

# INTERNATIONAL JOURNAL OF RESEARCH IN COMPUTER APPLICATION & MANAGEMENT

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## THE WORKING CAPITAL ANALYSIS OF DISTRICT CENTRAL COOPERATIVE BANKS IN TIRUNELVELI REGION, TAMILNADU

**DR. A. MAHENDRAN**  
**ASST. PROFESSOR**  
**DEPARTMENT OF COOPERATIVES**  
**AMBO UNIVERSITY**  
**AMBO**

**R. AMBIKA**  
**FACULTY MEMBER**  
**CADD CAEE COMPUTER CENTRE**  
**AUNDIPATTY**

### ABSTRACT

*Finance and Financial management plays an important role in all types of organization. Sound financial planning and management is the most vital requirement for successful management. Financial management also plays an important role in cooperative enterprise. A study of business failures in cooperatives would reveal that majority of such failures resulted from the lack of proper financial management. DCCBs occupy a place of significance in the cooperative credit delivery system. They act as a spokesperson of the cooperative movement at district level. Inefficient functioning of cooperatives is due to bad debts, excessive overdue or otherwise investment. Therefore, the financial management occupies an importance place as the functions of these institutions. Hence, the analytical study on the Working Capital Analysis of District Central Cooperative Banks in Tirunelveli Region has been undertaken. The results of the study will help in identifying the lacuna if any in the financial performance of the DCCBs and to frame financial policies and programme to the benefit of the banks and the community.*

### KEYWORDS

Co-operative banks, working capital analysis.

### 1.1 INTRODUCTION

**F**inancial management plays an important role in cooperative enterprise. Sound financial planning and management is the most vital requirement for successful management. A study of business failures in cooperatives would reveal that majority of such failures resulted from the lack of proper financial management. Inefficient functioning of cooperatives is due to bad debts, excessive overdue or otherwise investment. The financial management, similar to the private or public sector corporations has their own distinctive features. The principles, practice, legal basis, performance criteria and financial base of cooperatives are not the same as prevails in companies or public enterprises.

Financial management refers to two vital activities like procurement and utilization of financial resources. The finance function in a Central Cooperative Bank is highly regulated in that the sources, forms and cost of borrowings by the bank are regulated and it is not altogether free in organizing its investment portfolio. While it borrows only from the State Cooperative Bank (SCB), it lends to societies as per the directives by RBI. The share capital and deposits are the other resources of bank, but these are also not free from regulation. While share capital contribution from the societies is linked to their borrowings from the bank, the types of deposit accounts and the interest rates on deposits are specified. Its investment in channels other than loans and cash credits to societies are limited and specified. These include government promissory notes, shares in SCB and other approved Cooperatives and Public institutions, term deposits and current accounts with SCB and other approved banks, debentures, bonds, etc. Of these, share capital and deposits with the SCB form the biggest chunk. The Registrar frames the policy for investment of funds of cooperative societies, including the Central Cooperative Banks based on the guidelines issued by the RBI from time to time. Thus, the Central Cooperative Banks function within a straight jacket in matters relating to finance. Not much discretion is left to the management of the bank in managing funds. In addition to the restrictions on its borrowings, landings and investment of funds, Central Cooperative Bank is also subjected to rigorous discipline in respect of a few important financial operations and its failure to observe the financial discipline will entail serious consequences of inadequate and interrupted credit flow.

The District Central Cooperative Banks occupy a position of cardinal importance in three-tier credit system. They came into existence due to the failure of Primary Agriculture Cooperative Societies to collect the required resources of village community on one hand and to inspire the habit of thrift and savings among the members to provide strong capital base. Hence, the DCCBs were started to tap the required finance from the members, higher financing institutions, in order to fulfill the credit needs of the affiliated societies.

The success of primary agricultural credit societies at village level and state cooperative banks at apex level depend much on the strength and the efficient operations of the District Central Cooperative Banks. A sound and strong District Central Cooperative Bank is capable of providing the required financial assistance to primary agricultural credit societies and also support the apex banks in ensuring greater flow of credit from the NABARD. As a federation of Primary Agricultural Credit Societies, District Central Cooperative Banks have an important role to play in guiding, supervising and directing financial operations of primary agricultural cooperative banks. Attempts are being constantly made to keep these institutions purely as federal institutions representing all types of societies working in a district. Under the multi-agency system of financing the DCCBs have to face keen competition from commercial banks and Regional Rural Banks. Hence the success of the cooperative credit in a district depends on the success of the DCCBs. The flow of the NABARD funds also depends primarily on the fulfillment of financial discipline by the DCCBs and their capacity to absorb at least a certain amount of over dues from its own resources.

Working capital of cooperative credit institutions differs from that of corporate sector. It consists of owned funds and borrowed funds.

**a) Owned funds:** It consists of the paid up share capital plus various reserves created by the bank/societies.

- **Paid-up Share Capital:** It is the important component in the owned fund of cooperative bank. Primary cooperative societies/banks collect share capital from individual members. Government also contributes to the share capital in all cooperatives.
- **Reserve Funds:** All cooperative institutions, according to the Act and bye laws, must distribute their profits every year and must set a portion of their profits to Reserve fund and other reserves like credit stabilization funds, bad debt reserves, etc. Reserve funds are indivisible and cannot be used by an institution as a source of the "Loan able fund". It is invested with their immediate apex institution. Reserve fund is used to calculate the maximum borrowing power of the institution though it is invested outside the institution.

**b) Borrowed Funds**

- **Deposits:** Like commercial banks, cooperative banks also mobilize resources by way of deposits and attracting them from the public. Cooperative banks are allowed to attract deposits from member and non-members and in banks like Urban Cooperative Banks and Central Cooperative Banks non-member's deposits form the major part of their total deposits.

- **Borrowings:** Borrowings are borrowings from apex institution, Government, RBI, etc. Though other borrowings form part of the borrowed funds they occupy an important place on the working capital of cooperative banks. Too much dependence on this fund is not a good sign for self-reliance in resources.

## 1.2 REVIEW OF LITERATURE

Several individual researchers had studied a few facets of fund flow analysis of selected DCCBs in selected areas. To know how far the ground is already prepared and to identify the gaps therein and to spell out the issues which need further intensive and comprehensive analysis, an attempt is made to review the related literature.

**Sundhararaman R. and Malaikolunthu S.** (2010) studied on "A study on the working of Thiruchirapalli District Central Cooperative Bank". The important findings of study were share capital, deposits, working capital increased and borrowings of the bank decreased. The profitability of the bank a fluctuating trend was observed during the period. The study has analyzed the performance evaluation with regard to deposit mobilization, issue of loans and advances, recovery of loans, financial aspects and views of employees of the bank. The study has revealed that the financial viability and profitability of the bank is moderate.

**Devaraj. T.S.** (1999) studied "Working of District Central Cooperative Bank, Hassen, Karnataka - An Analysis". The objective of the study were to study the progress made in the share capital, to examine the size and composition of working funds, to analyze the overall profitability of the bank. The findings of the study were that the total share capital of the bank had increased during the study period. The working fund of the banks has substantial increased growth rate of 186 percent in composition.

**Sankhyan C.L and PankajLalit Sharma**, (1996) studied on, "Performance of a Central Cooperative Bank in Himachal Pradesh – An appraisal". The study analyzed the factors of the bank like share capital, reserve fund, deposits, borrowing, working capital and resources mobilized in the form of share capital, deposits and borrowings. The study found that the profitability of the bank was suffering with losses during seven years out of a total fifteen years under study. The main reason of losses to the bank was its poor recovery. The study concluded that Joggindra Central Cooperative Bank Ltd., (JCCB) has not performed well. It can be treated as a weak bank in some fields and hence, requires special attention of the management and government for its proper growth and improving its performance. For improving its position the bank should open new branches in unbanked areas, manage its cash and liquid assets properly, expand its credit facilities by finding avenues for investment and improve its recovery.

**Muthupadian. K.** (1995) studied on "A Case Study on Tirunelveli District Central Cooperative Bank". He analyzed the share capital, deposits, reserve fund, borrowings, working capital, loans, government grant, classification of credit like, ST, MT, LT credit, lending procedures, recovery of loans, funds analysis etc., The finding of the study is that organizational structure promotes stability and creates lot of creditability among the farmers. It also helps free flow of funds at all level without any problem. It functions more or less a corporate body. The study suggested that the ST and LT credit structure the organizational competence are found to be ineffective because of lack of communication, it conducts periodic audit but in most of the primary banks it does not conduct audit and supervision. The working of PACB can be considerably improved by supervision and inspection. The audit should be undertaken regularly and it should take immediate action of the objection raised in the audit report. The cooperative banks need efficient management for better coordination with the organization.

## 1.3 STATEMENT OF THE PROBLEM

DCCBs occupy a place of significance in the cooperative credit delivery system. They act as a spokesperson of the cooperative movement at district level. The success or otherwise of the cooperatives in a district level largely depends upon the efficiency of the functioning of DCCBs. The founders of the movement envisioned the role of DCCBs beyond the boundaries of mere financing bank. DCCBs are expected to serve as a financing bank for the primaries in a district, guide them in their day to day operations, supply of necessary manpower and technology wherever it is required, voicing on behalf of primaries at policy level etc. Because of this integrated role, DCCBs are strategically located and integrated with the cooperative system.

Hence, they are not only acting as financing banks but also act as development banks for the cooperatives at district level. To do these multifarious functions DCCBs should have a well-defined management system. In the total management of the DCCBs, financial management occupies a place of importance as the functions of these institutions are also governed by the Banking Regulation Act. Even a minor deviation from banking norms would attract penal actions from the law enforcing authorities. On the one side, DCCBs are expected to act as a financing bank for the primaries, which are in majority of the cases managed by untrained work force. On the other side, DCCBs are expected to follow the banking norms as well as implement the State Governments schemes and programmes for the development of the state. Most DCCBs that fail seem to do so because of problems in their loan portfolio. Non-performing loans grow to such extent that revenues fall off and loan expenses as well as operating costs absorb all the earnings that remain. The bad loan situations usually arise from combination of factors. In this regard, it is pertinent to study how these banks mobilize the resources and deploy them. Hence funds management of the DCCBs is an important issue and their financial performance is to be studied with their impact on working capital in DCCBs. In this context, the questions apt to arise are:

- What are the strategies followed in general and working capital aspects?
- What is the business result?
- Whether the financial performances of the banks are in satisfactory manner in terms of working capital?

To find out the answer to these questions, an analytical study had to be undertaken. The results of such studies will help to find out the problem, difficulties, impacts etc., and to frame financial policies by the DCCBs for the benefits of the farmers, the community and other stakeholders.

## 1.4 OBJECTIVES OF THE STUDY

The specific objectives of the present study are:

1. To analyze the working capital in the DCCBs, and
2. To offer suitable suggestions for the development of the DCCBs

## 1.5 METHODOLOGY

Mainly-analytical method has been followed for studying the working capital analysis of Tirunelveli (TIDCCB), Virudhunagar (VIDCCB), Thuthukudi (TUDCCB) and Kanyakumari (KADCCB) District Central Cooperative Banks in Tirunelveli Region, Tamil Nadu. The secondary data were collected from the profit and loss account and balance sheet for the selected DCCBs. The macro level data were collected from the office of the Joint Registrar of Cooperative Audit in Tirunelveli region, Tamilnadu State Apex Cooperative Bank, Tamilnadu State Cooperative Unions, National Federation of State Cooperative Banks, NABARD and RBI.

## 1.6 SAMPLING

The present study has adopted the purposive sampling method for the selection of sample banks. Among the five cooperative regions (Chennai, Coimbatore, Trichy, Madurai and Tirunelveli) categorized by the Registrar of Cooperative Societies, Tirunelveli region was purposively selected. The considerations kept in mind were that the Tirunelveli region of Tamilnadu is popular for Agriculture, Fisheries, Dairy and Industrial growth. This region also covers plain and coastal areas with different cropping patterns. Four districts of this region were served by the four District Central Cooperative Banks namely Tirunelveli, Virudhunagar, Thoothukudi and Kanyakumari DCCBs. These four banks were selected for the present study.

## 1.7 SCOPE OF THE STUDY

A strong network of the District Central Cooperative Banks is a prerequisite for the sound performance of the three tier cooperative credit structure. DCCBs not only provided much needed financial assistance to PACBs but also ensured the smooth flow of credit to various sectors in the district. The success of these banks depends on efficient management of funds. The study has mainly focused attention to study the working capital of the four DCCBs in Tirunelveli Region. The



results of this study will help in identifying the lacuna if any in the working capital of the DCCBs and to frame financial policies and programme to the benefit of the banks and the community.

### 1.8 PERIOD COVERED BY THE STUDY

The period of the study has been taken-up from the financial year 1998-99 to 2008-09 (11 years) as complete and comprehensive secondary data both for macro and micro level were available only for these years. The period of eleven years was considered for analysis.

### 1.9 TOOLS USED FOR DATA COLLECTION

For collecting the required secondary data from the selected DCCBs, a comprehensive schedule was prepared and used. The schedule was pre-tested and finalized.

### 1.10 FRAME WORK OF ANALYSIS

The data collected were subduced into a digestible account by appropriate coding, computing and tabulations. The basic tools of statistical analysis like average, growth index, growth rage, standard deviation, trend and working capital were employed.

### 1.11 RESULTS AND DISCUSSION

#### 1.11.1 MEMBERSHIP

The membership of the district central cooperative banks consisted of Primary Agricultural Cooperative Banks (PACBs) and other primary and secondary level cooperatives like Consumer's Cooperatives, Marketing Societies, Weavers Societies, Milk Societies, Processing Societies etc., working within the area of operations of the banks. A peculiar feature of the membership of DCCBs is that individuals were admitted as 'A' class members in the initial period. Now such admissions are stopped. However, the existing members continue to be the associate members of the bank, 'B' class/Associate members were admitted for the purpose of getting jewel loan, micro credit, etc. All cooperative societies within the area of operations of the District Central Cooperative Banks and the state government were admitted as 'A' class members. The following table shows the various types of societies which are known as institutional members.

#### INSTITUTIONAL MEMBERS OF THE BANKS

Sl. No.	Societies/Banks
1.	Primary Agriculture Cooperative Banks
2.	Handloom Weavers Cooperative Societies
3.	Urban Cooperative Banks
4.	Milk Producers Cooperative Societies
5.	Employees Cooperative Thrift and Credit Societies
6.	Primary cooperative Agricultural and rural development banks
7.	Vegetables Growers Cooperatives Societies
8.	Housing Cooperatives Societies
9.	Sericulture Cooperative Societies
10.	Joint Forming Societies
11.	Health Cooperative Societies
12.	Fisheries and Other Growers Cooperatives Societies
13.	Poultry Production Cooperative Societies
14.	Cooperative Sugar Mills
15.	Cooperative Spinning Mills
16.	Cooperative Printing Press
17.	District Consumer Cooperative Wholesale Stores
18.	Cooperative Training Institute
19.	District Cooperative Milk Producers Union
20.	Agriculture Producers Cooperative Marketing Societies
22.	District Printing Press Service Industrial Cooperative Societies
24.	Ladies Cottage Cooperative Societies
25.	Sheep Breeding Cooperative Societies
26.	Farmers Service Cooperative Societies
27.	Agro Service Cooperative Centre
28.	Hill Tribe Cooperative Societies
29.	others

The trend in 'A' class membership position in the selected DCCBs during the period is furnished in the following table.

TABLE – 1.1: MEMBERSHIP POSITION (No. of Members)

Banks Years	TIDCCB			VIDCCB			TUDCCB			KADCCB			TOTAL			Trend
	Nos.	GI	GR	Nos.	GI	GR	Nos.	GI	GR	Nos.	GI	GR	Nos.	GI	GR	
1998-99	836	100	-	535	100	-	579	100	-	522	100	-	2472	100	-	2477
1999-00	842	100.7	0.7	527	98.5	-1.5	580	100.0	0.2	522	100	0.0	2471	100.0	-0.0	2471
2000-01	849	101.6	0.8	515	96.3	-2.3	580	100.0	0.0	523	100	0.2	2467	99.8	-0.2	2465
2001-02	853	101.9	0.5	511	95.5	-0.8	580	100.0	0.0	516	98.9	-1.3	2460	99.5	-0.3	2459
2002-03	854	102.2	0.1	499	93.3	-2.3	580	100.0	0.0	516	98.9	0.0	2449	99.1	-0.4	2453
2003-04	857	102.5	0.4	496	92.7	-0.6	580	100.0	0.0	516	98.9	0.0	2449	99.1	0.0	2448
2004-05	857	102.5	0.0	496	92.7	0.0	578	99.8	-0.3	515	98.7	-0.2	2446	98.9	-0.1	2442
2005-06	857	102.5	0.0	496	92.7	0.0	578	99.8	0.0	514	98.5	-0.2	2445	98.9	-0.0	2436
2006-07	857	102.5	0.0	493	92.1	-0.6	578	99.8	0.0	514	98.5	0.0	2442	98.8	-0.1	2430
2007-08	857	102.5	0.0	493	92.1	0.0	578	99.8	0.0	484	92.7	-5.8	2412	97.6	-1.2	2424
2008-09	857	102.5	0.0	491	91.8	-0.4	578	99.8	0.0	484	92.7	0.0	2410	97.5	-0.1	2418
Avg.	852	102	0.2	505	94.3	-0.8	579	100.0	-0.1	511	98	-0.7	2448	99	-0.2	
SD	7.2	0.9	0.3	15.1	2.8	0.9	1	0.17	0.1	14	2.7	1.8	20.9	0.8	0.4	

No. of Members=Nos., GI = Growth Index, GR= Growth Rate

Progress in the membership position of the selected banks could be noted from the above table for all the banks, it has decreased from 2472 in 1998-99 to 2410 in 2008-09. An average growth rate of -0.2 percent was found per annum. In Tirunelveli District Central Cooperative Bank had recorded higher growth rate than the other three banks. The average annual membership of the Tirunelveli, Virudhunagar, and Thuthukudi District Central Cooperative Bank was calculated as 852, 505, 579, and 511 respectively during the study period. The trend analysis results shows a liner trend of  $y=2447+(-)6x$  evidencing a gradual decrease in membership. The actual membership almost matches with the trend value upto the 1999-00. After which the negative trend in membership was higher than trend value upto the year 2008-09. The total membership of the banks which presently stand at 2418 may decrease to 2358 in 2020. Linear trend revealed that the growth rate in membership was comparatively higher in respect of TIDCCB.

### 1.11.2 SHARE CAPITAL

The share capital is the basic fund of any cooperative society. It is obligatory that every 'A' class member should hold atleast one share to be the member of a cooperative. Share capital partakes much position among owned funds. The value of 'A' class share capital of selected District Central Cooperative banks was Rs.100/- and 'B' class / associate share was Rs.10/-. The authorised share capital of Tirunelveli, Thuthukudi, Kanniyakumari and Virudhunagar District Central Cooperative bank were Rs.30 crores, Rs.20 crores, Rs.15 Crores and Rs.10 Crores respectively. The paid up share capital of the selected bank during the study period are given in the following table. The total share capital is summation of amounts contributed by Institutional members, Individual, Government and Associate members.

TABLE – 1.2: SHARE CAPITAL POSITION (Rs. in lakhs)

Banks Years	TIDCCB			VIDCCB			TUDCCB			KADCCB			TOTAL			Trend
	Amt.	GI	GR	Amt.	GI	GR	Amt.	GI	GR	Amt.	GI	GR	Amt.	GI	GR	
1998-99	633	100	-	709	100	-	613	100	-	700	100	-	2655	100	-	1836
1999-00	669	105.7	5.7	739	104.2	4.2	648	105.6	5.7	857	122.4	22.0	2913	109.7	9.7	2369
2000-01	739	116.7	10.0	756	106.6	2.3	642	104.7	-0.9	858	122.6	0.1	2995	112.8	2.8	2903
2001-02	777	122.7	5.1	787	110.9	4.1	673	109.7	4.8	931	133.0	8.5	3168	119.3	5.8	3436
2002-03	906	143.1	17.0	830	117.0	5.5	700	114.1	4.0	993	141.9	6.7	3429	129.1	8.2	3969
2003-04	918	145.0	1.3	918	129.4	11.0	689	112.3	-1.6	1088	155.4	9.6	3613	136.1	5.4	4503
2004-05	922	145.7	0.4	922	130.0	0.4	690	112.5	0.2	1129	161.3	3.8	3663	137.9	1.4	5036
2005-06	1927	304.4	109.0	939	132.4	1.8	1206	196.6	74.8	1194	170.6	5.8	5266	198.3	43.8	5570
2006-07	1931	305.1	0.2	1483	209.1	58.0	1683	274.4	39.6	1556	222.3	30.0	6653	250.5	26.3	6103
2007-08	1945	307.3	0.7	986	139.0	-34.0	2140	348.9	27.2	1913	273.3	23.0	6984	263.0	4.9	6637
2008-09	1984	313.4	2.0	1030	145.2	4.5	2577	420.1	20.4	2502	357.5	31.0	8093	304.8	15.9	7170
Avg.	1214	191.7	14	918	129.5	5.3	1115	181.7	15.8	1247	178.2	13.0	4494	169.2	11.3	
SD	589	93.04	33	215	30.36	22	703	114.6	24.4	541	77.25	11	1921	72.33	13.2	

Amt. = Amount, GI = Growth Index, GR= Growth Rate

The above table shows the total share capital position of the selected DCCBs. The total share capital of the banks had increased from Rs. 2655 lakhs in 1998-99 to Rs.8093 lakhs in 2008-09; on an average the share capital of the banks had increased by 204 percent during the study period. Comparatively, the average yearly share capital of KADCCB was high at Rs.1247 lakhs but TUDCCB had recorded higher growth rate than the other banks and that was due to a sudden increase in the year 2005-06. The trend analysis results shows a liner trend of  $Y=4502+533x$  evidencing a steady growth in share capital. A comparison of actual figures with trend value reveals a fluctuating trend during the study period. The expected share capital for the year 2020 was worked out at Rs.12504 lakhs.

### 1.11.2 RESERVE FUND

Reserves include statutory and other reserves. The statutory reserve fund is created out of net profit to meet in unforeseen losses and for building internal resources. It is one of the constituents of owned funds and a component of the working capital. A long life institution should have more resources by virtue of its earnings and profits every year. Every cooperative society and bank should set aside 25 percent of its net profit to statutory reserve fund. It belongs to the societies and banks and it is intended to meet the unforeseen losses. This can be invested in the government savings bonds or in the form of shares, securities etc., Further, if the funds exceed 25 percent of the working capital, the excess may be used in the business of the society or bank with the approval of the Registrar. Any dividend that has not been claimed within a period of three years (normally) from the date of declaration is added to the reserve fund. And also to the amount of "due by" which is not claimed within the period of limitation allowed by the Indian Limitation Act is added to the reserve fund. Important among non-statutory reserves are bad and doubtful debt reserves and Agricultural Credit Stabilization Fund. As per the recommendations of the All India Rural Credit Survey Committee (1954), National Agricultural Credit Stabilization Fund was created in the RBI and at all levels of cooperative credit institutions. The main purpose of creating this fund was to convert the short-term loans into medium-term loans whenever repayment of loans becomes difficult on account of natural calamities (Govt. of India. 1972). The Standing Advisory Committee on Agricultural Credit at its fifth meeting finalized a detailed scheme for the establishment of agricultural credit stabilization funds in the state and central banks. The main objective of keeping the bad and doubtful reserves is to write off bad and doubtful debts. The following table will present the reserve fund position of the selected banks.

TABLE – 1.3: RESERVE FUND POSITION (Rs. in lakhs)

Banks Years	TIDCCB			VIDCCB			TUDCCB			KADCCB			TOTAL			Trend
	Amt.	GI	GR	Amt.	GI	GR	Amt.	GI	GR	Amt.	GI	GR	Amt.	GI	GR	
1998-99	629	100	-	773	100	-	1101	100	-	848	100	-	3351	100	-	3228
1999-00	844	134.2	34.0	1177	152.2	52.0	1866	169.5	69.5	897	105.8	5.8	4784	142.8	42.8	4965
2000-01	867	137.8	2.7	1138	147.2	-3.3	2348	213.3	25.8	1229	145.0	37.0	5582	166.6	16.7	6702
2001-02	1264	200.9	46.0	2037	263.5	79.0	3319	301.5	41.4	1300	153.4	5.8	7920	236.4	41.9	8440
2002-03	2340	372.0	85.0	2290	296.2	12.0	5183	470.8	56.2	1354	159.7	4.2	11167	333.3	41.0	10177
2003-04	2749	437.0	17.0	3475	449.5	52.0	6080	552.3	17.3	1856	219.0	37.0	14160	422.6	26.8	11914
2004-05	2203	350.2	-20.0	2417	312.6	-30.0	5194	471.8	-15.0	1831	216.0	-1.3	11645	347.5	-18.0	13651
2005-06	3431	545.4	56.0	3452	446.5	43.0	6531	593.2	25.7	2879	339.6	57.0	16293	486.3	39.9	15389
2006-07	3744	595.2	9.1	4163	538.5	21.0	6605	600.0	1.1	3143	370.8	9.2	17655	526.9	8.4	17126
2007-08	4522	718.8	21.0	4468	577.9	7.3	7114	646.2	7.7	2861	337.5	-9.0	18965	566.1	7.4	18863
2008-09	4762	757.0	5.3	4750	614.4	6.3	7376	670.0	3.7	2650	312.6	-7.4	19538	583.1	3.0	20600
Avg.	2487	395.3	23.0	2740	354.4	22.0	4792	435.3	21.3	1895	223.6	13.0	11915	355.6	19.1	
SD	1491	237	30	1406	181.9	32	2251	204.5	26.1	850	100.2	22	5881	175.5	20.8	

Amt. = Amount, GI = Growth Index, GR= Growth Rate

cent and growth rate was higher during 2001-02 i.e., 41.9 per cent. Comparatively, TUDCCB had highest growth index (435.3) followed by TIDCCB (395.3), KADCCB had the lowest index in the growth of reserve funds. The actual reserve funds of the selected banks were higher than the trend value up to the year 2007-08. The projection for the year 2020 works out at Rs. 37973. The liner trend was  $Y=11915+1777x$ .

**1.11.3 DEPOSITS**

Mobilization of deposit is one of the main functions of banking business and so an important source of working fund for the bank. The district central cooperative banks have to increase their financial resources by way of deposit mobilization. Deposit mobilization is an indispensable factor to increase the source of the district central cooperative banks to serve effectively. The importance of deposits of the cooperative banking structure to provide satisfactory service to any programme of agricultural production and industrial manufacturing hardly needs to be over emphasized. Several committees and commissions have stressed that the district central cooperative banks must tap deposits from urban and rural areas so that they may be able to provide funds in large amounts to primary societies for farm and non-farm development. The success of the banking greatly lies on the deposit mobilization performance of the bank as the deposits are normally considered as a cost effective source of working fund.

One of the important objectives of the district central cooperative banks is the mobilization of rural savings. It helps to expand loaning operations. The philosophy of cooperation emphasizes that cooperative institutions should function only with the funds pooled from members and not to rely largely on external financial accommodation. The All India Rural Credit Survey Committee (1954), Mehta Committee (1960) and Banking Commission (1972) have recommended that the district central cooperative banks could engage in the mobilization of deposits for improving the internal resources. Contrary to this principle, the concessional finance available to the district central cooperative banks from the RBI made them indifferent to the function of mobilization of deposits. To mobilize deposits, the district central cooperative banks are given some encouragement by the RBI and apex institutions such as subsidy for branch expansion, states' participation in share capital, permitting the district central cooperative banks to offer 1/2 per cent interest higher than the commercial banks and application of deposit insurance scheme.

The Central Cooperative Banks offer the following deposit schemes to members and non-members and to the staff of the banks. The types of deposits collected by the banks were fixed deposits, saving deposits, thrift deposits, recurring deposits, cash certificate, reinvestments plan deposits, staff provident deposits and staff security deposits. The following table will present the total deposits position of the banks during the study period.

**TABLE – 1.4: DEPOSITS POSITION (Rs. in lakhs)**

Banks Years	TIDCCB			VIDCCB			TUDCCB			KADCCB			TOTAL			Trend
	Amt.	GI	GR	Amt.	GI	GR	Amt.	GI	GR	Amt.	GI	GR	Amt.	GI	GR	
1998-99	15576	100	-	17141	100	-	11081	100	-	8179	100	-	51977	100	-	58240
1999-00	20983	135	34.7	19922	116	16.0	13639	123	23.1	12656	155	55.0	67200	129	29.3	60625
2000-01	19581	126	-6.7	20976	122	5.3	13154	119	-3.6	11200	137	-12.0	64911	125	-3.4	63011
2001-02	19886	128	1.6	22008	128	4.9	13832	125	5.2	13323	163	19.0	69049	133	6.4	65397
2002-03	20512	132	3.2	24062	140	9.3	15209	137	9.9	16036	196	20.0	75819	146	9.8	67782
2003-04	17841	115	-13.0	23336	136	-3.0	12161	110	-20.0	15849	194	-1.2	69187	133	-8.7	70168
2004-05	16479	106	-7.6	20976	122	-10.0	12358	112	1.6	16683	204	5.3	66496	128	-3.9	72554
2005-06	14986	96	-9.1	20074	117	-4.3	11504	104	-6.9	16512	202	-1.0	63076	121	-5.1	74939
2006-07	16231	104	8.3	21889	128	9.0	11764	106	2.3	16886	206	2.3	66770	128	5.8	77325
2007-08	20102	129	23.8	26235	153	20.	14638	132	24.4	19067	233	13.0	80042	154	19.9	79711
2008-09	25479	164	26.7	30467	178	16.0	17355	157	18.6	24025	294	26.0	97326	187	21.6	82096
Avg.	18878	121	5.6	22462	131	5.8	13336	120	4.9	15492	189	12.0	70168	135	6.51	
SD	3059	19.6	16.8	3565	20.8	9.8	1870.2	17	14	4184	51.2	19.0	11454	22	12.9	

Amt. = Amount, GI = Growth Index, GR= Growth Rate

The above table reveals the total deposits of the selected banks. During the study period it had recorded an increasing trend. It had increased from Rs.51977 lakhs during 1998-99 to Rs.97326 lakhs during 2008-09, an increase by 87 per cent. Almost the same trend was noticed with the selected four banks individually. On an average each bank had Rs.70168 lakhs as deposits during the study period.

Comparatively, the TUDCCB had lower deposits i.e. an average of Rs. 13336 lakhs. The average per year growth rate was 135 per cent and growth rate was higher during the study period. The average growth rate was higher in the KADCCB, i.e.12.0 percent. The liner trend in the deposits of the banks under study was  $Y=70168+2385x$ . Hence steady progress is apparent. The total deposit of the banks was Rs.97326 lakhs against the trend value of Rs.82096 lakhs in 2008-09. It is expected that the total deposits of the banks will be around Rs. 105953 lakhs during 2020.

**1.11.4 BORROWINGS**

Borrowings are one of the major sources of working capital. DCCBs are eligible to borrow funds from the NABARD through State Cooperative Bank for meeting the funds required for lending. The maximum borrowing power of the DCCBs should not exceed 15 times of paid up share capital plus reserve funds. The DCCBs borrow money for ST, MT& LT loans, cash credit and overdraft from the State Cooperative Banks (Marriappan: 2007). The following table presents the borrowing positions of the selected banks.

**TABLE – 1.5: BORROWINGS POSITION (Rs. in lakhs)**

Banks Years	TIDCCB			VIDCCB			TUDCCB			KADCCB			TOTAL			Trend
	Amt.	GI	GR	Amt.	GI	GR	Amt.	GI	GR	Amt.	GI	GR	Amt.	GI	GR	
1998-99	1369	100	-	1952	100	-	926	100	-	5946	100	-	10193	100	-	8901
1999-00	738	53.9	-46.0	2249	115.2	15.0	346	37.4	-63.0	3779	63.6	-36.0	7112	69.8	-30.0	10265
2000-01	1399	102.2	90.0	2626	134.5	17.0	538	58.1	55.5	5237	88.1	39.0	9800	96.1	37.8	11630
2001-02	2436	177.9	74.1	2584	132.3	-1.6	1163	125.6	116.0	4717	79.3	-9.9	10900	106.9	11.2	12995
2002-03	3010	219.8	24.2	2430	124.5	-6.2	1230	132.8	5.8	4214	70.9	-11.0	10884	106.8	-0.1	14359
2003-04	5895	430.5	96.0	3188	163.3	31.2	2476	267.4	101.0	8867	149.1	110.0	20426	200.4	87.7	15724
2004-05	7207	526.4	22.0	4438	227.3	39.0	1473	159.1	-41.0	8691	146.2	-2.0	21809	213.9	6.8	17089
2005-06	8231	601.2	14.2	5970	305.8	35.0	2283	246.6	55.0	10985	184.7	26.0	27469	269.5	26.0	18453
2006-07	6770	494.5	-18.1	3499	179.2	-41.0	2245	242.4	-1.7	7393	124.3	-33.0	19907	195.3	-28.0	19818
2007-08	5908	431.5	-13.5	1825	93.5	-48.0	1022	110.4	-54.0	8438	141.9	14.0	17193	168.7	-14.0	21183
2008-09	5168	377.5	-13.6	2580	132.1	41.0	2504	270.4	145.0	7022	118.1	-17.0	17274	169.5	0.5	22547
Avg.	4376	319.6	21	3031	155.2	7.4	1473.3	159.1	29.0	6844	115.1	7.4	15724	154.3	8.9	
SD	2658	194.1	49	1226	62.77	32	782.51	84.51	74	2275	38.26	43	6369	62.48	34.7	

Amt. = Amount, GI = Growth Index, GR= Growth Rate

The total borrowings of the bank stood at Rs.10193 in 1998-99 which had increased to Rs.27469 lakhs during 2005-06 (increased by 169 per cent), and it has decreased to Rs.17274 lakhs in 2008-09. Though the total borrowings of the banks fluctuated; the average increase per year was about 8.9 per cent. Comparatively, the TIDCCB and TUDCCB have high level of borrowings and VIDCCB and KADCCB had low level borrowings. A liner trend of  $Y=15724+1364x$  was found. Hence the liner rate of growth in the total borrowings is found to be high. The borrowings of the banks show an increasing trend during 1998-99 to 2002-

03 and 2007-08 to 2008-09. The projection of total borrowings by the banks for the year 2020 is calculated at Rs.36194 lakhs. Increasing trend was noticed for the total borrowing during the study period.

### 1.11.5 WORKING CAPITAL

The working capital of the selected DCCBs comprise of the owned funds (share capital and reserves), and borrowed funds (deposits and borrowings). The total working capital of the banks for the period under study is presented in the following table.

TABLE- 1.6: WORKING CAPITAL POSITION (Rs. in lakhs)

Banks Years	TIDCCB			VIDCCB			TUDCCB			KADCCB			TOTAL			Trend
	Amt.	GI	GR	Amt.	GI	GR	Amt.	GI	GR	Amt.	GI	GR	Amt.	GI	GR	
1998-99	18207	100.0	-	20575	100.0	-	13721	100.0	-	15673	100.0	-	68176	100.0	-	72187
1999-00	23234	132.1	27.6	24087	116.1	17.0	16499	120.2	20.2	18189	116.3	16.0	82009	121.1	20.3	78210
2000-01	22586	129.5	-2.8	25496	123.2	5.8	16682	122.4	1.1	18524	118.1	1.8	83288	123.1	1.6	84232
2001-02	24363	139.2	7.9	27416	132.1	7.5	18987	138.1	13.8	20271	129.2	9.4	91037	135.2	9.3	90255
2002-03	26768	152.3	9.9	29612	143.3	8.0	22322	163.2	17.6	22597	144.5	11.0	101299	150.1	11.3	96278
2003-04	27403	156.1	2.4	30917	149.1	4.4	21406	156.6	-4.1	27660	176.4	22.0	107386	159.3	6.0	102301
2004-05	26811	153.0	-2.2	28753	139.2	-7.0	19715	144.2	-7.9	28334	181.1	2.4	103613	153.4	-3.5	108324
2005-06	28575	163.2	6.6	30435	147.3	5.8	21524	157.4	9.2	31570	201.2	11.0	112104	166.2	8.2	114347
2006-07	28676	163.1	0.4	31034	150.5	2.0	22297	163.2	3.6	28978	185.3	-8.2	110985	164.1	-1.0	120370
2007-08	32477	185.5	13.3	33514	162.2	8.0	24914	182.1	11.7	32279	206.2	11.0	123184	182.3	11.0	126392
2008-09	37393	213.2	15.1	38827	187.1	16.0	29812	217.2	19.7	36199	231.3	12.0	142231	210.1	15.5	132415
Avg.	26954	153	7.1	29151	141	6.1	20716	151	7.7	25479	163	8.2	102301	151	7.1	
SD	5113	29.7	9.3	4867	23.4	6.8	4399.4	32	9.9	6757	43.1	8.5	20725	30.7	7.4	

Amt. = Amount, GI = Growth Index, GR= Growth Rate

It is evident that the total working capital of the selected banks had considerably increased during the study period. It had increased from Rs.68176 lakhs in 1998-99 to Rs. 142231 lakhs in 2008-09; i.e., an increase by 110 percent. The average growth rate was 7.1 percent. Comparatively, the TUDCCB had very less amount of working capital which is due to low membership position. The TIDCCB stood first i.e. Rs. 37393 lakhs of working capital in 2008-09. The liner trend of  $Y=99255+5563x$  was worked out. The total working capital of the region was higher than the trend value during the period 2001-02 to 2003-04. The projection for the year 2020 is calculated as Rs.192644 lakhs. On an average 5.7 percent, 13.7 percent, 68.4 percent and 12.2 percent of the working capital was thro' share capital, reserve fund, deposits and borrowings.

### 1.11.6 BUSINESS RESULTS

Though profit making is not a primary objective of the bank, profits can't be ignored, because an institution suffering losses cannot serve for a long period. Depositors and lending institutions hesitate to invest in such a banking institution. Profit is the simplest and most convenient yardstick for the appraisal of the performance and efficiency of the bank. Therefore, the attainment of economic stability through profitability becomes the essential feature of any bank management. Profitability, in a nutshell, reflects the overall efficiency of district central cooperative banks

TABLE – 1.7: BUSINESS RESULTS (Rs. in lakhs)

Banks Years	TIDCCB			VIDCCB			TUDCCB			KADCCB			TOTAL		
	Amt.	GI	GR	Amt.	GI	GR	Amt.	GI	GR	Amt.	GI	GR	Amt.	GI	GR
1998-99	-44	100	-	47	100	-	8	100	-	30	100	-	41	100	-
1999-00	-328	745.5	645.5	-902	-1919.0	-2019.0	-41	-512.5	-613	70	233.3	133.3	-1201	-2929.3	-3029.0
2000-01	-1143	2597.7	248.5	-444	-944.7	-508.0	-949	-11863.0	2215.0	-153	-510.0	-319.0	-2689	-6558.5	123.9
2001-02	-298	677.3	-73.9	-320	-680.9	-27.9	-791	-9887.5	-16.6	55	183.3	-136.0	-1354	-3302.4	-49.6
2002-03	-1544	3509.1	418.1	-111	-236.2	-65.3	-987	-12338.0	24.8	93	310.0	69.1	-2549	-6217.1	88.3
2003-04	-348	790.9	-77.5	-348	-740.4	213.5	-331	-4137.5	-66.5	111	370.0	19.4	-916	-2234.1	-64.1
2004-05	953	-2166.0	-374.0	1909	4062.0	-648.6	1506	18825.0	-555.0	508	1693.3	357.7	4876	11893.0	-632.3
2005-06	-1979	4497.7	-308.0	-911	-1938.0	-147.7	-710	-8875.0	-147.0	-4321	-14403.0	-951.0	-7921	-19320.0	-262.4
2006-07	-566	1286.4	-71.4	6	12.8	-100.7	778	9725.0	-210.0	10	33.3	-100.0	228	556.1	-102.9
2007-08	-2065	4693.2	264.8	-585	-1245.0	-9850.0	-783	-9787.5	-201.0	53	176.7	430.0	-3380	-8243.9	-1582..0
2008-09	102	-231.8	-105.0	722	1536.0	-223.4	4	50.0	-101.0	5	16.7	-90.6	833	2031.7	-124.6
Avg.	-660	1500	51.6	-85.18	-181.2	-1175	-208.7	-2609.1	30.1	-322	-1072	-53.3	-1276	-3111.3	-512.3
SD	929.4	2112.3	325.4	806.6	1716	3073	782.5	9781.24	795.7	1336	4453	386.3	3140.6	7660	1002

Amt. = Amount, GI = Growth Index, GR= Growth Rate

It is disheartening to note that the banks were running on loss during most of the years and was on increasing trend. However, the figures of the individual banks were not matching. Comparatively, the VIDCCB, TUDCCB, KADCCB had good performance than the TIDCCB. VIDCCB and TUDCCB could earn profit during 2004-05 and 2008-09. The projected business result for the year 2024 is Rs. -1506.7 lakhs.

### 1.11.7 AUDIT CLASSIFICATION

Based on various norms by the Registrar of Cooperative Societies the DCCBs are classified as A, B, C and D. The audit classification of the DCCBs in Coimbatore Region over the years is presented below.

TABLE – 1.8: AUDIT CLASSIFICATION

Years	TIDCCB	VIDCCB	TUDCCB	KADCCB
1998-99	A	A	A	A
1999-00	B	A	B	A
2000-01	D	A	B	A
2001-02	D	D	D	A
2002-03	D	D	D	A
2003-04	D	D	D	A
2004-05	D	D	D	B
2005-06	D	D	D	A
2006-07	D	D	D	A
2007-08	D	D	D	A
2008-09	D	D	D	A

The audit classification is made on the basis of different norms. It is clear from the above table that the performance of KADCCB was very high as it was classified under 'A' category. The TIDCCB, VIDCCB and TUDCCB were mostly classified under 'D' category.



## 1.12 FINDINGS

The present study, "The working capital analysis of the DCCBs in Tirunelveli Region, Tamilnadu State" is an analytical one. The study was conducted in Tirunelveli Region, Tamilnadu state. Among the five Cooperative Regions in Tamilnadu, Tirunelveli Region (South Region) covering four DCCBs was selected and secondary data were used for the analysis. A decadal period was covered by this (1998-99 to 2008-09). Statistical tools of statistical like Percentage, Mean, Standard Deviation, Growth index, Growth rate, Trends were used for analysis. The major findings and conclusion are presented in the following paragraphs.

### 1.12.1 MEMBERSHIP

Membership position of the selected banks had decreased from 2472 in 1998-99 to 2410 in 2008-09. An average growth rate was found -0.2 percent per annum. Only in Tirunelveli District central cooperative bank the membership had increased over the study period. However the increase was marginal (i.e. 2 percent). The average annual membership of the Tirunelveli, Virudhunagar, Thuthukudi and Kanyakumari District Central Cooperative Bank was calculated as 852, 505, 579, and 511 respectively during the study period. Trend analysis showed the decreasing nature and the actual membership almost matches with the trend values.

### 1.12.2. SHARE CAPITAL

The total share capital of the banks had increased from Rs. 2655 lakhs in 1998-99 to Rs.8093 lakhs in 2008-09; on an average the share capital of the banks had increased by 204 percent during the study period. Comparatively, average yearly share capital of KADCCB was high at Rs.1247 lakhs. But TUDCCB had recorded higher growth rate than the other banks. A comparison of actual figures with trend values reveals a fluctuating trend during the study period.

### 1.12.3 RESERVE FUND

The total reserves of all the banks stood at Rs.3351 lakhs in 1998-99 which had increased to Rs.11915 lakhs in 2008-09 i.e., 3.5 times increase was found. The average per year growth rate was about 19.1 per cent and growth rate was higher during 2001-02 i.e., 41.9 per cent. Comparatively, TUDCCB had highest growth index (435.3) followed by TIDCCB (395.3), KADCCB had the lowest index in the growth of reserve funds. The trend value does not tally with actual in most of the cooperative years.

### 1.12.4 DEPOSIT

The total deposits of the selected banks during the study period had recorded on increasing trend. It had increased from Rs.51977 lakhs during 1998-99 to Rs.97326 lakhs during 2008-09, an increase by 87 per cent. Almost the same trend was noticed with the selected four banks individually. On an average the banks had Rs.70168 lakhs as deposits during the study period. Comparatively, the TUDCCB had lower deposits i.e. an average of Rs. 13336 lakhs. The average per year growth rate was 135 per cent and growth rate was on increasing trend during the study period.

### 1.12.5 BORROWINGS

The total borrowings of the bank stood at Rs.10193 in 1998-99 which had increased to Rs.27469 lakhs during 2005-06 (increased by 169 per cent), and it has decreased to Rs.17274 lakhs in 2008-09. Though the total borrowings of the banks fluctuated; the average increase per year was about 8.9 percent. Comparatively, the TIDCCB and TUDCCB had high level of borrowings and VIDCCB and KADCCB had low level borrowings.

### 1.12.6 WORKING CAPITAL

The total working capital of the selected banks had considerably increased during the study period. It had increased from Rs.68176 lakhs in 1998-99 to Rs.142231 lakhs in 2008-09; i.e., an increase by 110 percent. The average growth rate was 7.1 percent. Comparatively, the TUDCCB had very less amount of working capital which is due to low membership position. The TIDCCB stood first with Rs. 37393 lakhs of working capital in 2008-09. The working capital growth was not linear.

### 1.12.7 BUSINESS RESULTS

It is disheartening to note that the banks were running on loss during most of the years and was on increasing trend. However, the figures of the individual banks were not matching. Comparatively, the VIDCCB, TUDCCB, KADCCB had good performance than the TIDCCB. VIDCCB and TIDCCB could earn profit during 2004-05 and 2008-09. The projected business result for the year 2024-25 is Rs. -1506.7 lakhs.

### 1.12.8 AUDIT CLASSIFICATION

The audit classification is made on the basis of different norms. It is clear from the above table that the performances of KADCCB were very high as it was classified under 'A' category. The performance of TIDCCB, VIDCCB and TUDCCB were classified under 'D' category.

## 1.13 CONCLUSION

Invariably in all the selected DCCBs of this study conducted in the Tirunelveli region of the Tamilnadu State zig-zag trends were found especially with reference to position in a) membership b) share capital c) deposits d) borrowings and e) working capital during the study period. Deposits were noted to be the single largest component of working capital (i.e., 87 percent). There were ups and downs in their total investments. The major chunk of investment was loaded in the governmental (state and central) securities. The trend analysis of various working aspects did not reflect a desirable working capital of the selected units of this study. The 'KRA's (Key Result Areas) with reference to working capital is not upto the mark. This indicates a sorry state of financial affairs. Hence the main conclusion is that the working capital of the selected DCCBs was not upto the mark during the study period.

## 1.14 SUGGESTIONS

Based on the findings and conclusion, the following suggestions are offered for the better working capital analysis of the DCCBs under study.

### 1.14.1 FUNDS AUGMENTATION

Reserve funds created in DCCBs are accumulated out of profits generated by the banks. Though share capital have cost in the form of dividend distribution, reserve funds do not entail any cost. Therefore the banks should attempt to generate more profit and transfer substantial portion of the profit to the reserve funds.

The importance of deposits of the cooperative banking structure to provide satisfactory service to any program of agricultural production and industrial manufacturing hardly needs to be emphasized. DCCBs must tap deposits from urban and rural areas so that they may be able to provide funds in large amount to farm and non-farm sector developments. To generate more deposits the banks have to be deliver a host of attractive schemes

The best method of reducing cost of funds by DCCBs is to increase the current deposit and saving deposits (CASA deposits). These two deposits carry nil or less interests. These funds when deployed as loans the spread will be more and more profitability to the bank. Therefore every bank should try to maximize CASA deposits to the tune of atleast 35 percent of the total deposits.

### 1.14.2 NON-INTEREST INCOME

The banks should meet their total establishment expenditure out of non-interest income. For this purpose the banks have to introduce many fee based products like bank guarantees letter of credit etc...

### 1.14.3 ADVANCED FACILITIES

The DCCBs may go for CBS implementation which will strengthen the bank with technology based products like ATM, Debit card, internet banking, mobile banking etc.

### 1.14.4 REDUCTION IN COST OF MANAGEMENT

The major income expenditure portfolios in banking are "interest collected" and "interest paid". On the expenditure side, establishment expenses contribute a major portion. The introduction of modern technologies and efficient HR management will reduce the manpower requirements and thereby the salary bill of the banks.



**1.14.5 SUPERVISION OVER UTILIZATION**

Proper supervision over the end use of loan is required to check credit delinquencies. The working of PACBs can be considerably improved by proper supervision and inspection by the DCCBs. Supervisor should ensure that the loans are used only for the purpose for which they have been obtained.

**1.15 LIMITATIONS**

Taking into consideration the objectives of the study and its coverage both time span and the number of banks, the study is prone to some limitations. Such unavoidable limitations of the present work are:

The study was conducted in the Tirunelveli (southern) region of Tamilnadu State. The environment particularly demographic, geographic, economic and the contributing factors for the fund flow analysis of DCCBs, differs from region to region and state to state. Hence, the findings and conclusions arrived out of the study may or may not be applicable to the banks in other regions and state.

The data used in this study are mostly derived from balance sheets of the selected banks. Window-dressing in any financial aspects is not easily traceable.

Thus, the findings of the present study should be used judiciously and carefully taking into account the various limitations

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