



## “FINANCIAL PERFORMANCE OF SALEM DISTRICT CENTRAL COOPERATIVE BANK LTD., SALEM”

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### ABSTRACT

The present study is based on analytical in nature. The information related to the deposits, share capital, reserves and total assets of the DCC Banks in Salem have been taken into the present study. The data used in this study is secondary in nature which was collected from Annual and Audit reports of DCCB, Salem and report of National Federation of State Cooperative Banks Ltd. The study has been carried out to reveals the sources of funds used by the DCCBs for mobilizing the required funds and also to examine whether the growth of deposits accompanied by similar growth of owned funds and the total assets of the DCC Banks. By using the statistical tools namely Annual Growth Rate, Mean, Percentage etc., it is found that the bank had mobilized majority of funds through deposits from the general public and it had focused more on loan funds instead of share capital and deposits in order to balance the required funds. The trend line of Deposit to Total Assets Ratio shows that the deposits as a percentage of total assets has been increased significantly during the period 2013-14 which indicates that the bank mobilized the deposits with low cost in order to increase the return on assets. Further, the deposits to Owned Funds Ratio illustrates less fluctuation which indicates that the bank spent less cost, by means of brokerage and incentive, on mobilizing deposits from the members.

**KEYWORDS:** National Federation, District Central Cooperative Banks (DCCBs), Cooperative Societies Act.

### 1. INTRODUCTION

The District Central Cooperative Banks (DCCBs) occupy a position of cardinal importance in three-tier credit structure. They came into existence due to the failure of PACS 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 and individuals, in order to fulfill the credit needs of the affiliated societies.

In Uttar Pradesh, the PACS worked as DCC Bank in 1906. The first DCC Bank was started at Ajmeer in 1911. However, the Cooperative Societies Act of 1912 paved the way for the registration of DCCBs with an objective of providing financial assistance to primary societies. The policy of organizing a DCC bank for each district originated from a recommendation of Maclagan Committee on Cooperation in India in 1915. Thus, the origin of DCCBs took place during the period between 1906 and 1918 in various parts of the country.

### 2. ORIGIN AND GROWTH OF DISTRICT CENTRAL COOPERATIVE BANK IN INDIA

When the Cooperative societies act was passed in the credit year 1904, the first Central bank was started in 1910 Ajmer. The period from 1906 to 1918 may have caused the period of Central banks 1919 to 1929. This was a rough the period during the end of the First World War Sinking the number of Central banks went off increasing between 1919 to 1929.

The membership of the individuals from 0.9Lakhs in 1929-1930 to 8.85 Lakhs in 1936 to 1937 the whole structure of Central financial agency was haphazard in most needed re-organization.

- The Central Cooperative Bank act was a balancing center to its member societies, the position of Central crucial importance in the Cooperative credit structure.
- The unit must be viable in nature. Hence. Found financial setup is necessary.
- The unit must have a common over it is nothing but regulatory and corrective functions.
- To act as a balancing centre, the unit must have optimum area of operation.
- Secondary Central bank is very much needed to help the member society's especially primary Agricultural credit societies.
- There, important aspect is related rising of resource. At the present village primary rise societies are not equipped to raise resource by ways of deposits.

### 3. ORIGIN AND GROWTH OF DISTRICT CENTRAL COOPERATIVE BANK IN TAMIL NADU

Tamil Nadu also needs an intermediate agency in the cooperative credit structure to act as a balancing centre between the primary credit societies at the base and the Apex Bank at the top, to attract deposits from towns and employ them profitably in financing the village.

The Madras Central 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 requirements of all societies and successfully fulfill its objectives.

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. Central Cooperative Banks with jurisdiction confined to revenue districts were formed in the district headquarters at Salem and Thiruchirapalli to begin with. 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 and working 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.

### 4. ORIGIN OF SALEM DISTRICT CENTRAL COOPERATIVE BANK

The Salem District Central Cooperative Bank Ltd was started by British government as "Salem Urban Cooperative Bank" in 26.01.1909 in year 1942. The Bank was registered as "Salem Central bank in 1987" the Salem Central Cooperative Bank. The DCCB has 380 PACSB's which are functioning around the area of operation Mr. Nachiyappan Gondar, Mr. Subramani Gondar played very important role in the development of Salem District Cooperative Bank. Now this Bank has 63 branches covering entire area of operation of District Central Cooperative bank in Tamil Nadu. The individual members were removed from the Bank and affiliated Cooperative Societies alone with admitted as "A" Class member of the bank

The Maclean committee had expressed the view that Central bank should cover as large areas as comfortable with convenience and efficiency. The area of operation as the Salem District Central Cooperative Bank consists of Salem and Namakkal District. The bank has 63 branches around Salem and Namakkal Districts.

The chief object of DCC Banks is to meet the credit requirements of member societies and other Cooperative societies in its area of operation. The efficiency in the performance of DCC Banks always depends on the mobilization of the required amount of funds. The researcher is interested in knowing the efficiency with which different sources were used by the DCC Banks for mobilizing the required funds. Therefore, the present study is entitled as, "Mobilization of Funds by DCC Banks in Salem.

## 5. OBJECTIVES OF THE STUDY

The present study has the following objectives:

1. To study the different sources of funds used by the Salem District Central Cooperative Banks for mobilizing the required funds.
2. To examine whether the growth of deposits accompanied by similar growth of owned funds and total assets of the DCC Bank.

## 6. METHODOLOGY

The present study is based on analytical 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 in Salem 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.

## 7. INSTRUMENTATION

In order to interpret and analyzing the collected data, simple statistical techniques like Annual Growth Rate (AGR), mean, co-efficient of variation, percentage etc., have been used in this present study. Share capital, reserve funds and other reserves created by the DCC Banks out of its profits constitutes the internal source of the bank. But for effective and efficient working every DCC Bank has depended upon the external source like deposits from public, member societies and individuals and borrowing from State Cooperative Bank and State Government.

**Table 1**  
**Sources of Funds of DCC Bank in Salem**

(Rs. in Crores)

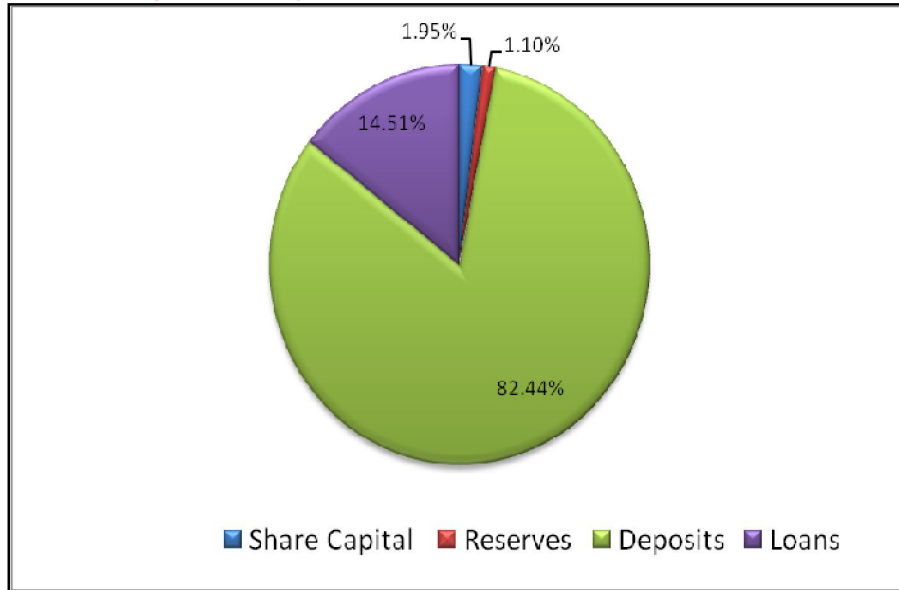
Year	Owned Funds		Borrowed Funds		Total
	Share Capital	Reserves	Deposits	Loans	
2007-08	2554.33	1137.85	107587.18	8564.64	119844.00
2008-09	2794.66	1607.17	127865.57	9532.97	141800.37
2009-10	3066.79	1888.06	151752.72	15059.29	171766.86
2010-11	3440.64	2426.04	161117.54	35002.14	201986.36
2011-12	3651.99	2676.54	182441.12	51844.83	240614.48
2012-13	3911.00	2897.35	214667.75	78545.75	300021.85
2013-14	5196.20	3310.91	271829.69	54713.44	335050.24
2014-15	7940.29	3808.66	291754.71	45052.13	348555.79
2015-16	9115.53	4416.54	318302.32	41740.41	373574.80
2016-17	9787.57	4785.53	343318.34	41929.85	399821.29
<b>Mean (x)</b>	<b>5145.90</b>	<b>2895.47</b>	<b>217063.69</b>	<b>38198.55</b>	<b>263303.60</b>
<b>Percentage</b>	<b>1.95</b>	<b>1.10</b>	<b>82.44</b>	<b>14.51</b>	<b>100</b>
<b>A.G.R</b>	<b>16.93</b>	<b>17.71</b>	<b>13.94</b>	<b>27.38</b>	<b>14.53</b>

(Source: - Annual & Audit Reports of the SDCCB 2016-17.)

The above table 1 shows that there is an increasing trend in 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 cut down the loan fund which indicates that the solvency position of 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. 2554.33 crores which had increased to Rs. 9787.57 crores during the year 2016-17. It is also observed that the reserves of DCC Banks was Rs. 1137.85

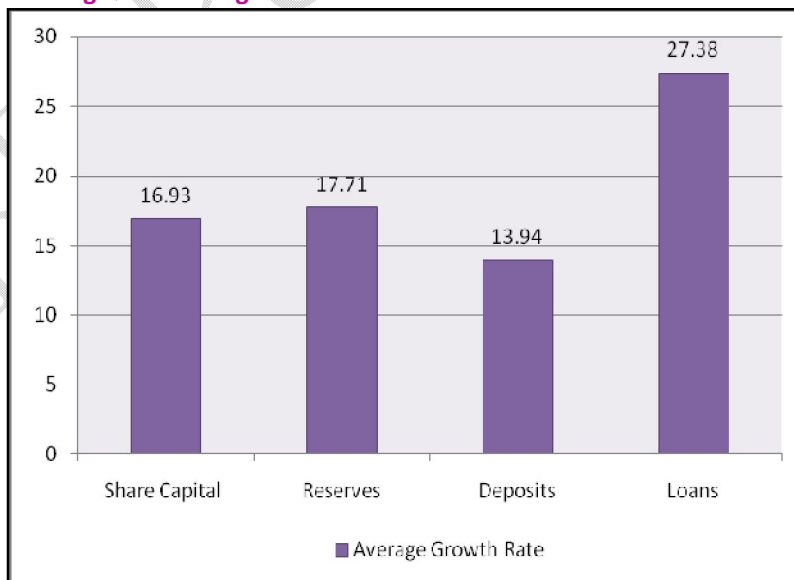
crores during the year 2007-08 which had increased to Rs. 4785.53 crores in 2016-17. The table also indicates that the deposits collected by DCC Banks in Salem during the year 2007-08 was Rs. 107587.18 crores which had also increased to Rs. 343318.34 crores. On the contrary, the Loan funds of DCC Banks in Salem show fluctuating trends during the study period. It is apparent from the above table, that the loans during the period from 2007-08 to 2013-14 shows the increasing trends (i.e. increased by Rs. 46,148.80 crores). During the year 2014-15 onwards, it shows the decreasing trends (i.e. decreased by 12,783.59 crores).

**Diagram 1 – Proportion of various sources of funds of SDCCB**



Further, the proportion of share capital, reserves, deposits and loans to the total sources of funds are 1.95%, 1.10%, 82.44% and 14.51% respectively during the study period which indicates that the bank had mobilized majority of funds through deposits (i.e. 82.44%) from the general public.

**Diagram 2 Average Growth Rates of Various Sources of Funds of SDCCB**



The Annual Growth Rate of share capital, reserves, deposits and loans registered a growth of 16.93%, 17.71%, 13.94% and 27.38 respectively. 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 as short-term, medium-term and long-term loans. It shows that the board of directors was not succeeded in mobilizing the required funds without borrowed loans during the study period. This was not prudent policies of DCC Banks in Salem which resulted in increasing the cost and for the decreasing the profitability of the bank.

The following table shows the trend of owned funds, deposits and total assets of the DCC Banks in Salem during the period 2007-08 to 2016-17

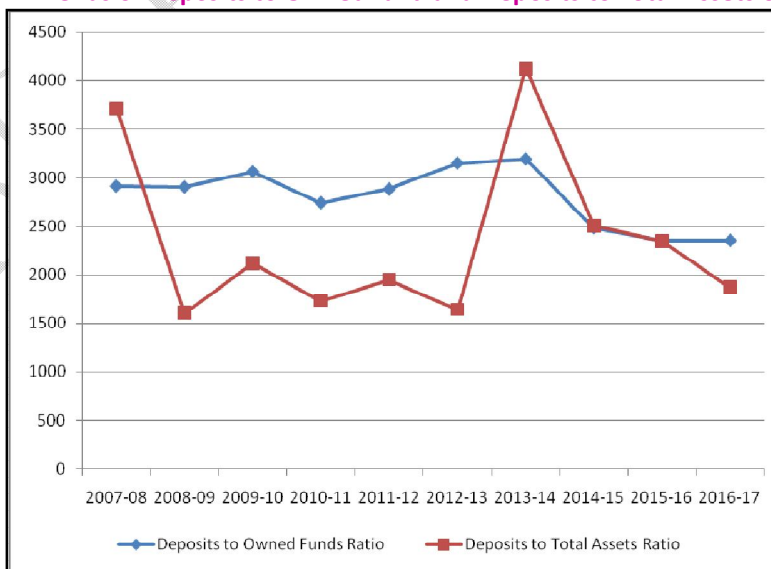
**Table 2**  
**Trends of Deposits, Owned Funds and Total Assets of DCC Bank in Salem**

(Rs. in Crores)

Year	Total Deposits	Owned Funds	Total Assets	Deposit to Owned Fund Ratio	Deposit to Total Assets Ratio
2007-08	107587.18	3692.18	2896.31	2913.92	3714.63
2008-09	127865.57	4401.83	7964.82	2904.83	1605.38
2009-10	151752.72	4954.85	7163.40	3062.71	2118.45
2010-11	161117.54	5866.68	9317.04	2746.32	1729.28
2011-12	182441.12	6328.53	9357.45	2882.84	1949.69
2012-13	214667.75	6808.35	13097.14	3153.01	1639.04
2013-14	271829.69	8507.11	6589.22	3195.32	4125.37
2014-15	291754.71	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
<b>Mean (x)</b>	<b>217063.69</b>	<b>8041.37</b>	<b>9999.42</b>	<b>2805.02</b>	<b>2359.75</b>
<b>A.G.R</b>	<b>13.94</b>	<b>16.84</b>	<b>34.92</b>	<b>-1.88</b>	<b>4.37</b>

(Source: - Annual & Audit Reports of the SDCCB 2016-17.)

**Graph 1 - Trends of Deposits to Owned fund and Deposits to Total Assets of SDCCB**



The above figure 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 deposits 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 has been increased significantly during the period 2013-14 which indicates that the bank mobilized the deposits with low cost in order to increase the return on assets. But, during the period 2016-17 the ratio indicates that the cost involved in deposits mobilization was much higher. On the other hand, trend line of deposits to Owned Funds Ratio illustrates less fluctuation which indicates that the bank spent less cost, by means of brokerage and incentive, on mobilizing deposits from the members.

**Table 3**

Year	Indicates Base Year 2007-08		
	Deposits	Owned Funds	Total Assets
2007-08	100.00	100.00	100.00
2008-09	118.85	119.22	275.00
2009-10	118.68	112.56	89.94
2010-11	106.17	118.40	130.06
2011-12	113.23	107.87	100.43
2012-13	117.66	107.58	139.96
2013-14	126.63	124.95	50.31
2014-15	107.33	138.11	176.80
2015-16	109.10	115.18	116.64
2016-17	107.86	107.69	135.19

*(Source: -Computed from Issues of Cooperative Movement at a Glance in Salem for 2016-17.)*

The above table 3 shows the position of deposits, owned funds and total assets of the DCC Banks in Salem which are in increasing trends during the study period. In order to know the trend of deposits, owned funds and total assets of DCC Banks, the indices values are calculated by taking the year 2007-08 as base year. The indices of deposits, owned funds and total assets increased continuously and reached 107.86, 107.69 and 135.19 respectively from the base year 2007-08. The growth rate in the deposits, owned funds and total assets of the DCC Banks in Salem during the period come to 7.86%, 7.69% and 35.19% respectively.

The paid up capital and various reserves created by the DCC Banks in Salem out of profits constitutes. During the period 2007-08, the deposits to owned fund ratio was 2913.92%, whereas in the year 2016-17 it was 2355.84% which is decreased by -558.08% during the same period. The ratio witnessed proportionately more growth in the amount of deposits than the growth in the owned funds of the DCC Banks in Salem. It indicates huge interest and confidence of depositors on the DCC Banks in state of Salem. The source of total assets or the working capital of the DCC Banks are including, paid-up share capital, reserve and surplus, deposits from PACCs, individuals and others. The ratio of deposits to total assets of the DCC Banks in Salem ranged between 3714.63% as minimum in 2007-08 to 1868.84% as maximum in 2016-17; all an average deposits constitute 2359.75% of the total assets during the study period.

**8. CONCLUSION**

The proportion of share capital, reserves, deposits and loans to the total sources of funds are 1.95%, 1.10%, 82.44% and 14.51% respectively during the study period which indicates that the bank had mobilized 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 come to 7.86%, 7.69% and 35.19% respectively. The trend line of Deposit to Total Assets Ratio shows that the deposits as a percentage of total assets has been increased significantly during the period 2013-14 which indicates that the bank mobilized the deposits with 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 means of brokerage and incentive, on mobilizing deposits from the members.

It is found from the above figures and analysis, the management of district central Cooperative banks in Salem has succeeded in mobilizing the total deposits collected by them from member's societies, individuals and other Cooperative societies during the study period i.e. 2007-08 to 2016-17 due to the growth in owned funds as well as growth in total assets of the DCC Banks.

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