
2. To know the lending practices and policies of Joint Liability Groups
3. To analyze the performance of Joint Liability Group Loan of LAMP Society

3. Methodology

The data required for the study has been collected from an extensive survey of literature in the form of articles, books and annual reports of Sathyamangalam LAMP Society. Period of Nine years starting from 2008-09 to 2016-2017 has been covered. Quantitative approaches have been adopted. The present study uses to analyze the Trend value of LAMP Society.

4. NABARD GUIDELINES FOR FINANCING OF JOINT LIABILITY GROUPS

The formal banking system has been able to provide credit to tenant farmer account of their inability to offer collaterals. Based on the experience gained implementation of a pilot project of the scheme, NABARD circulated a detailed scheme for financing of Joint Liability Groups (JLGs) by all commercial banks and Cooperative banks including RBI. The scheme aims to augment flow of credit to tenant farmers cultivation land as oral lessees or share croppers and small farmers, who do not have proper title to the broader objection is also to develop mutual trust and confidence between banks and tenant farmers.

Financing of JLGs

- A JLG is an informal group comprising preferably of 4 to 10 individuals compare together for the purpose of availing bank loan either single or group mechanism against mutual guarantee.
- The members should be similar in socio economic status and background residing with in the same village / area and know each other well enough to taken joint liability. The group member should not be a defaulter and JLG should not formed with members of the same family.
- JLG is intended primarily as a credit group and therefore, savings by JLG members is Voluntary.
- Banks could finance individuals of the group after members execute jointly inter-se agreement making each one jointly and severally liable for the loan.
- Banks could finance the entire group assessing the combined credit required of all members.

Purposes and Limit of Credit

Banks are required to extend a flexible product covering crop production requirements, consumption needs, marketing and other productive purposes. It could be a cash credit, short term loan. The maximum loan may be restricted to Rs.50,000 per individual.

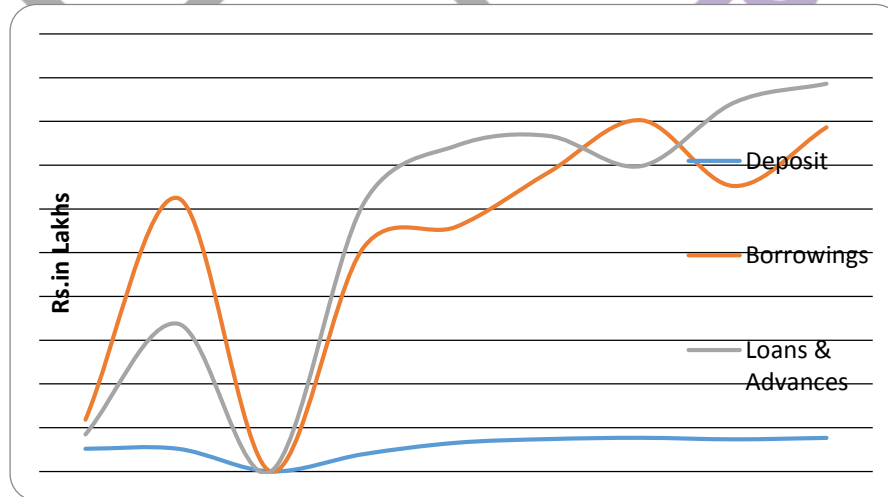
5. Lending Practices

The lending practices of Primary Cooperative Societies which includes Large Sized Multipurpose Cooperative Societies are small-size units located in Rural areas. The financial service of these societies in rural region includes providing loan for farming, land, cattle, crops and allied activities of Cooperative societies provide loans to the customers.

Table 1
Financial Performance of Sathyamangalam LAMP Society (Rs.in lakhs)

Year	Deposits	Growth Rate	Borrowings	Growth Rate	Loans and Advances	Growth Rate
2008-2009	25.93	-	59.14	-	42.50	-
2009-2010	25.87	99.76	312.47	528.36	168.92	397.45
2010-2011	Nil	Nil	Nil	Nil	Nil	Nil
2011-2012	19.78	76.28	255.73	432.41	305.82	719.57
2012-2013	32.75	126.30	279.62	472.81	372.34	876.09
2013-2014	37.00	142.69	341.92	578.15	383.63	902.65
2014-2015	38.45	148.28	401.54	678.96	349.16	821.55
2015-2016	36.70	141.53	326.30	551.74	421.55	991.88
2016-2017	38.35	146.74	393.45	665.28	443.29	1043.03
Total	254.83	881.58	2370.17	2474.13	2487.21	5752.22
AAGR		97.95		274.9		639.14
GAGR		0.044		0.026		0.113

Chart 1



The above table describes the financial position of Sathyamangalam LAMP Society from the year 2008-2009 to 2016-2017. Loans and advances, Deposit, borrowings has been increased from the year 2008-2009 to 2016-2017. In the year 2010-2011 some Institutional problems all the business activities were blocked.

6. Meaning of Trend

Trend signifies a tendency and as such the review and appraisal of tendency in accounting variables are nothing but trend analysis. Trend analysis is carried out by calculating trend ratios (percentage) and /or by plotting the accounting data on graph paper forecasting and budgeting. Trend analysis disclose the changes in financial and operating data between specified

Formula

$$Y_c = a + b(x)$$

Where, Y_c = trend values,

a=y intercept or trend value at origin i.e.,

b=slope of trend line or amount of change in trend value per unit of X. slope may be positive or negative.

X= time unit may be half year, one quarter, one month, one week or one day.

To determine the value a and b

$$a = \sum y / n$$

$$b = \sum xy / \sum x^2$$

Table2
JLG Loan

(Rs.in Lakhs)

Year	Loan Issued (y)	$y_c = a + bx$	Loan Recovery (y)	$y_c = a + bx$	Loan Outstanding (y)	$y_c = a + bx$
2008-2009	30.12	38.93	30.03	25.31	02.45	52.30
2009-2010	32.90	50.66	29.36	30.37	03.54	53.30
2010-2011	0.00	62.39	00.00	35.43	0.00	54.30
2011-2012	87.18	74.12	38.32	40.49	48.86	55.30
2012-2013	110.98	85.85	48.62	45.55	62.36	47.83
2013-2014	126.18	97.58	60.94	50.61	65.24	56.30
2014-2015	118.10	109.31	63.50	55.55	54.60	64.77
2015-2016	127.84	121.04	68.24	60.73	59.60	73.24
2016-2017	139.39	132.77	70.94	46.61	68.45	81.71
	$\sum y = 772.69$		$\sum Y = 409.95$		$\sum Y = 430.46$	

Chart 2

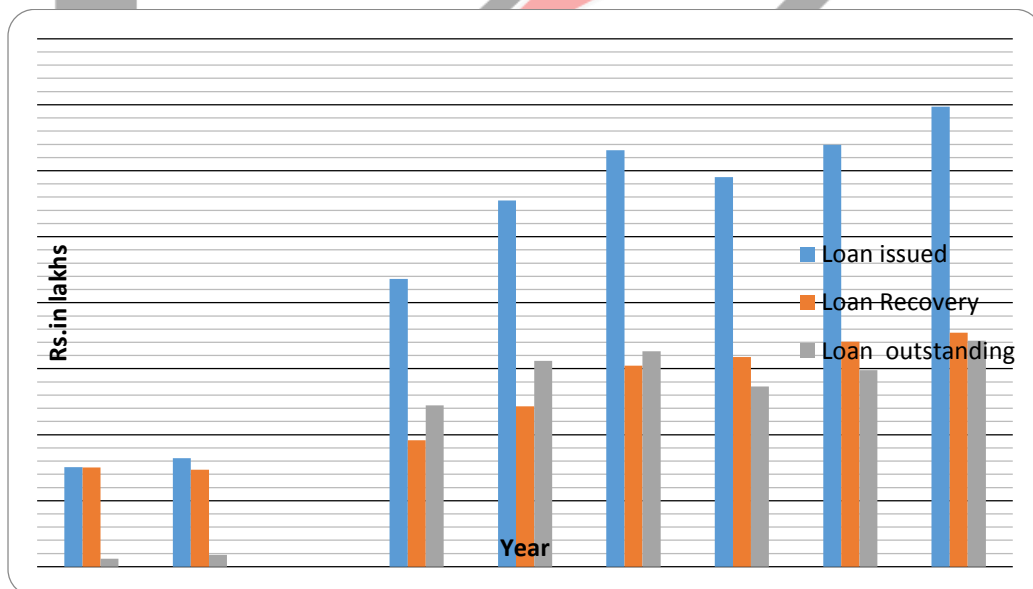


Table 2 indicates the progress of Loan in Sathyamangalam LAMP Society. In 2008-2009 the loan issued position is Rs.30.12 lakhs it has been increased to Rs.139.39 lakhs in the year 2016-2017 this position shows fluctuating trend during the year. The trend value of Loan Issued position increasing trend during the period from 2008-2009 to 2016-2017. . In 2008-2009 the loan recovery is Rs.30.03 lakhs it has been increased to Rs.70.94 lakhs in the year 2016-2017 this position shows increasing trend during the year. . In 2008-2009 the loan outstanding is Rs.2.45 lakhs it has been increased to Rs.68.45 lakhs in the year 2016-2017 this position describe fluctuating trend during the year The overall progress of Loan is Satisfactory.

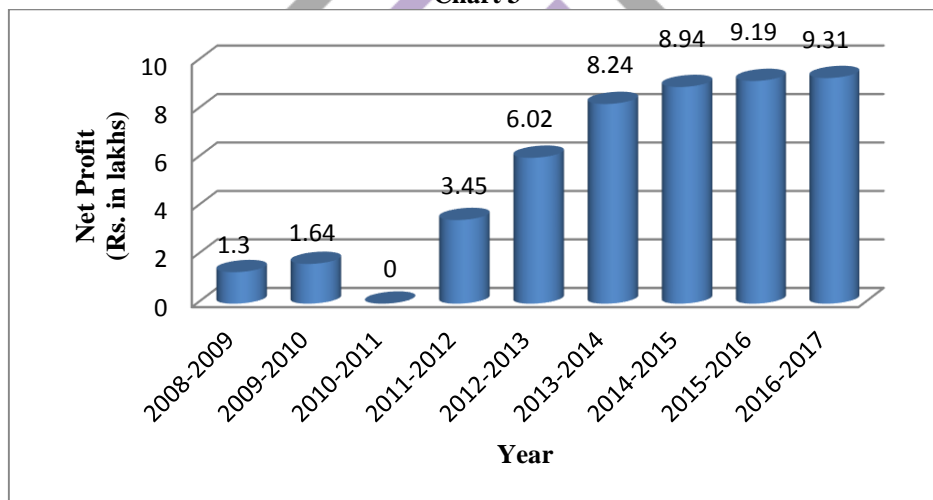
7. Net Profit

Net profit is one of the most closely followed numbers in finance, and it plays a large role in all the Cooperative Institution. The net profit should be distributed within the provision of Tamil Nadu cooperative societies Act 1983 and Rule 1988. The profit earned by the society after meet out all expenses is called net profit.

Table 3
Net profit

Year	Net profit	Growth Rate
2008-2009	1.30	-
2009-2010	1.64	79.26
2010-2011	Nil	Nil
2011-2012	3.45	265.38
2012-2013	6.02	463.07
2013-2014	8.24	633.84
2014-2015	8.94	687.69
2015-2016	9.19	706.92
2016-2017	9.31	716.15

Chart 3



The above table shows the Net Profit of the society for the past Nine years. In the year 2008-2009, the Net Profit position was 1.30 Lakhs. Further it has been increased to 9.31 Lakhs in the year 2016-2017.

8. Findings

- The trend value of JLG Loan Issued, JLG Loan Recovery position is increasing in trend value during the period from 2008-2009 to 2016 -2017 is overall Satisfactory in nature.
- JLG Outstanding is also increasing in trend value. So, if the Loan Outstanding is increases, it is loss for the Society. But in this society JLG Loan Outstanding is slightly increasing from the period 2008-2009 to 2016-2017 and so it is quite satisfactory in nature.
- In 2008-2009 the Deposits is Rs.25.93 Lakhs and it has been increased to Rs.38.35 Lakhs in the year 2016-2017 it is satisfactory in nature.
- In 2008-2009 the Borrowing is Rs.59.14 Lakhs and it has ben increased to Rs.393.45 Lakhs in the year 2016-2017.
- In 2008-2009 the Loans and Advances is Rs.42.50 Lakhs and it has been increased to Rs.443.29 Lakhs in the year 2016-2017. it is satisfactory in nature

9. Conclusion

The LAMP society is one of the Peculiar Institution of Cooperative sector. Hence the study has been undertaken to analyze the Financial performance of Sathyamangalam LAMP Society various tools has been used to measure the management efficiency. From the present study I have conclude that the the overall performance of the society is well and good, especially the JLG performance also being to be improved .It has been a better performance in terms of profitability of the society.

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