



ISSN 2395-0293

KICMA Reach

Journal of Management

Vol. 4 No. 2 July-December 2018

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Website: www.kicmakerala.in

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Anad Farmers Service Co-operative Bank: A Study of its Business Activities

Nishanth S. & Aneesh A.K.***

Introduction

Anad Farmers Service Co-operative Bank (AFSCB) was initially registered as a mutual help Co-operative Society in the year 1924 and started its functioning from 29.01.1924. It was later converted as Farmers SCB on 28.03.1978. The area of operation of the bank is limited to Anad and Panavoor Panchayath of the above two villages in Nedumangad Taluk of Thiruvananthapuram District. AFSCB covers 11878 acres with a total population of 60075.

Objectives

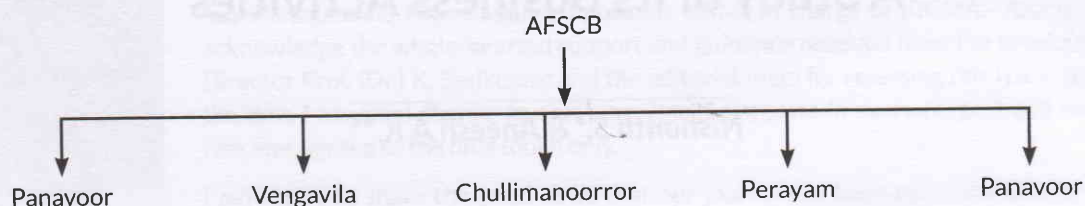
1. To provide credit facilities and arrange other services, coordinating, assisting and arranging the distribution of consumer commodities to the farmers especially small and marginal farmers, rural handlers, working farmers, small and cottage industrialists, small traders so as to enhance occupation, production and income.
2. To procure fertilizers, seeds, manure, instruments, cattle feed, pesticides etc. which are useful for agriculture, equipment related to the fishery, raw materials needed for small-scale and cottage industries, machines, equipment, home appliances and sell to the members.
3. To procure buy and sell agricultural produce, dairy products, animal husbandry, fisheries-related products, small and cottage industries products of members, directly or through marketing societies or through other agencies and issuing loans on their guarantee.
4. To own, hire or facilitate processing units of agriculture produce, dairy products and other animal husbandry related products.
5. To co-ordinate agricultural service activities by procuring agriculture-related equipment such as tractors, power tillers, bulldozers, sprayers, pump sets or arrange custom servicing for the benefit of members.
6. To own or hire godowns for storing of products of agriculture and agriculture-related industries or for arranging facilities for activities in the interest of general public.
7. To receive deposits and loans from members, non-members, co-operative banks, financial institutions and government.
8. To act as an agent of PCARDB, Marketing society, Processing society or Housing Co-operative society or Consumer Co-operative Society to lend long-term loans, the distribution of agricultural implements and for the sale of agricultural crops, milk, egg etc.

* Faculty, Agricultural Co-operative Staff Training Institute, Thiruvananthapuram -695583

** Independent Researcher, Thirumala, Thiruvananthapuram 695006

9. To disburse loans to Local Self Government Institutions, Self Help Groups, Kudumbashree Units, Co-sponsored Co-operative Societies subject to conditions.
10. To enter into contracts with the government, local bodies, individuals for the construction of roads, digging of wells, acquiring the construction of buildings, lakes, ponds etc. to ensure employment in the future through members or with the assistance of members.

The Bank has 6 Branches and a Head Office,



Membership

A Class Membership is open to all those individuals who are capable of entering into a contract, residing within the area of operation of the bank and who completed 18 years of age. B Class Membership is opened to State Government, financial Agencies, Local Self Government Institutions, Self Help Groups, Kudumbasree Units, Co-sponsored Co-operative societies.

C Class Membership is issued to all those persons who are residing or having an occupation in Thiruvananthapuram District irrespective of the area of operation of the Bank. C Class share is issued at Rs.5 per share and is refundable. C Class members can join Chitty/MDS pledge gold ornaments and can stand as surety for others. C Class Members cannot avail loan or cast vote or can be elected to the Managing committee. All individual members shall subscribe minimum 1 A class share. An individual member shall not hold more than 20 percentage of Authorised Share Capital. Subject to the restrictions above a member can raise the number of shares held by him with the approval of the Director Board.

Table 1
Membership

| Year | Opening | Admitted | Discontinued | Closing |
|---------|---------|----------|--------------|---------|
| 2012-13 | 36,521 | 368 | 88 | 36,980 |
| 2013-14 | 36,980 | 722 | 96 | 37,798 |
| 2014-15 | 37,798 | 193 | 114 | 38,105 |
| 2015-16 | 38,105 | 214 | 74 | 38,393 |
| 2016-17 | 38,393 | 162 | 37 | 38,592 |

In 1961-62 the membership was only 1025. It is observed that the membership started increasing from 1961-62. Table 1 presents growth in membership during the period 2012-13 to 2016-17. It is noticed that every year new members are admitted. During the last 5 years, 1659 members have joined in the bank and 404 discontinued their membership. During the year 2016-17 total number of members counts to 38,592 and admission of new members during 2016-17 is less when compared to previous years.

Share Capital

The Authorised Share Capital of the bank is 25,00,000 A Class shares each being a face value of Rs.10 amounting to 250 Lakhs. 2,00,000 B Class shares each being a face value of Rs.100 amounting to 200 lakhs and 20,000 C Class shares of each being Rs 5 per share amounts to 1 lakhs and a total of 451 lakhs. The bank is planning to increase A Class shares to 60 lakhs amounting to 600 lakhs (6 crores) and C Class shares to 50,000 amounting Rs.2.5 Lakhs and a total authorised share capital of 825 lakhs.

Table 2
Share Capital (Rs. in lakhs)

| Year | Opening | Current | Refunded | Closing |
|---------|---------|---------|----------|---------|
| 2012-13 | 192.92 | 10.58 | 4.24 | 199.26 |
| 2013-14 | 199.26 | 39.17 | 9.24 | 229.19 |
| 2014-15 | 229.19 | 28.76 | 3.60 | 254.41 |
| 2015-16 | 245.42 | 21.57 | 9.57 | 266.42 |
| 2016-17 | 266.42 | 17.51 | 7.51 | 276.41 |

The share capital of AFSCB shows a steady increase from Rs199.26 lakhs to Rs 276.41 lakhs. As per the table, the withdrawal of share capital during the period is steadily increasing, however, the year 2014 -15 shows a decrease. The AFSCB has to take care to retain the share capital of the members.

Table 3
Growth Rate of Share Capital (Rs. in lakhs)

| Year | Share Capital | Growth Rate |
|---------|---------------|-------------|
| 1961-62 | 0.45 | - |
| 1971-72 | 1.56 | 247 |
| 1981-82 | 10.84 | 595 |
| 1991-92 | 39.94 | 268 |
| 1995-96 | 75.38 | 89 |
| 2000-01 | 166.74 | 121 |
| 2004-05 | 171.09 | 2.61 |
| 2008-09 | 178.04 | 4 |
| 2009-10 | 178.83 | .44 |
| 2010-11 | 181.83 | 1.67 |
| 2011-12 | 191.60 | 5.37 |
| 2012-13 | 199.26 | 4 |
| 2013-14 | 229.19 | 15 |
| 2014-15 | 254.41 | 11 |
| 2015-16 | 266.42 | 4.68 |
| 2016-17 | 276.41 | 3.75 |

(CAGR) = 53.42

During the period 1961-62, the share capital was 45 lakhs. It slowly increased its share capital to 39.94 lakhs over a period of 30 years. The present share capital is 276 lakhs of which 24.78 lakhs was contributed by State Government. The growth rate is reduced over the last 5 years. The Compound Annual Growth Rate is 53.42 percent.

Deposits

The bank receives deposits from members and non-members. AFSCB provides the following type of deposits:

Members

1. Fixed Deposits
2. Savings Deposits
3. Current Deposits
4. Home Safe Deposits
5. Thrift Deposits
6. Trade Deposits
7. Call Deposits
8. Recurring Deposits
9. Pigmy Deposits

Non Members

- Fixed Deposits
- Savings Deposits

Table 4
Deposits (Rs. in lakhs)

| Year | Opening | Current | Repaid | Balance |
|---------|----------|----------|----------|----------|
| 2012-13 | 9891.34 | 14452.99 | 13930.08 | 10414.25 |
| 2013-14 | 10414.25 | 13786.71 | 13306.84 | 10894.12 |
| 2014-15 | 10894.12 | 14226.18 | 12609.30 | 12511.00 |
| 2015-16 | 12511.00 | 16214.86 | 14354.70 | 14371.16 |
| 2016-17 | 14371.16 | 15067.03 | 14478.02 | 14960.17 |

The table shows an increase in deposits over the last five years. We can also infer that the inflow of deposits every year over a period of 5 years was encouraging except the last year which showed the slightest decline. However, the amount of deposits repaid over the last years doesn't affect the total deposits generated during the year which indicates that the closure of deposits' accounts was minimal.

Table5
Percentage Growth in Deposits (Rs. in lakhs)

| Year | Deposit | Percentage Growth Rate |
|---------|---------|------------------------|
| 1961-62 | 0.024 | - |
| 1971-72 | 0.70 | 281.7 |
| 1981-82 | 3.65 | 421.4 |
| 1991-92 | 360.82 | 9785.4 |
| 1995-96 | 805.55 | 123.26 |
| 2000-01 | 2200.00 | 173.10 |
| 2004-05 | 3918.18 | 78.09 |
| 2008-09 | 6056.78 | 54.58 |
| 2009-10 | 6999.11 | 15.56 |

| | | |
|---------|----------|-------|
| 2010-11 | 8706.41 | 24.39 |
| 2011-12 | 9898.41 | 13.69 |
| 2012-13 | 10414.25 | 5.21 |
| 2013-14 | 10894.12 | 4.61 |
| 2014-15 | 12511.00 | 14.84 |
| 2015-16 | 14371.16 | 14.86 |
| 2016-17 | 14960.17 | 4.099 |

CAGR=143

During the 1961-62 year, the bank could collect only a meagre deposit of 0.024 lakhs. But there was a hike in deposits during 1991-92. The bank has total deposits of 14960 lakhs (150 cr.) during the year 2016-17. The percentage growth rate in deposits has been declined heavily. The Compound Annual Growth Rate is 143 Percent.

Table 6
Composition of Deposits (in lakhs)

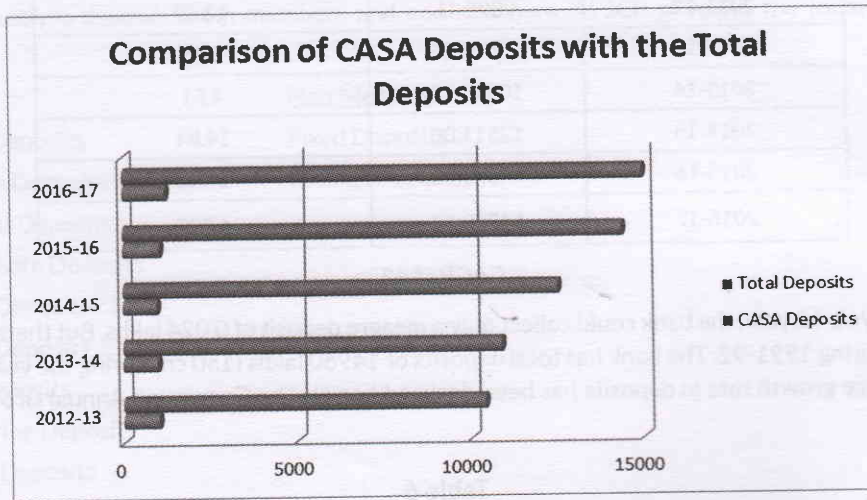
| Deposits | 2012-13 | Percentage | 2013-14 | Percentage | 2014-15 | Percentage | 2015-16 | Percentage | 2016-17 | Percentage |
|--------------|-----------------|------------|-----------------|------------|-----------------|------------|-----------------|------------|-----------------|------------|
| Fixed | 9121.57 | 87.5 | 9610.94 | 88.22 | 11234.09 | 89.79 | 12982.87 | 90.35 | 13387.61 | 89.49 |
| Savings | 965.93 | 9.28 | 947.23 | 8.69 | 919.68 | 7.35 | 987.23 | 6.87 | 1131.65 | 7.56 |
| Current | 44.82 | .43 | 39.60 | .36 | 38.49 | .31 | 62.38 | .43 | 93.40 | .62 |
| Thrift | 212.55 | 2.04 | 222.65 | 2.04 | 232.49 | 1.86 | 234.07 | 1.63 | 235.67 | 1.58 |
| Recurring | 61.12 | .59 | 64.98 | .60 | 76.72 | .61 | 98.06 | .68 | 102.97 | .69 |
| Other | 8.26 | .08 | 8.72 | .08 | 9.52 | .08 | 6.56 | .05 | 8.88 | .06 |
| Total | 10414.25 | | 10894.12 | | 12511.00 | | 14371.16 | | 14960.18 | |

From the table, we can infer that the fixed deposit and the recurring deposit show a continuous increase over the last five year. This may be due to the higher rate of interest offered to the customers as compared to the competitors. Whereas the low-cost deposit like current and savings are not increasing beyond a particular limit. The main reason behind this trend is the competitors in the market. While comparing the percentage of total deposits over the last five years, high-cost deposits contribute to the major share. It is a clear indication that the Anad FSCB could not generate low-cost deposits, which may affect their lending rates.

Table 7
Comparison of CASA Deposits with the Total Deposits over the last 5 years (Rs. in lakhs)

| Year | CASA Deposits | Total Deposits | Percentage |
|---------|---------------|----------------|------------|
| 2012-13 | 1010.74 | 10414.25 | 9.7 |
| 2013-14 | 986.82 | 10894.12 | 9.05 |
| 2014-15 | 958.16 | 12511.00 | 7.66 |
| 2015-16 | 1049.59 | 14371.16 | 7.30 |
| 2016-17 | 1225.03 | 14960.18 | 8.19 |

Figure 1



A healthy mix is not reflected in the Deposits. CASA Deposit percentage has declined in 2014-15 and 2015-16 and a slight increase is shown in 2016-17. However, it will not reduce the average cost of deposit. With this deposit mix, it is difficult to maintain the average cost of deposit to 6%. Since the percentage of CASA Deposit to total Deposit is less than 10%, AFSCB could not lend at market rate. This could be one of the reasons for loans at a lesser rate of interest.

Loans

The AFSCB disburses loans and advances only to members. However with the permission of Registrar or on the security of fixed deposits or in the guarantee of Government or Trust or on the life insurance policy or ornaments the bank may disburse loans and provide cash credit to non-members.

The Bank provides long-term loans to the permanent employees for the construction or purchase of houses or their modification subject to the subrule approved by the Registrar. All the loans and advances shall be routed through the Board's permission. The loans can be disbursed through Managing Director subject to the conditions limit and ceiling fixed by the Board. A member can avail agriculture and non-agricultural loan subject to a maximum of Rs.25 lakhs. AFSCB proposed to increase the IMBP to 75 lakhs based on the increasing demand from customers.

Table 8
Disbursal of Loan to members (Rs. in lakhs)

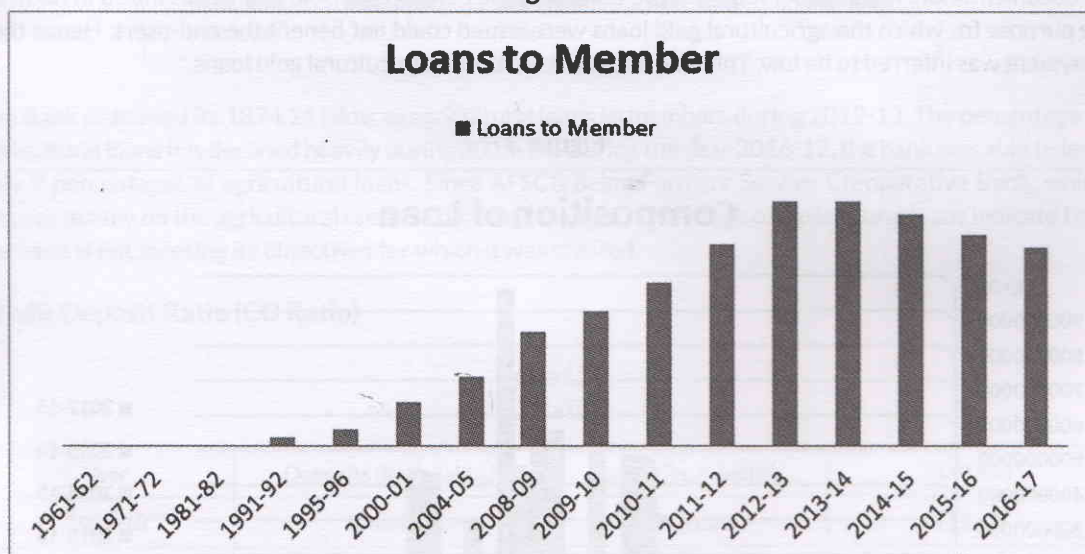
| Year | Opening | Issued | Collection | Balance |
|---------|----------|----------|------------|----------|
| 2012-13 | 9125.76 | 16178.89 | 14296.89 | 11007.75 |
| 2013-14 | 11007.75 | 14054.62 | 14037.30 | 11025.07 |
| 2014-15 | 11025.07 | 12145.57 | 12691.70 | 10478.94 |
| 2015-16 | 10478.94 | 10661.72 | 11634.78 | 9505.87 |
| 2016-17 | 9505.87 | 9344.39 | 9900.66 | 8940.60 |

The disbursal of the loan to members and non-members has been declining over the last five years. The trend also clearly shows that AFSCB could not recover the loans to the fullest extent. The diminution of rubber price in the market, higher interest rates, the failure of agricultural crops, lack of identification of potential borrowers etc attributed to the lower disbursal of the loans.

Table 9
Disbursal of Loans from 1961- 2017 (Rs. in lakhs)

| Year | Loans to Member |
|---------|-----------------|
| 1961-62 | 1.19 |
| 1971-72 | 7.96 |
| 1981-82 | 75.37 |
| 1991-92 | 430.16 |
| 1995-96 | 807.21 |
| 2000-01 | 2023.03 |
| 2004-05 | 3162.69 |
| 2008-09 | 5133.81 |
| 2009-10 | 6065.65 |
| 2010-11 | 7395.92 |
| 2011-12 | 9098.17 |
| 2012-13 | 11007.59 |
| 2013-14 | 11025.07 |
| 2014-15 | 10478.94 |
| 2015-16 | 9505.87 |
| 2016-17 | 8940.67 |

Figure 2



The Bank disbursed only 1.19 lakhs as a loan during 1961-62. Gradually it increased to 2023 lakhs during 2000-01. A phenomenal increase is observed shown in 2013-14 amounting to 11025 lakhs. However, during 2016-17, the bank was able to disburse only 8940 lakhs. Higher interest rates could be the reason for the fall in disbursements of loans

Table 10
Composition of Loans

| Year | ST | MT | Ordinary | Gold | Others | Agrl. Gold Loans | Total |
|---------|---------|--------|----------|----------|---------|------------------|----------|
| 2012-13 | 747.7 | 0.2 | 0.36 | 5681.78 | 4465.07 | 112.63 | 11007.74 |
| | (6.79) | (0.00) | (0.00) | (51.62) | (40.56) | (1.02) | (100) |
| 2013-14 | 736.31 | 0.2 | 0.34 | 5705.62 | 4582.6 | 0 | 11025.07 |
| | (6.68) | (0.00) | (0.00) | (51.75) | (41.57) | (0.00) | (100) |
| 2014-15 | 897.25 | 0.19 | 4900.91 | 4678.89 | 0 | 0 | 10477.24 |
| | (8.56) | (0.00) | (46.78) | (44.66) | (0.00) | (0.00) | (100) |
| 2015-16 | 789.97 | 1.9 | 4978.3 | 9735.7 | 0 | 0 | 15505.87 |
| | (5.09) | (0.01) | (32.11) | (62.79) | (0.00) | (0.00) | (100) |
| 2016-17 | 662.47 | 1.9 | 5121.52 | 3154.72 | 0 | 0 | 8940.61 |
| | (7.41) | (0.02) | (57.28) | (35.29) | (0.00) | (0.00) | (100) |
| Total | 3833.70 | 4.40 | 15001.43 | 28956.70 | 9047.67 | 112.63 | 56958.24 |

Figures in bracket refer to percentage.

The disbursement of the short-term loan over the last five years shows a fluctuating trend and it could not grow beyond a particular limit. AFCB was able to disburse more gold loans as compared with other loans. This may be due to the easy availability of the security offered by the members and also less complication in the documentation. It was observed from the table that the demand for Gold Loans was mixed in nature. The purpose for which the agricultural gold loans were issued could not benefit the end-users. Hence the repayment was inferred to be low. This led to the declination in agricultural gold loans.

Figure 3

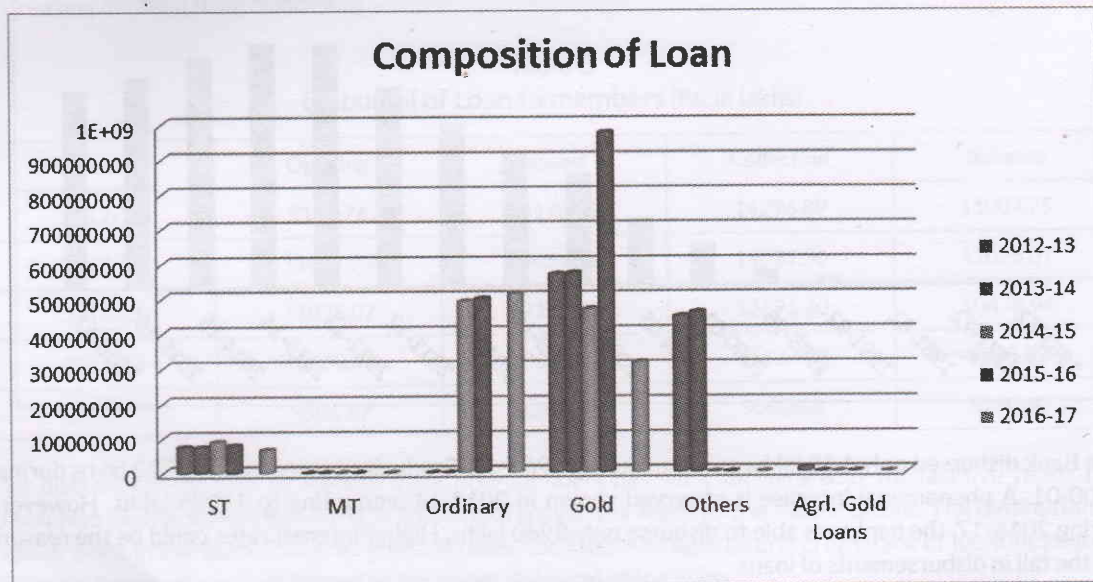
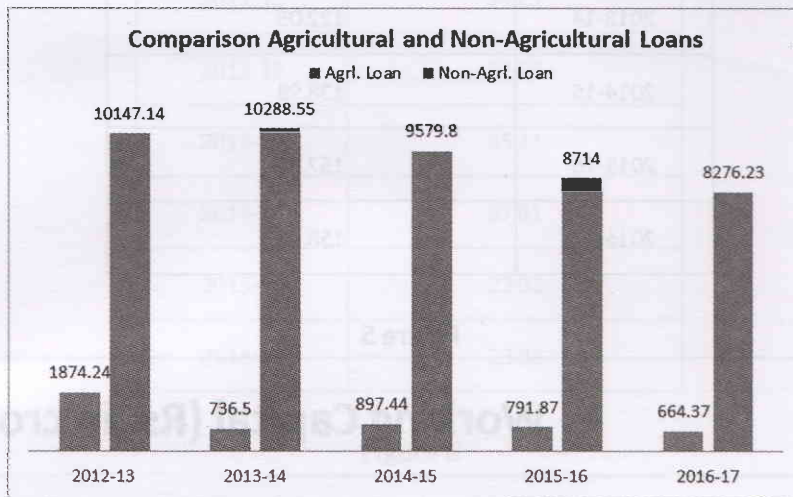


Table 11
Agricultural and Non-Agricultural Loans Comparison

| Year | Agri. Loan | Non-Agri. Loan | Total Loans | Percentage of Agri. Loan |
|---------|------------|----------------|-------------|--------------------------|
| 2012-13 | 1874.24 | 10147.14 | 12021.38 | 15.59 |
| 2013-14 | 736.50 | 10288.55 | 11025.05 | 6.6 |
| 2014-15 | 897.44 | 9579.8 | 10477.24 | 8.5 |
| 2015-16 | 791.87 | 8714.0 | 9505.87 | 8.3 |
| 2016-17 | 664.37 | 8276.23 | 8940.60 | 7.4 |

Figure 4



The Bank disbursed Rs.1874.24 lakhs as agricultural loans to members during 2012-13. The percentage of agricultural loans has declined heavily during 2013-14. During the year 2016-17, the bank was able to lend only 7 percentages of agricultural loans. Since AFSCB being Farmers Service Co-operative Bank, which focuses mainly on the agricultural credit activities, a meagre percentage of agricultural loans indicate that the bank is not meeting its objectives for which it was created.

Credit Deposit Ratio (CD Ratio)

Table12
CD Ratio

| Year | Deposits (Rs. in lakhs) | Loans (Rs. in lakhs) | CD Ratio |
|---------|-------------------------|----------------------|----------|
| 2012-13 | 10414.25 | 12021.38 | 115.43 |
| 2013-14 | 10894.12 | 11025.07 | 101.20 |
| 2014-15 | 12511.00 | 10477.24 | 83.74 |
| 2015-16 | 14371.16 | 9505.87 | 66.14 |
| 2016-17 | 14960.18 | 8940.60 | 59.76 |

According to Sriram Committee Report (2016), the CD ratio of the PACS was 69% for the whole State. However, AFSCB could disburse only 59.76 percentage of credit out of its deposits. Hence the bank has to chalk out alternative ways of lending their deposits

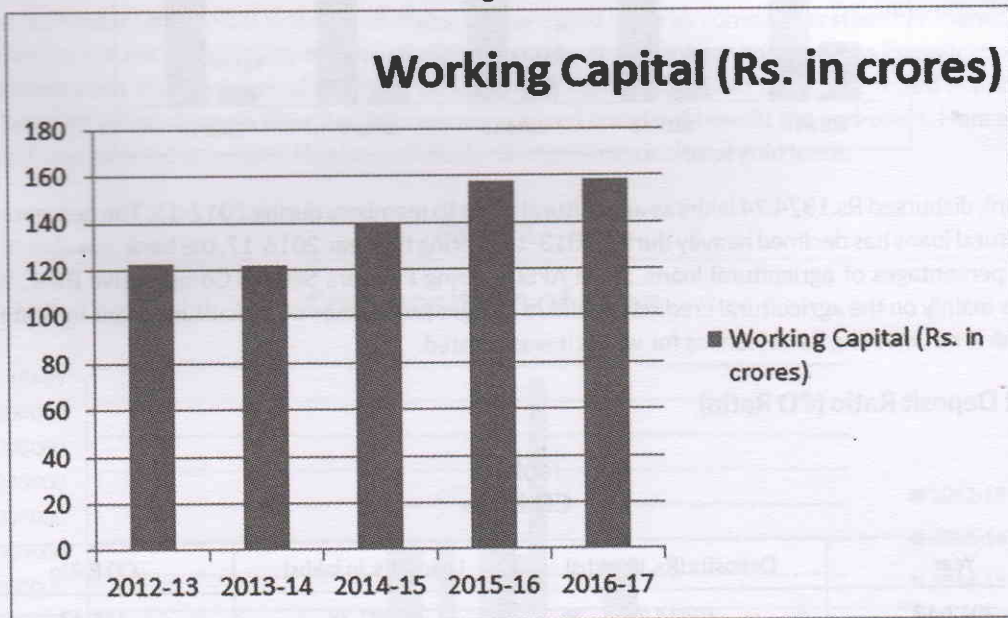
The Bank is placed under "A" Class regularly for last 15 years. From 1993 onwards AFSCB is working as Class I Special Grade Bank as per classification norms of the State Government from 01.04.2013 it is working as a Super Grade Bank.

Working Capital

Table13
Working Capital over the last 5 years

| Year | Working Capital (Rs. in crores) |
|---------|---------------------------------|
| 2012-13 | 122.71 |
| 2013-14 | 122.05 |
| 2014-15 | 138.98 |
| 2015-16 | 157.71 |
| 2016-17 | 158.53 |

Figure 5



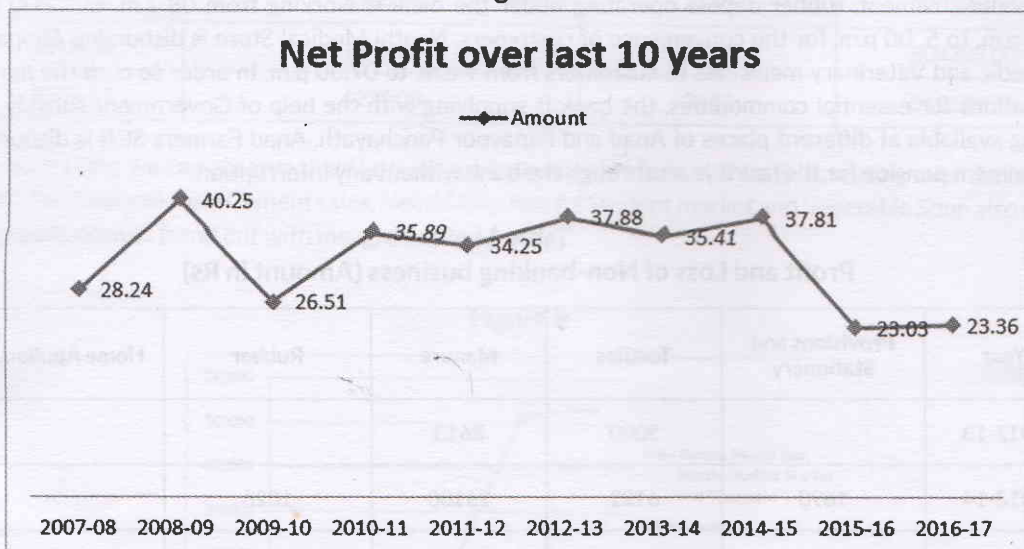
As per Rule 2(k) of KCS act 1969, Working capital means "such portion of the Reserve Fund, other funds, paid-up share capital, loans & deposits received by a society and debentures issued by a society as have not been invested in buildings and other fixed assets." The bank is having a continuous growth in working capital over the past 5 years. A positive increase in working capital indicates that the bank is increasing its ability to pay off its short-term liabilities immediately.

Net Profit

Table 14
Net Profit over the last 10 years (Rs. in lakhs)

| Year | Amount |
|---------|--------|
| 2007-08 | 28.24 |
| 2008-09 | 40.25 |
| 2009-10 | 26.51 |
| 2010-11 | 35.89 |
| 2011-12 | 34.25 |
| 2012-13 | 37.88 |
| 2013-14 | 35.41 |
| 2014-15 | 37.81 |
| 2015-16 | 23.03 |
| 2016-17 | 23.36 |

Figure 6



The profit of the bank has declined over the last two years. The major reason for their performance was due to the absence of elected board and posting of the Administrator. The rules and policy decisions could also be a reason for the poor disbursement of Loans. The reasons cited by the bank included an increase in Non-performing Assets, Demonetization and GST.

Reserve Fund

Table 15
Reserve Fund (Rs. in lakhs)

| Year | Opening | Current | Balance |
|---------|---------|---------|---------|
| 2012-13 | 102.87 | 9.08 | 111.95 |
| 2013-14 | 111.95 | 9.46 | 121.42 |
| 2014-15 | 121.14 | 8.85 | 130.27 |
| 2015-16 | 130.27 | 9.45 | 139.73 |
| 2016-17 | 139.73 | 5.75 | 145.48 |

The allocation of net profit to reserve fund is low in 2016-17 as compared to previous years since the net profit of the bank during 2015-16 was only 23 lakhs. In the last 5 years, 25% of the net profit is transferred to the Reserve fund. Amendments have been made in the bye-laws regarding this and from 2018-19, 15% net profits have been allocated to the reserve fund instead of 25%.

Non-Banking Activities

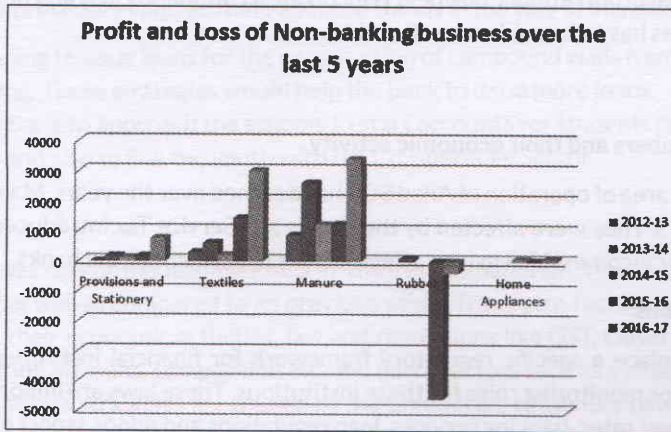
The AFSCB is having 6 manure depots one provision depot, 5 rubber depots, 1 textile showroom, 3 cement depots and one home appliance showroom across its area of operation. Besides, Bank is acting as the agent of FACT in Nedumangad Taluk for the supply of manure. One Neethi Gas Depot is also working under the Bank. The Bank is running a Neethi Medical Store adjacent to its Head Office for supplying medicines at a lower rate ranging from 5 to 55% discount on MRP.

The manure, cement, rubber depots operating under the bank is working from 08 a.m. to 12.00 p.m. and 3 p.m. to 5.00 p.m. for the convenience of customers. Neethi Medical Store is disbursing Allopathy, Ayurvedic and Veterinary medicines to customers from 9 a.m. to 07.30 p.m. In order to curb the market fluctuations for essential commodities, the bank is supplying with the help of Government subsidy and making available at different places of Anad and Panavoor Panchayath. Anad Farmers SCB is disbursing Government pension for the last 2 years through the bank without any interruption.

Table 16
Profit and Loss of Non-banking business (Amount in Rs)

| Year | Provisions and Stationery | Textiles | Manure | Rubber | Home Appliances |
|---------|---------------------------|----------|----------|--------|-----------------|
| 2012-13 | -- | 3000 | 8613 | | |
| 2013-14 | 1690 | 6122 | 26100 | 1026 | |
| 2014-15 | 1144 | 2046 | 12215 | | 730 |
| 2015-16 | 1732.54 | 14292 | 12287 | -45954 | 278 |
| 2016-17 | 7672 | 30070 | 33972.00 | -3850 | 896 |

Figure 7



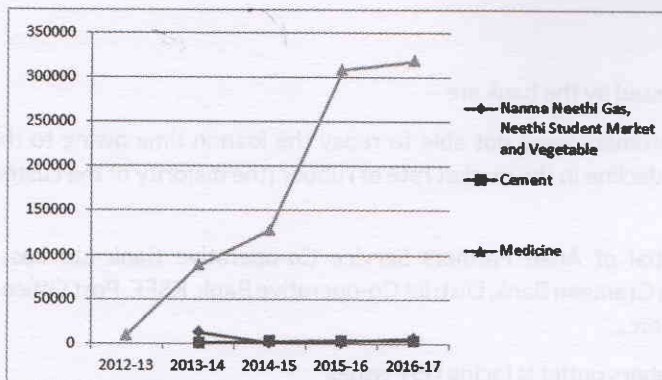
Among the various Non-banking business activities, Textiles and Manures show a fluctuating trend, whereas during the last year the two businesses generated more profit as compared with previous years. The Rubber business shows a declining trend over the last five years owing to the low market price of Rubber. Effort should be made to increase the business in Provisions and Stationery, Rubber and Home Appliances.

Table 16(1)
Profit and Loss of Non-banking business over the last 5 years (Amount in Rs)

| Year | Nanma Neethi Gas, Neethi Student Market and Vegetable | Cement | Medicine |
|---------|---|--------|-----------|
| 2012-13 | | | 9205.63 |
| 2013-14 | 12911.55 | 801 | 87954.00 |
| 2014-15 | 1366.25 | 2348 | 128338.00 |
| 2015-16 | 1949.50 | 3473 | 308309.00 |
| 2016-17 | 6225.00 | 3667 | 318359.00 |

From the table, we can observe that the business from Neethi Medical Shop is increasing over the last five years. The business from Cement sales, Neethi Gas, Neethi Student market and Vegetable Shop also shows an upward growth trend but with meagre profit.

Figure 8



Among the various non-banking business conducted by Bank, Neethi Medical Store, Textiles and Manure is making only a minimal profit. Rubber business is incurring a continuous loss and hence diversification in other business activities has to be paid more attention.

Macro Factors

1. Income of the members and their economic activity

The income flow in the area of operation of Anad SCB has declined over the years. Majority of the members are farmers and traders. They were affected by the Goods and Service Tax introduced in June 2017. They could not increase their income which in turn affected their repayment to the banks.

2. Laws and Regulations

Every country has in place a specific regulatory framework for financial institutions to either provide guidance, supervisory or monitoring roles for these institutions. These laws are important in making major decisions such as interest rates, banking services, loan regulations and minor aspect of banking. A Country with stringent laws and regulations for the banking sector can curtail the business. De-monetization in 2016 November affected the banking sector as a whole especially the Co-operative Sector. Reserve Bank of India did not allow the co-operative societies and DCBs to exchange the demonetised Rs.500 and Rs.1000 notes with their customers. This change in the system virtually collapsed and more importantly, there were high changes of liquidity risk and this was eventually overcome. The deposits declined and borrowers showed some reluctance in repaying loans.

3. Economic Policies

If a country prescribes unfavourable policies, the banking sector is bound to loose and this in turn will affect the macroeconomic policies. The non-banking activities of Anad Farmers Service Co-operative Bank have been severely affected due to the changes in policies. All the non-banking activities operate under meagre profits and most of them sustain losses.

Micro Factors

1. Management

AFSCB was under the control of Administrator from 2013-14 onwards. During this period they were not able to sanction loan disbursements and there was no proper follow up for repayment which affected the bank's lending portfolio.

2. Strategy Development

A lot of new strategies has been designed by the bank recently, relating to different loan scheme. It includes disbursing loans for cultivating pesticide-free vegetables, Integrated agricultural loans, land enrichment, arranging irrigation facilities, buying rubber roller, mini driller, agricultural implements and for the construction of agricultural warehouses, smokehouse etc. AFSCB also plans to lend interest-free paddy cultivation loans, issuing hire purchase loans for buying home appliances and purchase of two-wheelers.

Major Issues:

The major issues addressed by the bank are -

1. Majority of the customers were not able to repay the loan in time owing to their financial distress caused by GST and decline in the market rate of rubber (the majority of the customers are traders and agriculturists).
2. The market potential of Anad Farmers Service Co-operative Bank Ltd has been tapped by its competitors such as Grameen Bank, District Co-operative Bank, KSFE, Post Office Bank, Dhanalekshmi Bank, Canara Bank etc...
3. The textiles and rubbers outlet is facing GST issues

4. The absence of clear cut marketing strategies has affected the non-banking activities
5. The cumbersome procedures and attitude adopted stands in the way of increasing the loans.

The Bank is also planning to issue loans for the construction of compound walls from the protection of wild animals, solar financing. These strategies would help the bank to issue more loans. A new strategy was also designed by the Bank to approach the schools to start accounts for students to inculcate the habit of savings among them and also to link the youth with the Co-operative Sector.

Conclusion

Anad Farmers SCB was one of the leading PACS in Thiruvananthapuram. However over the last 5 years bank is not performing well as compared to its previous years. The macro factors such as the income level of the members and their economic activities, law and regulations like GST, Government policies such as Demonetization, writing off loans, competition etc. and micro factors such as a change in management etc. affected badly. A lot of new strategies are framed by the Committee to identify new areas and projects for disbursing loans, tapping new markets, and new customers etc. which would help the bank to improve their performance and in turn to ensure that they are protecting the interests of the members and the general public in accordance with co-operative principles.