

Financial analysis of Nellore district co-operative central bank

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Abstract

The District Co-operative Central Banks (DCCBS) form an integral part of the short and medium term cooperative credit structure. They provide a connecting link between the small and scattered primary societies in the district and the Apex Bank at the State level. Besides being balancing center for primary societies, DCCB act as a financier, a friend, a philosopher and a guide to all cooperative organizations at the District Level.

Keywords: financial analysis, DCCBS, Nellore

Introduction

Sri Potti Sriramulu Nellore District Co-operative Central Bank Ltd., Nellore, was registered and started its functioning from 11.01.1918 and this is having a long cherished history of 97 years. The area of the operation of the Bank extends to Five Revenue Divisions covering 46 Revenue Mandals of the District ^[1]. The Bank is providing financial assistance through 99 PACS affiliated to the Bank and 348 other type of Societies through the network of 18 Branches. Now the Nellore DCCB has come to be regarded as strategic leader of cooperative movements at the district level ^[2].

Bearing in mind the functions assigned to the Bank, an attempt has been made in this chapter to evaluate the performance of the NDCCB in owned funds, share capital reserve fund, deposit mobilization and borrowings for a period of Ten years i.e., from 2008-17.

Financial aspects of Nellore DCCB

District Co-operative Central Banks (DCCBS) form an integral part of the short the and medium term cooperative

credit structure. They provide a connecting link between the small and scattered primary societies in the district and the Apex Bank at the State level. Besides being balancing center for primary societies, DCCB act as a financier, a friend, a philosopher and a guide to all cooperative organizations at the District Level ^[3].

Owned funds

Owned fund consists of share capital and reserves. They constitute a very important component of resource since the strength of the DCCB is based on them. They serve as a base for raising further resources by way of borrowings and deposits, because the maximum borrowing power of the DCCB is fixed in relation to owned funds. The owned funds further act as an internal sources for absorbing overdues and bad debts if any in the DCCB. Further, the eligibility of credit limit from NABARD is determined on the basis of the owned funds ^[4].

Table 1 reveals the trends in owned funds in Nellore District Co-operative Central Bank.

Table 1: Owned Funds (Rs. Lakhs)

Composition of owned funds			
Year	Share capital	Reserve fund	Owned fund
2008	4646.52(96.21)	182.79(3.79)	4829.31(100)
2009	4746.37(91.76)	426.26(8.24)	5172.83(100)
2010	4841.01(92.93)	368.48(7.070)	5209.49(100)
2011	4933.28(92.88)	478.18(7.12)	5311.46(100)
2012	5032.69(90.71)	515.27(9.29)	5547.96(100)
2013	5329.94(91.18)	515.27(8.82)	5845.21(100)
2014	5360.75(70.67)	2224.95(29.33)	7585.70(100)
2015	5493.58(73.94)	1936.34(26.06)	7429.92(100)
2016	5643.02(74.22)	1959.57(25.78)	7602.53(100)
2017	5828.17(70.15)	2479.35(29.85)	8307.52(100)
CGR (%)	2.55	33.60	6.21
T-test calculated value	40.7440*	3.8388*	15.3796

Source: Annual reports of Nellore DCC Bank. (2008-2017).

Note: Figures in parentheses represent percentages to total

Note: * Significant at 1 per cent level.

It is evident from table 1 that owned funds increased from Rs.4829.31 lakhs in 2008 to Rs.8307.52 lakhs in 2017, thereby showing a positive growth of 72.02 percent during the study period. The percentage share of share capital to the

owned funds was 96.21 per cent in 2008, which declined to 70.15 per cent by 2017. The proportion of Reserved fund to owned funds was 3.79 percent in 2008 and it went up 29.85 percent by 2017.

Share capital

The share capital is raised from three sources, namely, societies, the state Government and individual members. While the share capital from societies and individual members is related to the loan borrowings, the Government’s share capital contribution is related to certain norms to be fulfilled by the DCCB. As regards capital structure of a district cooperative central Bank, the Government participation in share capital is essential. The Banking

commission visualized that the share capital contribution by the state Governments “as a powerful helping hand may be held out, capable of guarding the primary structure against dangers and weaknesses inherent in the present functions of the system as a whole [5]. The participation of the state Government not only strengthens the financial structure of the bank but also helps in creating confidence in the public about the bank.

Table 2: Share capital of NDCCB

Year	A’ Class		B’ Class	Total	Percentage change over preceding year
	State Govt.	Societies	Individuals		
2008	3353.24(72.17)	1248.73(26.87)	44.55(0.96)	4646.52(100)	-
2009	3353.24(70.65)	1349.20(28.42)	43.95(0.93)	4746.39 (100)	+2.14
2010	3353.24(69.27)	1444.16(29.83)	43.61(0.90)	4841.01 (100)	+1.99
2011	3353.24(67.27)	1535.79(31.13)	44.24(0.90)	4933.27(100)	+1.90
2012	3353.24(66.63)	1634.00(32.47)	45.46(0.90)	5032.70(100)	+2.01
2013	3353.24(62.68)	1931.64(36.11)	64.60(1.21)	5349.48(100)	+6.29
2014	3353.24(62.55)	1942.71(36.24)	64.80(1.21)	5360.75(100)	+0.21
2015	3353.24(62.55)	2077.44(36.31)	62.90(1.14)	5493.58(100)	+2.48
2016	3353.24(62.55)	2235.30(36.49)	54.48(0.96)	5643.02(100)	+2.72
2017	3353.24(62.55)	2474.93(36.41)	60.52(1.04)	5828.17(100)	+3.28
CGR (%)	-	7.90	3.46	2.55	-
T-cal. Value	-	13.8952*	17.6858*	40.6762*	

Source: Annual Reports of Nellore DCCB (2008-17).

Note: Figures in parentheses are percentages to the total

Note: * significant at 1 per cent level

It is increasingly that share capital of NDCCB has been steadily increasing throughout the study period. The share capital reached the figure of Rs. 5828.17 lakhs by the end of 2007 from Rs. 4646.52 lakhs in 2008. Over a period of 10 years, Rs.1181.65 lakhs was augmented to share capital. However, an increase from year to year has been 0.21 percent and 6.29 percent during the years under study.

Reserve Funds

A reserve fund is important not merely the point of view of members confidence but also that of creditors confidence. The motive to create the reserve fund is.

- To meet the unforeseen losses;
- To give financial strength; and

- To bolster outsiders confidence.

In this connection Eleanor Hough has remarked that “more important from the point of members’ security is an adequate reserve fund [7]. The creation, maintenance and utilization of reserve fund shall be according to the provisions of Andhra Pradesh Cooperative Society Act of 1964. The DCCB maintains three types of reserves, namely, statutory reserve fund bad and doubtful reserves and other reserves. The purpose of these reserves is to enable the DCCBS, when ever necessary, to write off the bad debts and to meet other unforeseen demands

Table 3 provides the information relating to the progress of reserve fund in Nellore DCCB.

Table 3: Progress of Reserve Fund in Nellore DCCB

Year	Reserve fund	Percentage change over preceding year
2008	182.79	-
2009	426.46	+133.30
2010	368.48	-86.40
2011	378.18	+2.63
2012	515.27	+36.24
2013	515.27	+0.00
2014	222.49	-43.18
2015	193.63	-87.03
2016	195.95	+1.20
2017	247.93	+26.53
CGR (%)	3.44	-
T-cal. Value	7.7482*	-

Source: Annual Reports of Nellore DCC Bank (2008-17)

Note: Significant at 1 per cent level.

A glance at Table 1.3 indicates that the Reserve fund which was Rs.182.79 lakhs in 2008 and rose strikingly to 247.93 lakhs by 2017, thus it signifies the negative growth of 35.64 percent during the study period. The decline and growth was not continuously over the study period, the positive trend and

negative trend could be seen. However, there were changes in the growth of the Reserve fund, fluctuating between -87.03 percent and +133.30 percent. It is disheartening to note that accumulated has eroded the net profit leading to non-allocation of profits to reserve fund.

Deposits Mobilization

Deposits are one of the important sources of working capital of a central cooperative Bank. Mobilization of deposits forms an integral part of financial planning. The volume of deposits collected by a cooperative Bank in relation to deposit potential of its area is considered to be a reliable index of the performance of the Bank in this respect [8]. Increased deposits will enable the bank to reduce its dependence on external borrowings. It is the size of the deposits that largely decides the lending activities of a bank. Thus, the importance of deposit mobilization for a bank needs a great emphasis. It has also gained further importance in view of the fact that Reserve Bank of India (RBI) has linked the concessional finance to the deposits mobilization performance of the central bank [9]. The public confidence is reflected in the volume of business [10]. The rural credit survey committee has expressed the view that the primary agricultural credit

societies should be encouraged to deposit their funds with the central banks in order that the central cooperative Banks may have more deposits [11].

The mobilization of deposits is essential for the development of business and for meeting the financial requirements of Primary Agricultural credit societies. District Central Cooperative Banks mobilize various kinds of deposits from the members and non-members in the district. In mobilization of deposits it becomes necessary for these banks to compete with commercial banks. So, the central cooperative Banks are offering half a percent higher interest on various kinds of deposits, which is also permitted by the RBI [12].

The deposits accepted by Nellore DCCB can be divided mainly into fixed deposits, current deposits, saving deposits and miscellaneous deposits. The details of which are given in Table 4.

Table 4: Deposit mobilisation (Rs. Lakhs)

Year	Fixed Deposits	Current Deposits	Saving Deposits	Miscellaneous Deposits	Total
2008	59.40(15.21)	14.86(3.80)	64.33(16.33)	251.83(64.50)	390.42(100)
2009	49.14(11.78)	80.92(19.39)	64.00(15.34)	223.06(53.47)	417.12(100)
2010	54.97(12.96)	91.45(21.56)	80.42(18.96)	197.13(46.49)	423.97(100)
2011	51.88(11.72)	19.27(4.35)	79.37(17.93)	292.01(65.98)	442.53(100)
2012	53.59(7.05)	36.57(4.81)	79.34(10.44)	589.88(77.67)	759.38(100)
2013	54.82(6.37)	29.54(3.42)	79.77(9.24)	698.87(80.98)	863.00(100)
2014	58.76(7.30)	89.72(11.14)	98.37(12.22)	558.27(69.34)	805.12(100)
2015	67.48(7.11)	91.12(9.60)	97.11(10.23)	693.62(73.06)	949.33(100)
2016	69.52(7.12)	97.29(9.96)	99.02(10.14)	710.63(72.78)	976.46(100)
2017	74.79(6.38)	102.45(8.75)	118.48(10.11)	875.97(74.76)	1171.69(100)
CGR (%)	2.59	23.93	7.02	14.86	12.99
T-cal. Value	22.2686*	5.8136*	15.9652*	6.5326*	8.0677

Source: Annual Reports of Nellore DCC Bank. (2008-17)

Note: Figures in parentheses are percentage to the total

Note: * Significant at 1 per cent level

An analysis of the Table 4 points out that the total deposits in 2008 were Rs.390.42 lakhs and by 2017 they were increased up to Rs.1171.69 lakhs, thus indicating a positive growth of 200.11 percent during the study period.

As far as fixed deposits are concerned, they stood at Rs.59.40 lakhs in 2008 which increased to Rs.74.79 lakhs by 2017, revealing a positive growth of 2.12 percent during the study period. The percentage share in the total deposits during the said period ranged between 15.21 percent and 6.36 percent. The percentage share of miscellaneous deposits to the total deposits fluctuated between 46.49 percent and 77.67 percent. Table 4 is also indicates the fact that the quantum of miscellaneous deposits was higher than that of the fixed, current and saving deposits. If the bank had taken steps to the increase the all deposits, the profits of the banks might have been stepped up further.

Conclusion

The District Co-operative Central Banks form an integral part of the short and medium term Co-Operative Credit Structure. The DCCB, act as a financier, a friend, a philosopher and a guide to all Co-operative organizations at the District Level. The main objective of organizing DCCBs is to finance the primary societies in the district and to act as balancing centers for them.

Sri Potti Sriramulu Nellore District Co-operative Central Bank Ltd., Nellore, was registered and started its functioning from 11-01-1918 and it has a long cherished history of 91 years. The area of the operation of the Bank extends to three

Revenue Divisions covering 46 Revenue mandals of the District. The Bank is providing financial assistance through 99 PACS affiliated to the Bank and 348 other type of societies through the net work of 18 branches.

Bearing in mind the functions assigned to the Bank, an attempt has been made in this chapter to evaluate the performance of the NDCCB in terms of membership, branch expansion, owned funds, share capital reserve fund, deposit mobilization and borrowings for a period of Ten years i.e., from 2008 to 2017..

The deposit mobilization of the Bank is gradually increasing year after years. The Bank has focused special attention to mobilize the low cost deposits by adopting CASA methodology. Generally, the deposits particularly, low income group are more attracted to the higher interest rates. The deposits accepted by Nellore DCCB can be divided into mainly fixed, current, saving and miscellaneous deposits. The total deposits in 2008 were Rs.390.42 lakhs and by 2017 it increased up to Rs. 1171.69 lakhs.

The borrowings have increased 63.45 per cent under the reference. The borrowings have both negative and positive growths during the period of 2008 to 2017, due to the liberalization of loan policies and heavy overdoes, but the overall growth of borrowings indicate that the bank had depended for finance more on the external funds.

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