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A brief profile of erode district central cooperative bank limited

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Abstract
Co-operative Play an important role in the socio-economic development of rural masses. The District central co-operative banks are generally located at the district headquarters in the state. It is the middle tier between state co-operative banks and primary agriculture co-operative banks. The DCCB are provided the loans and advances and financing the PACBs, individual and other co-operative societies from their own resources and also by availing credit from the state co-operative banks and NABARD through the apex bank for forming and non-forming sectors.

Keywords: co-operative banks, socio-economic development, rural masses, NABARD

Introduction

Co-operative Play an important role in the socio - economic development of rural Masses. The Co-operative movement has completed a century. It has deeply penetrated in to the rural economy. The movement started with the enactment of first Co-operative credit societies Act, 1904. The district central co-operative Bank, are generally located at the District Headquarters in the state. The banking regulation Act of Reserve bank of India governs these banks. They have branches located in the rural areas. The major port folios of these banks include current and saving deposit, term deposits, borrowings from national Banks, Apex bank, Government collect deposits from co-operative societies and individuals. The loan advanced is composed of short term, medium term and long term loans.

The role of District central co-operative banks credit delivery systems is significant in economic development, especially for the development of agriculture and rural areas. Here the District central co-operative banks being the middle tier between State co-operative bank and primary Agriculture co-operative banks, occupy a position of strategic importance. They act as balancing centers and provide funds to the primary Agriculture co-operative banks in the Districts when they face shortage by diverting surplus funds of the urban areas.

They not only finance the primary Agricultural co-operative banks affiliated to them, also supervise and guide the working of all the member societies in the District. Above all they lead the co-operative moment in the respective district.

Banking System in India

The whole banking system in India is controlled by the Reserve Bank of India. In the banking system there are 20 nationalized commercial banks, 8belonging to the State Bank group, a vast network of co-operative banks at state, district and block levels and various development banks, in addition to private and foreign sector banks. Rural and agricultural sector are well served by the cooperative banks. Co-operative banks are an important constituent of the Indian banking system. The co-operative banks originated in the west but they have assumed importance in India because of their vast network which is rarely paralleled anywhere else in the world. Their role in rural financing continues to be important even today and their business in urban areas has also increased in recent years, mainly due to the sharp increase in the number of primary co-operative banks. Co-operative banks are part of the vast and powerful super structure of co-operative institutions which are engaged in the tasks of rural and urban banking, agricultural and agro processing including sugar products, dairy products, and production of fertilizer, marketing of agricultural commodities, and distribution of consumer articles through retail outlets and so on. Co-operative banks promote employment opportunities and additional income generation, thus helping in promoting quality of life of the common masses. The co-operative banks in Indian banking were started with the objectives of prevention of concentration of economic power, achieving wide dispersal of productive resources, active involvement of people in development programmes, augmentation of the productive resources, liquidation of unemployment and poverty, and relieving the people from indebtedness to money lenders.

District Central Cooperative Banks

A Central Co-operative Bank is a federation of primary agricultural co-operative banks and other primary societies in a specified area, normal a district. The rural credit survey committee recommended that there should be only one central co-operative bank in a district so that it could be strong enough as membership of a central co-operative bank is restricted to primary societies only; it is known as a banking union. Central co-operative banks are generally situated at the headquarters of a district and have on their board of management individuals of sufficient influence and business capacity, in addition to representatives of primary societies.

Main objective of the central co-operative bank is to arrange the supply of funds for their constituents. In the present stage of development, the primary societies are not very strong so as to meet the credit requirements of their members. The central co-operative banks play a crucial role by arranging a regular flow of credit to the primary societies.

The central co-operative banks also supervise the working of primary societies and ensure a satisfactory implementation of recognized credit policies. The central co-operative bank is one of the strongest units in the co-operative banking structure. Though originally there was no provision for the organization of such banks under 1904 Act, the new Co-operative Societies Act 1912 has paved the way for the organization of central co-operative banks throughout the country. I n many state the three-tier system is strengthened purely by the presence of the central co-operative banks. The weakness of co-operative movement in a state is synonymous with the weakness of the central co-operative banks.

Progress of District Central Cooperative Banks

The progress of central co-operative banks in India is viewed in stages such as pre-independence period and post-independence period.

Pre-Independence Period

Originally there was no provision for the organization of central cooperative banks under the Cooperative Societies Act, 1904. Primary Agricultural Societies were formed under this Act. They raised their own funds through deposits and took small loans from the Government. But the Primary Agricultural Societies found it very difficult to meet the financial requirements of their member farmers due to inadequate resources. So, they needed financial assistance and technical and administrative guidance from other sources. Hence, the need for Central Financing Societies arose which would mobilize deposits from the rich in towns and finance the Primary Societies at the village level. Therefore the Government passed the Co-operative Societies Act 1912, which paved the way for the organization of central co-operative banks throughout the Country. Under this Act, Non-Agricultural Credit Societies also came into existence.

During 1912-1918, many central co-operative banks were formed in the various parts of the country. So, this period is described as the period of “Origin of central co- operative Banks”. During the 10 years from 1919-20 to 1929-30, the number of central co-operative Banks increased from 393 to 588. This period witnessed the expansion of the co- operative banking system.

The number of central co- operative banks reached the maximum of 611 during 1936-37 in the history of the credit movement in India. This was due to the registration of new central co-operative banks in the states of Uttar Pradesh and Bihar. Though the number of central co- operative Banks (CCBs) increased tremendously, the working of the Banks was adversely affected due to the economic depression in India in the thirties. There was a marked decline in the membership of CCB’s.

After the formation of the Reserve Bank of India in 1935, various changes and developments took place. The Co-operative Credit Movement again picked up momentum after the Second World War. During 1945-46, the number of member societies increased to 118094, whereas the individual members decreased to 80000 from 85000 in 1936-37. The total owned funds and working capital of the CCBs in India stood at Rs.3782 lakhs and Rs.4508 lakhs respectively. The average owned funds and working capital per banks worked out to Rs.6.29 lakhs and Rs.7.50 lakhs respectively. The number of banks decline to 601 during the period. The total amount of loans disbursed increased from Rs.914 lakhs in 1936-37 to Rs.4307 lakhs in 1945-46 with a remarkable increase of nearly 4.7-times. Similarly the overdue position of the banks in India increased to Rs.2036 lakhs during the period.

Post-Independence Period

After independence, particularly after India entered the area of planning, the Government considered co- operative banks an indispensable instrument for implementing the development plants particularly those means for agriculturists and the weaker sections of the society. The central co-operative banks shouldered the responsibility as institutions to purvey credit for agriculture and rural development. Due to the absence of planning in the earlier stages of development of the co-operative movement, a large number of central co- operative banks were organized. In 1950 -51 the number of central co-operative banks came down from 601 to 509. The Rural Credit Survey Committee recommended that there should be only one central co-operative bank in a district so that it could be strong enough as an economic unit. It was, however, agreed that if to or more central co-operative banks already existed in a district, they may be allowed to continue provided they satisfied the test of viability. Being the leader of the co-operative movement in a district, the central co-operative banks were expected to play an effective role for the all-round growth of the co-operative movement. Being a social banker, the central co-operative banks were expected to take the banking facilities to the rural and unbanked areas.

The committee on Co-operative Credit declared that the work of reorganization of weak central banks through amalgamation should be completed as soon as possible so that the progress of agricultural credit co-operative may not be impeded but, in fact, may be accelerated.

The standing Advisory committee also supported the above view and recommended the amalgamation and reorganization of central co-operative banks with the aim of having one strong central co-operative bank for a district. The recommendations were approved by the Government of India and central co-operative banks were reorganized and amalgamated. The reorganization process commenced from the first Five Year Plan and was completed at the end of the fourth Five Year Plan.

Statement of the Problem

Co-operative banks are required to play a prominent role in the mobilization of resources and may support agricultural sector and in employing them. Even though the banality industry has achieved as astonishing growth it is lowing some weakness in fact cost of operation at the blankness system stands with financial system need further improvement hence a meticulous attention is needed to resolve the following problem, What level of financial efficiency of the Erode District Central Cooperative Bank have achieved over a patroller span of time as they being the financial institutions? To analysis the Growth rate of Erode District Central Cooperative Bank.

Objectives of the Study

The following are the main objectives of the study

1. To trace the origin and growth of Erode District Central Co-operative Bank.
2. To measure the Growth Rate of Erode District Central Co-operative Bank.

Methodology and Data Collection

The present study evaluates the performance of Erode District Central Co-operative Bank Limited from 2006-07 to 2015-16 with reference to deposit mobilization, lending and recovery performance and financial performance. The present study is based mainly on secondary data. The Secondary collected for the study is analyzed with the help of appropriate tools of analysis.

Sources of data

The secondary data used in this study is collected from the financial statements and Audit report of the study unit. NABARD, RBI regulations are also referred for the financial performance and reference for the lending operations, sources of funds of the Banks.

Period of the Study

The study covers the period of 2006-07 to 2015-16.

Objectives of the Bank

- Arranging timely credit to SM/MF at competitive interest rates to relieve them from private money lenders through its affiliated societies.
- Also it finance directly to its individual members and general public.
- Major objectives of the bank is to collect deposits from public and avail borrowings from apex bank, NABARD and to lend them to its affiliated societies and individual members for the socio-economic development of rural farmers and down people in its area of operation, especially in rural areas.
- To accept deposits from members and non-members and to utilize the loans to its members for useful purpose.
- To undertake collections of bills drawn accepted or endorsed by members subject to the provisions of the by-laws.
- To promote cottage tiny and small scale industries and small scale industries and small read transport operation.

To promote family welfare schemes of the state government among its members and employers.

Membership

Memberships of the banks are open to all people within the area of operation; the members are classified as,

1. "A" class members; and
2. Associate member

"A" Class Members

"A" class members should have right of voting power in constitution of their board. The person should complete at the age of 18. "A" class member should pay share capital plus Entrance Fee and share value is Rs.100.

Associate Members

Associate members have no voting rights. They have to pay only Entrance Fee is Rs.50.

Table 1: Membership

S. No.	Year	Membership
1	2006-07	1350
2	2007-08	1355
3	2008-09	1360
4	2009-10	1360
5	2010-11	1360
6	2011-12	1360
7	2012-13	1360
8	2013-14	1362
9	2014-15	1378
10	2015-16	1381

Sources of Fund

The bank is functioning with Owned and Borrowed funds. Owned fund consists of Share Capital and Reserve Fund. Borrowed Fund consists of Deposits and Borrowings.

Table 2: Sources of Rs. in Crores

S. No	Year	Share Capital	Deposits	Borrowing
1	2006-07	80.91	35.33	76.96
2	2007-08	44.32	37.77	56.07
3	2008-09	49.22	46.15	62.12
4	2009-10	44.25	61.55	78.17
5	2010-11	57.32	70.07	54.86
6	2011-12	36.41	77.45	183.65
7	2012-13	34.84	92.07	35.74
8	2013-14	33.82	103.80	24.63
9	2014-15	35.63	105.06	107.12
10	2015-16	38.57	111.56	97.34

Growth Rate

Growth is very much essential for any banking Industry and so also for a firm. The business of a cooperative sector bank is primarily to hold deposits and make loans and investments with the object of securing profit for its shareholders. Its growth was quite slow prior to independence. But after independence the cooperative banking system has recorded rapid progress.

Growth Indicators

To measure the growth rate of the EDCCB, the following growth indicators have been considered:

- Aggregate Deposits
- Total Loan and Advances
- Total Investments
- Interest Earned
- Net Profit

Annual Compound Growth Rate

$$(r) = \sqrt[n]{\frac{Pn}{Po}} - 1 \times 100$$

Where,
r= is the annual growth rate.
n= is the number of year i.e (n-1)
Pn =is the value of current year.
Po = is the value of base year.

The amount of these indicators along with the annual compound growth rate over ten years of study covers the period of 2006 – 2007 to 2015 -2016 has been presented in Table

Table 3: Annual Compound Growth Rate of the Indicators of the Erode District Central Cooperative Bank Ltd

Year	Aggregate Deposits		Total Loan And advances		Total Investments		Interest Earned		Net Profit	
	Amount	Annual compound Growth Rate	Amount	Annual compound Growth Rate	Amount	Annual compound Growth Rate	Amount	Annual compound Growth Rate	Amount	Annual compound Growth Rate
2006-07	37771	933.87	385.98	942.11	410	904.88	1888.55	1764.40	268	813.67
2007-08	46155	1005.39	521.28	1062.11	410	900	8374.75	2005.80	1183	2000.9
2008-09	61555	1054.81	621.57	991.92	410	900	9534.16	966.95	1206	909.65
2009-10	70079	966.95	699.59	960.89	410	900	1233.14	259.58	1327	948.95
2010-11	77459	951.33	824.77	178.93	506	1010.90	1671.54	1064.25	1379	919.36
2011-12	92078	990.27	948.78	972.52	501	895.03	1615.78	883.15	1391	904.34
2012-13	10380	235.70	1109.75	981.48	1001	1313.50	1673.59	917.69	1525	947.04
2013-14	12926	1015.88	1161.98	923.23	1701	1203.57	7878.72	2069.7	1447	874.06
2014-15	14660	964.94	1126.62	884.63	2001	984.57	1260.92	1172.47	1461	904.78
2015-16	46397	1678.98	1142.49	906.97	2001	900	163.37	259.86	1506	915.28
Low :	235.70		178.93		895.03		259.58		813.67	
High :	1678.98		1062.11		1313.50		2069.7		2000.9	
Average:	979.81		880.47		991.24		113.69		1013.80	

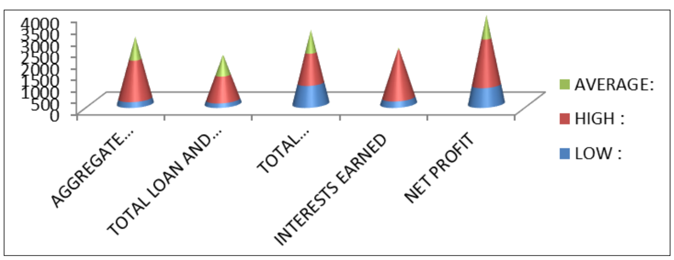

Fig 1: Annual Compound Growth Rate of the Indicators of the Erode District Central Cooperative Bank Ltd.,

It could be seen from table that the annual compound growth rate of the various growth indicators as computed for the EDCCB, over a period of ten year between2006 – 07 and 2015 – 16, had all stood 979.81 in case of Aggregate Deposits;880. 47 in case of Total Loan and Advances; 991.24 in case of Total Investments; 113.69 in case of Interest Earned; 1013.80 in case of Net Profit respectively.

Conclusion

However, from the above analysis of view it was found that right from the origin of DCCBs in India, Government of India, RBI, NABARD and state Government took several measures for streamlining as well as strengthening the DCCBs. But still, the problem of poor recovery had been continuing. Consequently the Problem of NPA. Any financial institution including DCCB carries on business out of fund, which are collected as deposits borrowings from higher has financing agencies. These funds are lent as credit to member societies and individual members through on lending and direct lending. There should be a regular recycling of these funds. This recycling will take place is the recoveries come back to the banks as per the time frame fixed for their recovery.

Lack of recovery would affect the overall liquidity of the institution and in due course the solvency of the institution itself would be in question. Thus, the efficiency of banking institutions as a financial intermediary depends to a great extent on timely recovery of loans.

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