

## Financial performance 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. Bearing in mind the functions assigned to the Bank, an attempt has been made in this article 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 2011-2020.

**Keywords:** Nellore district co-operative bank, funds, deposits

### 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 <sup>[1]</sup>. 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 <sup>[2]</sup>.

### Financial aspects of Nellore DCCB

District Co-operative Central Banks (DCCBS) form an integral part of the short and the 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 <sup>[3]</sup>.

### 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 source for absorbing over dues 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 <sup>[4]</sup>.

Table 1.1 reveals the trends in owned funds in Nellore District Co-operative Central Bank.

**Table 1:** Composition of Owned funds of Co-operative Banks during 2011-2020 (Rs. Lakhs)

Composition of owned funds			
Year	Share capital	Reserve fund	Owned fund
2011	4646.52 (96.21)	182.79 (3.79)	4829.31 (100)
2012	4746.37 (91.76)	426.26 (8.24)	5172.83 (100)
2013	4841.01 (92.93)	368.48 (7.07)	5209.49 (100)
2014	4933.28 (92.88)	478.18 (7.12)	5311.46 (100)
2015	5032.69 (90.71)	515.27 (9.29)	5547.96 (100)
2016	5329.94 (91.18)	515.27 (8.82)	5845.21 (100)
2017	5360.75 (70.67)	2224.95 (29.33)	7585.70 (100)
2018	5493.58 (73.94)	1936.34 (26.06)	7429.92 (100)
2019	5643.02 (74.22)	1959.57 (25.78)	7602.53 (100)
2020	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

Note: Figures in parentheses represent percentages to total

Note: \* Significant at 1 per cent level.

Source: Annual reports of Nellore DCC Bank. (2011-2020).

It is evident from table 1.1 that owned funds increased from Rs.4829.31 lakhs in 2011 to Rs.8307.52 lakhs in 2020, thereby showing a positive growth of 72.02 per cent during the study period. The percentage share of share capital to the owned funds was 96.21 per cent in 2011, which declined to 70.15 per cent by 2020. The proportion of Reserved fund to owned funds was 3.79 percent in 2011 and it went up 29.85 per cent by 2020. The compound growth rate is impressive and significant at 1 per cent level.

### 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 during 2011-2020

Year	A' Class		B' Class	Total	Percentage change over preceding year
	State Govt.	Socities	Individuals		
2011	3353.24 (72.17)	1248.73 (26.87)	44.55 (0.96)	4646.52 (100)	-
2012	3353.24 (70.65)	1349.20 (28.42)	43.95 (0.93)	4746.3 (100)	+2.14
2013	3353.24 (69.27)	1444.16 (29.83)	43.61 (0.90)	4841.01 (100)	+1.99
2014	3353.24 (67.27)	1535.79 (31.13)	44.24 (0.90)	4933.27 (100)	+1.90
2015	3353.24 (66.63)	1634.00 (32.47)	45.46 (0.90)	5032.70 (100)	+2.01
2016	3353.24 (62.68)	1931.64 (36.11)	64.60 (1.21)	5349.48 (100)	+6.29
2017	3353.24 (62.55)	1942.71 (36.24)	64.80 (1.21)	5360.75 (100)	+0.21
2018	3353.24 (62.55)	2077.44 (36.31)	62.90 (1.14)	5493.58 (100)	+2.48
2019	3353.24 (62.55)	2235.30 (36.49)	54.48 (0.96)	5643.02 (100)	+2.72
2020	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*	

Note: Figures in parantheses are percentages to the total, Note: \* significant at 1 per cent level  
 Source: Annual Reports of Nellore DCCB (2011-2020).

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 2020 from Rs.4646.52 lakhs in 2011. 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. The compound growth rate is significant at 1 per cent level.

**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 out siders’s confidence.

In this connection Eleanor Hough has remarked that “more important from the point of members’ security is an adequate reserve fund [6]. The creation, maintainace and utilization of reserve fund shall be according to the promisions of Andhra Pradesh Cooperative Socity Act of 1964. The DCCB maintains three types of reserves, namely, statutory reserve fund bad and doubt ful reserves and other reserves. The purpose of these reserves is to enable the DCCBS, whenever necessary, to write off the bad defts and to meet other unforeseen demands [7]. Table 1.3 provides the information relating to the progress of reserve fund in Nellore DCCB.

**Table 3:** Progress of Reserve Fund in Nellore DCCB during 2011-2020

Year	Reserve fund	Percentage change over preceding year
2011	182.79	-
2012	426.46	+133.30
2013	368.48	-86.40
2014	378.18	+2.63
2015	515.27	+36.24
2016	515.27	+0.00
2017	222.49	-43.18
2018	193.63	-87.03
2019	195.95	+1.20
2020	247.93	+26.53
CGR (%)	3.44	-
T-cal. Value	7.7482*	-

Note: Significant at 1 per cent level.  
 Source: Annual Reports of Nellore DCC Bank (2011-2020)

A glance at Table 1.3 indicates that the Reserve fund which was Rs.182.79 lakhs in 2011 and rose strikingly to 247.93 lakhs by 2020, 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 had eraded the net profit leading to non-allocation of profits to reserve fund. The copound growth rate is significant at 1 per cent level.

**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 realiable index of the performance of the Bank in this respect [8]. Increased depositts will enable the bank to reduce its dependence on external borrowings. It is the size of the deposits that largely decides the lending activites 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 expresseed 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 mobilizationof deposits is essnetial 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 1.4.

**Table 4:** Deposit mobilisation (Rs. Lakhs)

Year	Fixed Deposits	Current Deposits	Saving Deposits	Miscellaneous Deposits	Total
2011	59.40 (15.21)	14.86 (3.80)	64.33 (16.33)	251.83 (64.50)	390.42 (100)
2012	49.14 (11.78)	80.92 (19.39)	64.00 (15.34)	223.06 (53.47)	417.12 (100)
2013	54.97 (12.96)	91.45 (21.56)	80.42 (18.96)	197.13 (46.49)	423.97 (100)
2014	51.88 (11.72)	19.27 (4.35)	79.37 (17.93)	292.01 (65.98)	442.53 (100)
2015	53.59 (7.05)	36.57 (4.81)	79.34 (10.44)	589.88 (77.67)	759.38 (100)
2016	54.82 (6.37)	29.54 (3.42)	79.77 (9.24)	698.87 (80.98)	863.00 (100)
2017	58.76(7.30)	89.72 (11.14)	98.37 (12.22)	558.27 (69.34)	805.12 (100)
2018	67.48 (7.11)	91.12 (9.60)	97.11 (10.23)	693.62 (73.06)	949.33 (100)
2019	69.52 (7.12)	97.29 (9.96)	99.02 (10.14)	710.63 (72.78)	976.46 (100)
2020	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

Note: Figures in parantheses are percentage to the total, Note: \* Significant at 1 per cent level

Source: Annual Reports of Nellore DCC Bank.( 2011-20)

An analysis of the Table 1.4 points out that the total deposits in 2011 were Rs.390.42 lakhs and by 2020 they were increased up to Rs.1171.69 lakhs. As far as fixed deposits are concerned, they stood at Rs.59.40 lakhs in 2011 which increased to Rs.74.79 lakhs by 2020, 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 1.4 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 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 network 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 2011 to 2020.

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 2011 were Rs.390.42 lakhs and by 2020 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 2011 to 2020, due to the liberalization of loan policies and heavy over dues, but the overall growth of borrowings indicate that the bank had depended for finance more on the external funds.

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