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FINANCIAL PERFORMANCE AND POSITION OF SALEM DISTRICT CENTRAL CO-OPERATIVE BANK

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The information related to the deposits, share capital, reserves, and total assets of the DCC Banks in Salem has been taken into the research study. The secondary data was collected from the annual reports and audit reports of Salem district Central Cooperative Bank during 2007-2008 to 2017-2018 and also information collected from the report of the National Federation of State Cooperative Banks Ltd. The study has been carried out to reveal the sources and applications of funds used by the DCCBs for mobilising the required funds and also to analyse whether the growth of deposits is accompanied by similar growth of owned funds and the total assets of the DCC Banks. The present study is based on analytical principles. By using the statistical tools, namely Annual Growth Rate, Mean, Percentage etc., it is found that the bank had mobilised the majority of funds by deposits from the general public and had focused more on loan funds instead of share capital and deposits in order to balance the required funds.
Key Notes: National Federation , District Central Cooperative Banks (DCCBs) , Cooperative Societies Act.

Introduction:

The Cooperative societies act was passed in the credit year of 1904; the first central bank was started in 1910 in Ajmer. The period from 1906 to 1918 may have caused the period of the central bank from 1919 to 1923. This was a rough period during the end of the First World War. Between 1921 and 1929, the number of central banks increased. Tamil Nadu also required an intermediate agency in the cooperative credit structure to act as a balancing centre between the primary Agricultural Co-operative credit societies at the village level and the state Apex Bank at the top, to attract deposits from towns and employ them profitably in financing the village (Abdul Kuddus and Zakir Hussian, 2014; Deshmukh, 2002).

ORIGIN AND GROWTH OF DISTRICT CENTRAL COOPERATIVE BANK IN TAMIL NADU:

The Madras Central Co-operative Bank was the first bank of its kind and was registered on 19.10.1905. The objective of the bank was to find money to finance societies in all parts of the Madras Presidency. It consisted only of individual members and its constitution was very similar to that of a joint stock bank. Under its by-laws, it could lend only to cooperative societies. It found sample resources to meet the needs of all societies and successfully fulfil its objectives (Shrinivas, 1990; Nakkiran, 2005).

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With the increase in the number of societies in the mofussil, the need was felt for more financing banks which were more accessible to societies than the Central Urban Bank situated in Madras. Further, the bank could not tap the resources and make them available to the societies in the area. At first, central cooperative banks with jurisdiction confined to revenue districts were formed in the district headquarters at Salem and Thiruchirapalli to begin with (Walkini, 2000; Panday, 1995; Agarwal, 1981; Chaudhari, 1964). In 1904, the Salem District Cooperative Bank and Thiruchirapalli District Central Cooperative Bank were established. Two more central banks were formed in Coimbatore and Theni, in Tamil Nadu, in 1911. These banks were identical in principle to and worked with the Madras Central Urban Bank, but their area of operations was confined to the respective revenue districts. Memberships in these banks were restricted to individuals residing in such districts (Maheshwari & Maheshwari, 2007; Mahesshwari, 2013; Makkar & Singh, 2013; Raul and Ahmed, 2005).

REVIEW OF LITERAURE:

Subburaj et al. (2015) investigated the challenges related to enhancing the operational efficiency of the dairy supply chain in Tamil Nadu, India. Dairy farming is a prominent employment in Tamil Nadu, India, and it contributes significantly to our country's progress. The aims and three-tier structure of the Tamil Nadu dairy development department were investigated in this article. Tamil Nadu Cooperative Milk Producers Federation is compared to Gujarat Cooperative Milk Producers Federation in the research (AMUL). The primary challenges impacting dairy production are investigated using a literature review, a field study, and the researchers' own experience. The information was gathered through a questionnaire, and the conversations were captured on video. Based on research conducted on the dairy supply chain in Tamil Nadu, India, some major recommendations are given for policymakers' consideration in order to improve operational efficiency. There are five areas of emphasis. They are as follows: the establishment of a specific dairy zone, the implementation of a dynamic milk procurement system, the strengthening of cooperative societies, the establishment of a feed bank and increased fodder production, an integrated animal health plan, and information technology.

Kumudha and Rizwana (2013) stated that the handloom sector is extremely significant to the country's economy. It is the second largest job industry, after only agriculture. This industry accounts for around fourteen percent of total fabric production in the country (Annual Report Ministry of Textile 2010-11). Handloom weaving is a substantial economic activity in Tamil Nadu, employing more than 1.89 lakh weavers households and 3.19 lakh weavers. It is primarily in the cooperative sector that 50 percent of handloom weavers have been brought inside the cooperative fold, compared to the national average of 25 percent. According to the Handlooms and Textiles Policy Note (2012-2013), in the fiscal year 2011-2012, the Handloom Weavers Co-operative Societies in Tamil Nadu produced 892.22 lakh metres of handloom cloth valued at Rs.695.08 crore and sold handloom textiles worth Rs.852.42 crore. In the fiscal year 2011-2012, 824 Weavers Co-operative Societies were profitable. However, the performance of working societies inside the Co-operative fold has recently suffered. There are several elements to blame for handloom societies' poor performance, with weavers', input material, and marketing clutches receiving the most attention.

Selvakumar and Yoganandan (2019) stated that in India, the dairy industry is important in

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terms of employment, revenue creation, economic impact, and export prospects. The rural inhabitants place a high value on jobs and money from the dairy industry. Throughout the world, the Indian dairy sector is ahead of dairy production, but the total production to fulfil local demands. In this regard, dairy businesses have more options to begin an entrepreneurial activity, which helps to boost employment and consistent revenue making in the dairy industry. This report focuses on the difficulties and practises of micro-level entrepreneurship in Tamilnadu's Salem area. The information was gathered from 119 respondents and interpreted using descriptive analysis, garret ranking, and factor analysis. The outcome of the research demonstrates that owing to investment concerns, the dairy business earns the least amount of money, is considered as a small business, and dairying any members of the family is a severe issue for the dairy business. The dairy entrepreneur is willing to invest in a stable quantity of money with the help of bank loans, a supporting income from the dairy business, employment, and a well-known firm to encourage dairy activity.

Karunakaran (2010) stated that a cooperative is an industry in which logical human beings are manufactured using elements like honesty, unity, equality, and so on. Furthermore, cooperatives contribute to social growth as well as sustainable human development through social integration, education and training, community development, gender equality, and protection against the twin evils of rugged individualism and blatant dictatorship. The findings show that cooperative members have a positive impression of the social, democratic, and empowerment benefits of cooperatives. They see cooperatives as social entities where economic benefits may be obtained, particularly by people who lack access to resources. Long years of membership in cooperatives, increased usage of cooperative services, and more engagement in cooperative management have enabled cooperatives to reap larger social benefits. As a result, despite the flaws and ineffectiveness of cooperative economic success, the social, democratic, and empowering benefits offered by cooperatives to people and society at large are very clear and prominent. There is evidence that the cooperative movement in the district has had a long-term social influence on the inhabitants.

KalaiSelvi (2020) stated that co-operative societies in India, in reality, play a multipurpose role in both rural and urban regions for the development of the people, with a three-tiered structure. Primary credit societies operate at the village level, Central Co-operative Banks operate at the district level, and a State Co-operative Bank operates at the state level. The Tamil Nadu State Apex Cooperative Bank serves as the pivot at the top of the state's three-tier cooperative lending framework. The bank serves as the co-operative banks' banker. It serves as a connection between the money market, cooperatives, and NABARD. It serves as the financial hub for all of the state's cooperative banks and other societies. The TNSC Bank is critical in mobilising and lending resources to agricultural and related operations in Tamil Nadu. Through descriptive statistics of some selected financial indicators such as share capital, reserves, deposits, borrowings, loans, investments, and working results, the study attempts to evaluate the financial health and identify the overall performance of Tamilnadu State Cooperative Apex Bank for the period of 12 years from 2006-2007 to 2017-2018.

OBJECTIVES OF THE STUDY:

1. To study various sources of funds used by the Salem District Central Cooperative Banks formobilizing the required funds.

 ISSN:2336-2693 | E-ISSN:2336-4890

2. To evaluate whether the growth of deposits accompanied by similar growth of owned funds and totalassets of the salem DCC Bank.

METHODOLOGY:

The present study is descriptive in nature. The required data collected from secondary sources. The information related to the deposits, share capital, reserves and total assets of the DCC Bank inSalem have been taken into the present study. The required data were collected from Annual and Audit reports of DCCB, Salem and report of National Federation of State Cooperative Banks Ltd (Kothari, n.d.).

ANALYSIS AND INTERPRETATION;

TABLE- 1

Owned and Borrowed Funds of Salem DCCB

(Rs. In Crore)

PERIOD	Owned Funds		Borrowed Funds		TOTAL
	SHARE CAPITAL	RESERVE	DEPOSITS	LOANS	
2007-08	2553.33	1136.85	107587.18	8564.64	119844.00
2008-09	2793.66	1606.17	127865.57	9532.97	141800.37
2009-10	3065.79	1878.06	151752.72	15059.29	171766.86
2010-11	3440.64	2425.04	161117.54	35002.14	201986.36
2011-12	3650.99	2675.54	182441.12	51844.83	240614.48
2012-13	3911.00	2896.35	214667.75	78545.75	300021.85
2013-14	5195.20	3310.91	271829.69	54713.44	335050.24
2014-15	7940.29	3807.66	291754.71	45052.13	348555.79
2015-16	9114.53	4416.54	318302.32	41740.41	373574.80
2016-17	9786.57	4785.53	343318.34	41929.85	399821.29
Mean (x)	**5144.90**	**2885.47**	**217063.69**	**38198.55**	**263303.60**
Percentage	**1.85**	**1.10**	**82.44**	**14.51**	**100**
A.G.R	**15.93**	**16.71**	**13.94**	**27.38**	**14.53**

The above table 1 explains that there is a growing trend in the overall funds of SDCCB during the study period. Besides, there is an increasing trend in share capital, reserves, and deposits of District Central Cooperative Banks in Salem during the study period, i.e., 2007-08 to 2016-17. But, in the case of loan fund, there is an increasing trend up to 2013-14, and thereafter the bank decreased the loan fund, which indicates that the solvency position of the bank was good during the period 2014-2015 onwards. It is evident that the share capital of DCC Banks during the year 2007-08 was Rs. 2553.33 crores, which had increased to Rs. 9786.57 crores during the year 2016-17. It indicates that the bank had focused more on loan funds instead of share capital and deposits in order to balance required funds. The sources of loan funds used by the DCC Banks are short-term, medium-term, and long-term loans. It shows that the board of directors had not succeeded in mobilising the required funds without borrowing loans during the study period. This was not the prudent policies of DCC Banks in Salem, which resulted in increasing the cost and decreasing the profitability of the bank.

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TABLE - 2

Relationship between Deposit to Owned Fund and Total Assets

(Rs.in Crore)

Year	Total Deposits	Owned Funds	Total Assets	Deposit to Owned Fund Ratio	Deposit to Total Assets Ratio
2007-08	107586.18	3692.18	2896.31	2913.92	3714.63
2008-09	127864.57	4401.83	7964.82	2904.83	1605.38
2009-10	151751.72	4954.85	7163.40	3062.71	2118.45
2010-11	161116.54	5866.68	9317.04	2746.32	1729.28
2011-12	182440.12	6328.53	9357.45	2882.84	1949.69
2012-13	214666.75	6808.35	13097.14	3153.01	1639.04
2013-14	271828.69	8507.11	6589.22	3195.32	4125.37
2014-15	291753.71	11748.95	11649.87	2483.24	2504.36
2015-16	318302.32	13532.07	13588.34	2352.21	2342.47
2016-17	343318.34	14573.10	18370.65	2355.84	1868.84
Mean (x)	**217062.69**	**8040.37**	**9998.42**	**2804.02**	**2358.75**
A.G.R	**13.94**	**16.84**	**34.92**	**-1.88**	**4.37**

The above table shows the trend of the Deposits to Owned Funds Ratio and the Deposits to Total Assets Ratio of DCC Banks in Salem during the study period. A proportionally higher deposit as a percentage of total assets is associated with improved financial sustainability, assuming that the deposit programme is cost efficient. In this context, the trend line of deposit to total assets ratio shows that the deposits as a percentage of total assets have been increased significantly during the period 2013–14, which indicates that the bank mobilised the deposits at low cost in order to increase the return on assets. But, during the period 2016-17, the ratio indicates that the cost involved in deposit mobilisation was much higher. On the other hand, the trend line of deposits to owned funds ratio illustrates less fluctuation, which indicates that the bank spent less cost, by way of brokerage and incentive, on mobilising deposits from the members.

CONCLUSION

The proportion of share capital, reserves, deposits, and loans to the total sources of funds was 1.95%, 1.10%, 82.44%, and 14.51% respectively during the study period, which indicates that the bank had mobilised the majority of funds through deposits (i.e., 82.44%) from the general public. Further, the bank had focused more on loan funds instead of share capital and deposits in order to balance the required funds. The growth rate in the deposits, owned funds, and total assets of the DCC Banks in Salem during the period came to 7.86%, 7.69%, and 35.19%, respectively. The trend line of the deposit to total assets ratio shows that the deposits as a percentage of total assets have been increased significantly during the period 2013–14, which indicates that the bank mobilised the deposits at low cost in order to increase return on assets. The trend line of deposits to owned funds ratio illustrates less fluctuation, which indicates that the bank spent less cost, by way of brokerage and incentive, on mobilising deposits from the

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