

## **Performance of District Central Co-Operative Banks with Special Reference To Villupuram District Central Co-Operative Bank Ltd.,**

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### **ABSTRACT**

In this paper analyses the financial performance of District Central Co-operative Banks in India with special reference to Villupuram District Central Co-operative Bank based on the liquidity and profitability parameters. The study also aims at tracing the origin, history and growth of DCCBs in India. Financial statements of the bank for a period of 5 years from 2012-13 to 2016-17 have were collected and analyzed using financial ratios. The major finding of the study is the bank's short-term solvency; long-term solvency and profitability position are good.

**Key Words:** DCCB

### **INTRODUCTION**

Financial statement refer to formal and original statements prepared by a business concern to disclose its information AICPA(American Institute of Certified Public Accountants)says "financial statement are prepared for the purpose of presenting a periodical review(or)report on the progress by the management and deal with..

- The status of investments in the business and
- The results achieved during the period under review"

### **DEFINITION**

According to **Hampton J.J.** "The statement disclosing status of investments is known as balance sheet and the statement showing the result is known as profit and loss account".

According to **Paul.C.Hastings** "Financial statement essentially is interim reports presented annually and reflects a division of the life of an enterprise into more (or) less arbitrary accounting period more frequently a year".

### **AN OVERVIEW DISTRICT CENTRAL CO-OPERATIVE BANK**

"**District Central Co-operative Bank**, popularly known as **DCC Bank** is a cooperative banking network established in India to serve cooperatives and rural area. It was established to provide banking to rural hinterland for agriculture sector with the branches primarily established at rural and semi-urban areas".

## **MEANING**

“The Banking model consists of a district central bank for each District in every state of India known with a name as a respective District Central Cooperative Bank. The members and their elected directors who represent a multitude of professional cooperative bodies like Milk Unions, Urban cooperatives, rural cooperatives, agricultural and non -agricultural cooperatives and various others, in turn would elect the bank's President. These banks are collectively represented by a State Apex Central Cooperative bank for each state and it acts as the ultimate bank and apex body for the DCCs under each state. It has been widely observed all over the country that the local politicians who hold the sway over the cooperatives get elected the president post of the DCC bank and a president post would mean nurturing for their future political ambitions. However, this trend, which has become a national phenomenon, carries its own advantages and disadvantages”.

## **DEFINITION**

According to The International Co-operative Alliance statement of co-operative identity. “ A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly –owned and democratically controlled enterprise. Co-operatives are based on the values of self-help, self-responsibility, democracy, equality and equity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others”.

## **ORIGIN AND GROWTH OF D.C.C.B IN INDIA**

“The first D.C.C.B was registered in Uttar Pradesh in 1906 as a primary society. In Rajasthan, like the first D.C.C.B bank was started in 1910 at Ajmer. The period from 1906 to 1918 may be called the period of origin of the D.C.C banks in India. As in the period these banks came into be established in many parts of the country. The decade from 1919 to 1929, which was roughly the period between the end of the First World War and the onset of the world depression, was marked by the expansion of Co-operative banking system. The number of D.C.C banks went on increasing between 1919 and 1929”.

## **GROWTH OF D.C.C.B IN INDIA (After independence)**

The National Government after coming into power in 1947 began taking steps for the expansion and reorganization of the Co-operative credit structure in particular. Finding the structure of the central financing agency very weak, the Rural Credit Survey Committee in 1954 in their report suggested that each state should draw up plans for the rationalization and strengthening of D.C.C banks in several of their aspects including financial and administrative. So, in the fifties the emphasis was on the structural re-organization of D.C.C banks and strengthening of their capital base. During the first plan period, therefore, the state began to follow the progress of re-organization and amalgamation of the D.C.C banks. This process of one D.C.C Bank for one district began to follow in all the states. And wherever more than one bank or banking union existed in one district, the same was amalgamated so as to form one strong and viable unit. Where a D.C.C Bank was serving more than one district is area was curtailed and new banks were registered in such district. Their share capital base was also strengthened by Government

contribution in large measures. Further, their finance position was also strengthened by government grants and banksides for various purposes.

## **D.C.C.B IN TAMILNADU**

“The Co-operative credit and banking structure in Tamil Nadu consist of two parts, one dealing with short – term and the other with long term credit. The farmer in Tamil Nadu state is a type of pyramid or federal in character, based on a three-tier system with primary credit societies at the bottom, the District Central Co-operative Bank (D.C.C banks), Constituting the middle-tire and state Co-operative Bank covering the entire state at the apex level. The D.C.C banks hold a position of great importance as they form the back of the three-tire structure. They are the strongest units in the Co-operative credit and baking system. The D.C.C banks also play a vital role in the development of the Co-operative movement in the entire district. They are as a fulcrum of finance for the affiliated societies in the district by providing them funds when in shortage and by serving as a clearinghouse for the funds when in surplus. They are also helpful in extending banking facilities both in rural and urban areas in calculate thrift and saving habits among the people. The Central Co-operative Banks are the federation of primary Agricultural Co-operative Banks and Co-operative of other types in their respective areas there are 18 Central Co-operative Banks in Tamil Nadu as on 31-03-92. Sub bank sequent 2 more Central Co-operative Banks have been started on 02-09-93 at the end of the year 1999-2000, there were 367 Central Co-operative Banks in India having 13,030 branches out of which 731 branches were in Tamil Nadu. The Central Co-operative Banks finance PAC Banks from their own resources of share, reserves and deposits and form the credit limit sanctioned by the NABARD through the INSACB. The D.C.C banks advance loans and financial assistance to all types of Co-operative functioning in their respective areas/circle”

## **STATEMENT OF THE PROBLEM**

Villupuram is the most backward district in the state of Tamilnadu. There are few studies about DCCBs in this district. Hence, an attempt has been made to analyze the role of VDCC in the development of the concerned district based on the financial performance.

## **OBJECTIVES OF THE STUDY**

1. To find the growth and development of VDCC
2. To understand the financial position of VDCC
3. To know the effectiveness of funds in VDCC
4. To evaluate the financial position of VDCC

## **SCOPE OF THE STUDY**

- a. This study covers financial performance of D.C.C.B in Villupuram
- b. It does not cover any other D.C.C.B in other district in the state of Tamilnadu.
- c. It does not covers commercial banks, regional rural banks, rural co-operative banks, and urban co-operative banks.

## **RESEARCH METHODOLOGY**

The study is mainly based on secondary data. The secondary data will be collected from

- a. Annual reports of the banks, Reports of RBI, Reports of NABARD,
- b. Periodicals and journals.

## **ANALYSIS OF DATA**

The following statistical and financial techniques will be used to analyses the data:

- Chi-square test
- Ratio analysis

## **LIMITATIONS**

- 1) The study is based on the data collected from the VDCC records.
- 2) The period of research is limited only to 6 months.
- 3) The results depend upon the data given by VDCC.

## **REVIEW OF LITERATURE**

**G.S.Harshitha, et al (2008)** their topic is they help in mobilizing human resources and the political power for achieving their goals and identifying and developing local leaders through democratic process. The study used both primary and secondary data. Growth rate analysis was undertaken to study the changes in the selected physical and financial indicators of the bank over years. The growth in the number of deposit accounts was found to be highest among all physical performance. Indicators of DCC bank head office during the periods study.

**R.N.Sarkala, et al (2009)** their topic is role of satara district central co-operative bank in agriculture and rural development. Satara district central co-operative bank is playing a vital role in agriculture and rural and rural development by providing timely and sufficient loan to farmers. The bank was formed with limited resources in 1930, the deposits were only Rs 9.97 lakhs and loan disbursement was about Rs 6.27 lakhs. Now in 2008 deposits are, 1707 crores and sanctioned loans are about, 955 crores. Thus slowly but steadily, the bank has achieved tremendous success.

**Ramesh chander and Jai kishanchandel (2010)** their topic is financial viability and performance evaluation of co-operative credit institution in Haryana. D.C.C.B operate in the middle/district level by providing finance to primary credit societies, accepting of deposits granting of loan/advances, fixed deposits, receipts and agency services to study and examine the financial viability of these DCCB's ratio analyses, mean, standard deviation, T-test, F-test are used. However district central co-operative banks play pivotal role in the rural banking system yet failure/bankruptcy of these banks raise many doubts their viability and sustenance.

**Sri.Rajkumar.GProf.Dr.sudharaniRavindran (2010)** their topic is analysis of service quality parameter, co-operative banks a study with respect to Kerala. The banking industry has undergone repaid changes, followed by a series of fundamental developments due to liberalization and deregulation trends initiated in the country in early 1990's. To develop strategies to enhance service quality, co-operative banks in kerala. Primary, secondary data both are collected. The factor analysis results in 8 important service quality factors. The SERVPERF analysis to find service quality among co-operative banks Kerala by taking a sample from Ernakulum district in Kerala revealed that perceived service quality is low.

**Dr.R.G .Rasal(2011)** His topic performance of District Central Co-Operative banks during post-reform period with special reference to Ahmednagar district central co-operative bank. The district central co-operative banks were playing most significant role in availing funds from

NABARD to find out the source and uses of finance of the district co-operative banks. To study the loan disbursement polices, loan recovery and over dues of the ADDC. The type of research is

applied research based on primary and secondary data collected for the study. The result of complicating lending procedures of PACS and the discriminatory policies of different section of societies are major drawback of society or co-operative credit.

## **PROFILE OF VILLUPURAM DISTRICT CENTRAL CO-OPERATIVE BANK LTD.**

Villupuram district central co-operative bank Ltd., is registered under co-operative societies act 1972. VDCC was enhanced on 1<sup>st</sup> April 1996. It consist of 20 branches around the Villupuram district are. The major activities of VDCC to develop the agriculture sector and to make women entrepreneur by providing loans and advances at minimum interest such as credit section and other banking activities like deposits from public, demand draft and Cheque transaction. Villupuram district central co-operative bank is under the control of Tamilnadu state co-operative bank is situated in Chennai and they provide a major capital investment to VDCC. The estimation of VDCC was Rs.170 crores of that Rs.125 crores was provided by TNSC bank and the remaining amount was contributed from their profit. They have a link with other private bank to make cheque transaction and demand draft. There are 140 employees are working in VDCC. It's going to become core banking system at district level.

## **VDCC CONSIST OF VARIOUS DEPARTMENT SUCH AS**

- Fixed deposits section
- Jewel section
- Accounts section
- Cash section
- Savings bank section
- Credit section
- Noncredit section
- Administration section
- Recurring deposits section
- Agriculture section
- Establishment section.

Villupuram is being a semi-urban area's importance was given to agricultural loans on a priority basis. Apart from the loans are sanctional for non-priority sector are these loans given for the purpose of increasing the agricultural production and to improve the standard of living the poor section people. The total amount maintained by the bank by means of deposits amount to 102044.64 lakhs. The amount of deposits has increased considerable.

## **BRANCHES OF VDCC BANK**

- Anandhapuram
- Avalurpettai
- Chinnaselam
- Gingee
- Kachirapalayam

- Kallakurichi
- Kandamangalam
- Manalurpettai
- Marakanam
- Mungilthuraipattu
- Periyasevalai
- Sangarapuram
- Thiyagathurugam
- Tindivanam
- Thirukovilur
- Ulundurpettai
- Valavanur
- Vanur
- Vikkiravandi
- Villupuram branch

**ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENT**

**RATIO ANALYSIS AND INTERPRETATION**

**Liquidity Ratios**

**Current Ratio**

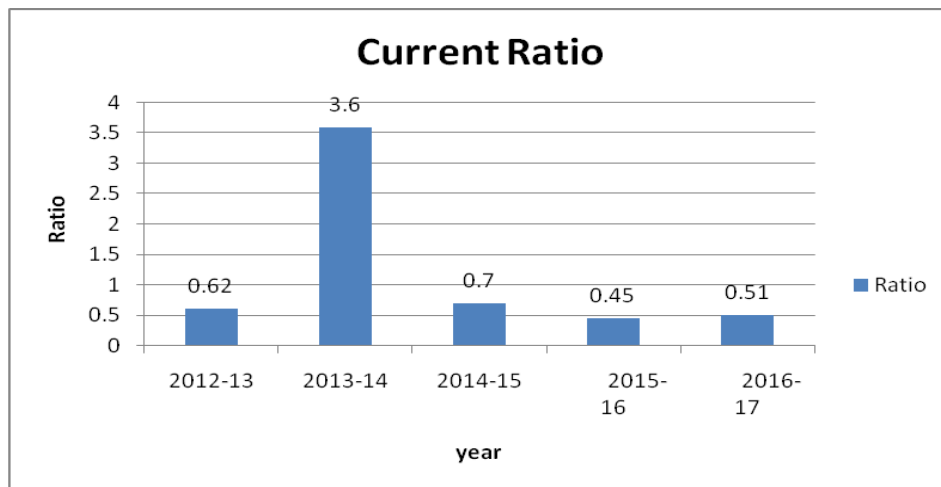
$$\text{Current Ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

**TABLE: 3.1 CURRENT RATIO OF VDCC DURING THE YEAR 2013-2017.**

<b>YEAR</b>	<b>CURRENT ASSETS</b>	<b>CURRENT LIABILITIES</b>	<b>RATIO</b>
2012-13	2,74,34,56,942	4,36,25,09,603	0.62
2013-14	2,54,86,00,516	69,77,77,180	3.6
2014-15	2,40,13,01,573	3,40,46,66,252	0.70
2015-16	2,43,67,99,583	5,34,24,47,730	0.45
2016-17	3,04,08,02,250	5,94,85,55,644	0.51

**INTERPRETATION**

The standard ratio of current ratio is 2:1 during this study period in the year 2013-14 above the standard ratio hence it is concluded that the liquidity position of the bank is good.



**(II) Quick Ratio**

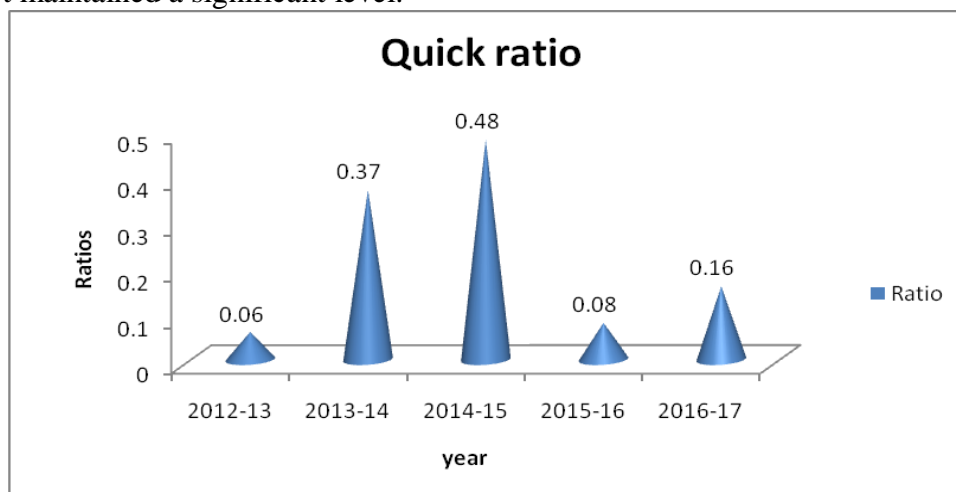
$$\text{Quick Ratio} = \frac{\text{Quick asset}}{\text{Quick liabilities}}$$

**TABLE: 3.2 QUICK RATIO OF VDCC DURING THE YEAR 2013-2017.**

YEAR	QUICK ASSET	QUICK LIABILITIES	RATIO
2012-13	29,34,48,701	4,36,25,09,603	0.06
2013-14	26,46,69,198	69,77,77,180	0.37
2014-15	1,63,69,67,111	3,40,46,66,252	0.48
2015-16	441225379	5342447730	0.08
2016-17	998431483	5948555644	0.16

**INTERPRETATION**

The standard ratio of quick ratio is 1:1 in the year 2011 the bank has maintained quick assets in high position compared to other years after that it was declining .It is concluded that the bank has not maintained a significant level.



**HYPOTHESIS TESTING**

**HYPOTHESIS FOR CHI-SQUARE TEST**

$H_0$  : there is no significant relationship between shareholders fund and total asset of proprietary ratio.

**TEST STATISTICS**

	Shareholders fund	Total asset
Chi-Square	.000 <sup>a</sup>	.800 <sup>b</sup>
Df	9	8
Asymp. Sig.	1.000	.999

a. 10 cells (100.0%) have expected frequencies less than 5. The minimum expected cell frequency is 1.0.

b. 9 cells (100.0%) have expected frequencies less than 5. The minimum expected cell frequency is 1.1.

**INTERPRETATION FROM** the above table chi-square test for proprietary ratio the calculated values is lies between positive zero and 1 there is no association between shareholders fund and total asset. Hence the null hypothesis is accepted.

**$H_0$  : THERE IS NO SIGNIFICANT RELATIONSHIP BETWEEN TOTAL DEBT AND CAPITAL EMPLOYED OF LEVERAGE RATIO.**

**TEST STATISTICS**

	Total Debt	Capital employed
Chi-Square	.000 <sup>a</sup>	.000 <sup>a</sup>
Df	9	9
Asymp. Sig.	1.000	1.000

a. 10 cells (100.0%) have expected frequencies less than 5. The minimum expected cell frequency is 1.0.

**INTERPRETATION:** From the above table chi-square test for leverage ratio the calculated values is lies between positive zero and 1 there is no association between total debt and capital employed. Hence the null hypothesis is accepted.

**FINDINGS**

1. The current ratio of the bank is less than the standard ratio of 2:1 hence the liquidity position of the bank is no good.
2. chi-square test for proprietary ratio the calculated values is lies between positive zero and 1 there is no association between shareholders fund and total asset. Hence the null hypothesis is accepted.



## **SUGGESTION**

1. The bank can raise the share capital and reserves.
2. Take necessary steps to improve the cash level of the bank
3. The bank may concentrate more to raise the profit

## **CONCLUSION**

From this study period of the overall performance of the bank gives satisfactory position. But based on the findings the bank need more concentration in some of the area like:

- a. Cash level
- b. Recovery of loans
- c. Borrowings
- d. Mobilization of deposits

For the improvement of the financial position. If it is considered the bank will get good result in the future.

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