International Journal for Social Studies

Available at https://pen2print.org/index.php/ijss/

ISSN: 2455-3220
Volume 04 Issue 09
September 2018

A Study of Mobilization and Deployment of Funds by the Thoothukudi District Central Co-Operative Bank

Dr.R.PRABHAVATHY

Associate Professor of Economics, Kamaraj College, Tuticorin

Abstract

An important pre-requisite for sound operations of banking institution majorly lies on how effective it is in mobilization of resources. Puri is of the opinion that “the quality of services rendered by the cooperative banks can be directly attributed to their capacity in mobilisation of resources through various means. The adequacy of resources must be in terms of business operations requirement and need.” In the present study an attempt is made to analyse the views of employees regarding the present working performance of the Thoothukudi District Central Co-operative bank so that the bank can take suitable measures to improve its performance in the future. The study indicates that the contribution of share capital by co-operative societies dominates the total share capital. The percentage of contribution ranges from the lowest of 75.67 during 2008-09 to the highest of 83.82 during 2005-06. The contribution of co-operative societies has recorded a steady increase from Rs.792.10 lakhs during 2002-03 to Rs.1201.49 lakhs during 2011-12 indicating nearly a two times increase. The contribution of Tamil Nadu Government to the share capital ranged from 16.18 percent to 24.33 percent during the ten year period. The State Government’s contribution had increased from Rs.207.91 lakhs to 363.72 lakhs during the period 2002-03 to 2011-12. In order to analyse the views of the employees of the Thoothukudi District Central Co-operative Bank regarding the working performance of the bank, personal interview method was employed with a well-prepared interview schedule. The employees were asked to rank the statements given under each head according to their order of merit. Garrett’s ranking technique was adopted to analyse the views of the employees. The ranks assigned to the statement under ‘mobilisation of resources’ are found that “Rate of interest on deposits is higher than commercial banks” is ranked first and “Safety of deposits is ensured” as second. The other opinions namely “working funds are adequate enough to meet the credit needs”, “deposits schemes are sufficient to suit the requirement of depositors”, “funds from higher financing agencies are adequate enough" and "owned funds are sufficient enough to meet the provisioning requirements of the bank" are ranked third, fourth, fifth and sixth respectively.

Keywords: mobilisation of resources, co-operative societies, share capital, working performance, deposits and borrowings

INTRODUCTION

Banking Institutions are the intermediaries between the depositors and the borrowers. They accept deposits and lend money both for productive and consumption purposes. As the capital formation depends on the mobilization of savings, banks have the moral responsibility over the funds that they pool from outsiders. On the other hand, the borrowers have the responsibility for the repayment of loan together with interest for the smooth functioning of banks (JIB, 1998).

Primary Agricultural Cooperative Credit Societies in order to discharge their functions effectively require adequate resources. Such resources are raised internally and externally (Prabhu P.V, 1997). The important source of the working capital of Primary Agricultural Cooperative Credit Societies was the Reserve fund which was set aside from the earnings of the Society to meet the future contingencies (Nalddran,S & John Winfred, A.,1988).

The owned fund was the real source for improving the financial position of the Primary Agricultural Cooperative Credit Societies. In other words, "owned fund acted as cushion to external borrowings" (Reddy, C.R.,1993). Increasing trend of owned funds is a measure of good performance of the Cooperative credit institutions. About 70 percent of loans provided by the co-operatives are production credit while the rest are in the area of investment credit.

As far as rural community is concerned, the co-operative credit network is unparalleled in terms of the economic upliftment (S.K. Lopoyetum and K.G. Selvam, 2000). In the present study an attempt is made to analyse the views of employees regarding the present working performance of the Thoothukudi District Central Co-operative bank so that the bank can take suitable measures to improve its performance in the future.

OBJECTIVES

The objectives of the present study are:

1. To study the growth and composition of share capital during the period from 2002-03 to 2011-12.
2. To assess the mobilisation of funds of the Thoothukudi District Central Co-operative Bank.
3. To find out the financial performance of the Thoothukudi District Central Co-operative Bank.

METHODOLOGY

In order to analyse the views of the employees of the Thoothukudi District Central Co-operative Bank regarding the working performance of the bank, personal interview method was employed with a well-prepared interview schedule. The employees were asked to rank the statements given under each head according to their order of merit. Garrett's ranking technique was adopted to analyse the views of the employees. The order of merit thus given by the employees for each statement under each head was converted into ranks. The percent position of each rank thus obtained was converted into scores by referring to the table given by Garrett. Then for each statement, the scores of individual employees were added together and divided by the total number of employees. The mean scores for all the statements were arranged in an ascending order, ranks were assigned and the important statements identified. The secondary data collected through internet, books, newspaper, journals records and brochures from 2002-03 to 2011-12.

MOBILIZATION OF FUNDS

The main source of funds is share capital and entrance fees collected from the members. Normally, the collection of share capital and entrance fees is not sufficient to run the entire business of the society and hence, the societies mobilize different types of deposits from members and non-members. However, all the credit societies should necessarily keep accounts with District Cooperative Credit Societies Banks. They can borrow from District Cooperative Credit Societies Banks to which they have been affiliated by taking required shares.

Deposit is an important tool for resource mobilization. Mobilization of deposits is a welcome sign for the loan operations of the agency and helped further in mobilizing

ISSN: 2455-3220
Volume 04 Issue 09
September 2018

resources. It should form an integral part of the credit alarming (Reddy,C.R.1993). A deposit was an important indicator of the success and efficiency of the credit agency (Nalddran,S & John Winfred, A.(1988).

Mobilization of deposits is highly depending on the degree of confidence so that the institutions can enjoy the support from the members and non-members (Dadhich C.L 1977). The cooperative banks account for only 4 percent of bank deposits but they advance 57 per cent of short term agricultural credit (Sanjeev Chopra, 2003). Khusro Committee on agricultural credit has identified recovery as a key indicator of performance of co-operative credit structure (K.M. George and K. Satheesh Babu, 1996).

Central co-operative banks occupy a unique place in the co-operative credit structure. They mobilise resources through obtaining share capital from members, from deposits, and borrowings from apex banks, State Bank of India and commercial banks. For the purpose of mobilising resources, they adopt certain strategies such as payment of higher rate of interest on deposits, introduction of various deposit schemes, conducting co-operative festivals and giving advertisement.

The resources of the bank are deployed for meeting the loan operations of the bank. The Thoothukudi District Central Co-operative bank plays a vital role in mobilising resources in its operational area. Hence, it is considered worth to solicit views of the employees regarding the function of resource mobilisation of the bank. The Thoothukudi District Central Co-operative bank, being a rural financial institution, has to compete with other banking institutions. More-over it is meant for agriculture and rural development and socio-economic change of the rural people. Hence, Thoothukudi District Central Co-operative bank requires efficient functioning.

GROWTH OF SHARE CAPITAL

The central co-operative banks issue shares to their members. The value of shares generally ranges from Rs.50 to Rs.100. Since the liability of the members is limited to the share capital subscribed by them, it is essential for the central co-operative banks to have substantial paid-up share capital to attract and serve as a guarantee for the depositors and other creditors.

ISSN: 2455-3220
Volume 04 Issue 09
September 2018

The authorized share capital of the bank is 15 crores consisting of 30, 00,000 “A” Group shares of Rs.50 each. The Bank has only ‘A’ Group shares, with voting rights. As per the Government policy since 1991-92, individuals are not eligible to become members. Only co-operative institutions and the State Government can become members.

The issued and paid up share capital of the bank was Rs.13,83,69,300 consisting of 27,67,386 shares of Rs.50/- each during the year 2005-06. This capital is contributed by member societies and Tamil Nadu Government. According to the recommendations of the Reserve Bank of India, member societies should contribute 10 percent of their borrowings. As per the recommendations of the All India Rural Credit Survey Committee, the State Government also subscribes to the share capital of the bank. The committee on co-operative credit desired that even societies that did not borrow from the bank should be required to contribute to the shares capital in recognition of its role as a balancing centre of all co-operative organizations in the district. Table shows the growth of share capital over a period under study.

GROWTH OF SHARE CAPITAL

(Rs. In lakhs)

Year	Amount	Growth percentage of Increase/Decrease over the previous period
2002-2003	1,000.01	12.24
2003-2004	996.00	0.40
2004-2005	1,053.01	5.72
2005-2006	1,218.88	15.75
2006-2007	1,412.73	15.90
2007-2008	1,423.58	0.77
2008-2009	1,462.36	2.72
2009-2010	1,498.48	2.47
2010-2011	1,368.71	4.75

2011-2012	1,433.58	4.75

Source: Compiled from the Annual Reports of Thoothukudi District Central Co-operative Bank from 2002-2003 to 2011-2012.

It is clear from Table that the share capital of the bank during the study period from 2002-03 to 2011-12 shows an increasing trend. The share capital Rs.1000.01 lakhs in 2002-03 increased to Rs.1,433.58 lakhs in 2011-12 indicating more than a two time increase. But the annual rate of increase over the previous year remained fluctuating. The rate of increase ranged from 0.77 percent to 15.90 percent. The lowest increase was recorded in the year 2007-08 and the highest increase in the year 2005-06. The reason for the fluctuating trend is withdrawal of some member societies and entry and re-entry of new and existing societies. The annual rate of increase during the year 2011-12 was only 4.75 percent. The reason was that the State Government had withdrawn some amount of its share capital.

COMPOSITION OF SHARE CAPITAL

The following Table indicates the composition of share capital. The share capital is contributed by co-operative societies and Tamil Nadu Government.

COMPOSITION OF SHARE CAPITAL

(Rs. In lakhs)

Year	Co-operative societies		Tamil Nadu Government		Total
	Amount	Percentage of Total	Amount	Percentage of Total	
2002-2003	792.10	79.21	207.91	20.79	1000.01
2003-2004	772.58	77.57	223.42	22.43	996.00
2004-2005	809.36	76.86	243.65	23.14	1053.01
2005-2006	988.81	81.13	230.07	18.88	1218.88
2006-2007	1049.76	74.31	362.97	25.69	1412.73
2007-2008	1108.31	77.85	315.27	22.15	1423.58
2008-2009	1112.42	75.67	357.63	24.33	1470.05

ISSN: 2455-3220
Volume 04 Issue 09
September 2018

2009-2010	1138.77	75.92	361.27	24.08	1500.04
2010-2011	1196.37	77.05	356.37	22.95	1552.74
2011-2012	1201.49	76.76	363.72	23.24	1565.21

Source: Data compiled from the Amount reports of Thoothukudi District Central Co-operative Bank from 2002-2003 to 2011-12.

Table indicates that the contribution of share capital by co-operative societies dominates the total share capital. The percentage of contribution ranges from the lowest of 75.67 during 2008-09 to the highest of 83.82 during 2005-06. The contribution of co-operative societies has recorded a steady increase from Rs.792.10 lakhs during 2002-03 to Rs.1201.49 lakhs during 2011-12 indicating nearly a two times increase. The contribution of Tamil Nadu Government to the share capital ranged from 16.18 percent to 24.33 percent during the ten year period. The State Government's contribution had increased from Rs.207.91 lakhs to 363.72 lakhs during the period 2002-03 to 2011-12.

MOBILISATION OF FUNDS

Sl. No.	Mobilisation of Funds	Mean Score	Rank
1.	Rate of interest on deposits is higher than commercial banks	68.94	I
2.	Safety of deposits is ensured	61.52	II
3.	Working funds are adequate enough to meet the credit needs	53.71	III
4.	Deposits schemes are sufficient to suit the requirements of depositors.	49.27	IV
5.	Funds from higher financing agencies are adequate enough	40.68	V
6.	Owned funds are sufficient enough to meet the provisioning requirements of the bank	37.09	VI

Source: Computed from Primary Data

The ranks assigned to the statement under 'mobilisation of resources' are given in Table. It is found from Table that among the statements "Rate of interest on deposits is higher than commercial banks" is ranked first and "Safety of deposits is ensured" as second. The

ISSN: 2455-3220
Volume 04 Issue 09
September 2018

other opinions namely "Working funds are adequate enough to meet the credit needs", "Deposits schemes are sufficient to suit the requirement of depositors", "Funds from higher financing agencies are adequate enough" and "Owned funds are sufficient enough to meet the provisioning requirements of the bank" are ranked third, fourth, fifth and sixth respectively.

FINANCIAL PERFORMANCE OF THE BANK

Sl. No.	Financial Performance of the Bank	Means Score	Rank
1.	Funds are invested keeping in mind the liquidity position	64.76	I
2.	Higher amount of over dues leads to loss for the bank	60.95	II
3.	Increase of operational expenses leads to low profitability	57.13	III
4.	Lack of sufficient low -cost funds is responsible for low income	53.82	IV
5.	Lack of sufficient owned funds is the reason for high cost borrowing	46.59	V
6.	Strict financial discipline is followed in the bank	41.72	VI
7.	Strict regulations of the government restrict the freedom of the bank	36.84	VII

Source: Computed from Primary Data

The ranks assigned for the statements under "Financial performance" are given in Table. It is observed from Table that with regard to financial performance, "Funds are invested keeping in mind the liquidity position" is ranked first. It is followed by the statement namely "Higher amount of overdue leads to loss for the bank, "Increase of operational expenses leads to low profitability" and "Lack of sufficient low cost funds is responsible for low income" are ranked second, third and fourth respectively. The other opinions "Lack of sufficient owned funds is the reason for the high -cost borrowing", Strict financial discipline is followed in the bank" and strict regulations of the government restrict the freedom of the bank" are ranked fifth, sixth and seventh respectively.

CONCLUSION

Expansion in business operations depends on the proper mobilization and efficient deployment of the resources which determined the financial strength of the Primary Agricultural Cooperative Credit Societies. It also paves the way to rely on their capabilities instead of external financial accommodation. The inflows of funds were share capital, reserves, deposits and borrowings in Primary Agricultural Cooperative Credit Societies. Cash, investments, fixed and other assets, loans and advances were the outflow of funds.

The inflows and out flow of funds are interacting, interrelated and interdependent. The functioning of the study unit has been quite impressive in terms of deposit mobilization and credit employment. But the bank has failed to arrest the overdue position and strengthen the share capital base. The bank has not effectively utilized its working capital and controlled costs. The study has revealed that the financial viability and profitability of the bank is declining. Hence, the success of the Thoothukudi District Central Co-operative Bank in future will depend not only upon the development of primary societies but also on the extent to which it is able to mobilize rural savings and recover the outstanding loans.

REFERENCES

1. Dadhich C.L (1977), Overdue in Farm Cooperative Credit, Popular Prakashan Private Limited, Bombay, p.242.
2. JIB (1998), Financing Rural Development, New Delhi,p.540
3. K.M. George and K. Satheesh Babu, “Overdue Pattern of PACS – A Micro Level Analysis”, *Agricultural Banker,* January-March 1996, p. 29.
4. Nalddran,S & John Winfred, A.(1988), Op.Cit. p. 293.
5. Nalddran,S & John Winfred, A.(1988),Cooperative Banking in India, Rainbow Publications, Coimbatore-30, Tamil Nadu, p.173.
6. Prabhu P.V (1997), Revitalization of Non — viable / Weak Cooperatives, 14th Indian Cooperative Congress, National Cooperative Union of India, New Delhi, p.53.
7. Reddy,C.R.(1993), Op.Cit. p. 54.
8. Reddy,C.R.(1993),Overdues Management in Cooperative Banks, Himalaya Publishing House, Bombay ,p. 59.

ISSN: 2455-3220
Volume 04 Issue 09
September 2018

9. S.K. Lopoyetum and K.G. Selvam, "Injection of Competitive Lending Practices and Approaches in the Co-operative Credit Institutions", *Tamil Nadu Journal of Co-operation*, August 2000, p. 46
10. Sanjeev Chopra (2003), 'Restructuring and Reengineering in Cooperative Banks' Agricultural Cooperative Staff Training Institute, Bhubaneshwar p.19.