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A STUDY ON FINANCIAL PERFORMANCE OF TDCC BANK LTD

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ABSTRACT

Co-operative banking system is basically an imported concept but it has come to occupy a pivotal and prominent role in the economic liberation of millions of people of our nation. It has emerged as a social and healthy banking institution providing need-based quality banking services essentially to the middle and lower middle classes and the marginalized sections of the society those who consists 75 percent of our country. Co-operative Banks have assisted in boosting the growth rate of Indian economy by providing a fillip to agricultural production in the country by making available cheap and hassle free agricultural finance. A healthy co operative banking system is essential for Indian economy striving to achieve growth and remain stable in competitive global business environment. In this juncture the performance of these institutions has been less than satisfactory and is deteriorating rapidly. On the other hand some institutions doing their services remarkably. In this way TDCC Bank Ltd in Tiruchirapalli district renders its services for four districts (Tiruchirapalli, Karur, Peranbalur and Ariyalur) and meeting the credit requirement of rural, semi urban and urban customers. With this back ground data have been collected and analyzed the financial performance and operational efficiency of Tiruchirappalli District Central Co-operative Bank Ltd (TDCC Bank).

KEYWORDS: Co-Operative Bank, Financial Performance, Credit-Movement

INTRODUCTION

Importance of the Study

Co operative Banks failures have been relatively high in recent years. Bulging of non - performing assets is the one of the reason for failure of the co - operative banks. The other reasons are falling of revenues, increasing the expenses and operating costs. In the co- operative credit structure the district central co-operative banks occupy a position. DCCBs play an intermediary position between the apex co-operative bank and the primary agricultural societies. The success of the DCCBs largely depends on their financial strength of their own and their apex body and their borrowers. The district central co-operative banks start with the aim of meeting the credit requirements of their member societies. DCCBs act as an intermediary between primary societies with the money market. Deposit mobilization, lending operations, repayment performance and utilization of funds are the key elements that decide the success of the DCCBs. In Tamil Nadu there are twenty three district central cooperative banks, out of which only seven of them are functioning in a successful manner. With this background this study is considered to be an important one in this period.

REVIEW OF RELATED LITERATURE

Mukul G. Asher (2007) in his article Reforming Governance and Regulation of Urban Cooperative Banks in India discussed that there is need for paradigm shift for urban cooperative banks (UCBs) to achieve financial inclusion process and for greater growth there is a need of proper management and regulated authorities in India to function them to enhance their contributions. The author also pointed out that they will require governance and regulation and professionalism like commercial banks. Due to competition commercial banks now a day adopting the technology in managing the day to day activities likewise the UCBs may follow the professionalism in management for financial inclusion process. For India's current and prospective economic structure there is need for a paradigm shift in the role of UCBs

Shah Deepak (2007) investigated on a case study of Sangli and Buldana District Central Cooperative Banks they pointed out the main reason for the weaker financial position of credit cooperatives in Maharashtra due to NPA and the bulging of NPA is the main reason for deterioration in health of credit cooperatives. The study also pointed out credit cooperative banks showed a decline in their financial health and economic viability and the financial position is good when compared to late nineties as against the early nineties period.

Chander and Chandel (2010) in their study financial viability and performance of cooperative credit institutions in Haryana for the period from 1997-98 to 2008-09 are analyzed and discussed with the help of using Financial Analysis and Z-score Analysis. For their study they find out profitability, liquidity, solvency, efficiency and risk are the key factors to check the financial position of the banks. Four different ratios were calculated and analyzed in each sector. The findings of the study reveal that four District Central Cooperative Banks has not been functioning in a successful way with its fifty branches. The banks find better position in one parameter and in other analysis it not found so good. On the other hand Z-score analysis all the banks are in a weaker position or financially weak and were suffering from financial mismanagement because of underutilization of resources.

Ramachandran. a; Siva Shanmugam.d (2012), The study mainly focused attention to study the financial performance of Urban Cooperative banks in India, which were covered under schedule II of RBI Act. Only secondary data have been collected for the study from 2001-2002 to 2009-10. The study finds of that the urban cooperative banks facing stiff competition from the private sector banks and public sector banks. The commercial banks are concentrating to expand their position and concentrate the rural mass and try to reach the unreached. Due to this reason the survival of urban cooperative banks depends on transparency in its operation, governance, customer-centric approach, up gradation of technology and its efficiency. For success of the urban cooperative banks they have to modify themselves according to the expectation of its customers. Customer centric approach is required in this situation to tackle the competition.

Narayana Gowd Talla et al**,**(2012) In this paper the researcher aims to investigate the financial performance of Dharmavaram Urban Cooperative bank Andhrapradesh in India. The study employs exploratory research design which relies on secondary data only. Secondary data such as Balance sheets with schedule and profit and loss account of Dharmavaram Urban Cooperative Bank were collected for the period 2005-06 to 2009-2010. Analysis of data is made using certain tools and techniques such as Ratio Analysis, Averages, Standard deviation and t -test. The study reveals that there was growth in the position of deposits mobilization, membership position, loans and advances of the bank, level of working capital, reserves, owned funds, total income of the bank, total expenditure and over dues of the bank for the entire period of the study. Dharmavaram Urban Co-operative bank achieved a smaller growth in its profits and there was moderate performance in its banking operations during the study period.

Rajni and Dr. Navkiranjit Kaur Dhaliwal, (2012) The Punjab State Cooperative Agricultural Development Bank, the study concluded that the satisfactory financial performance of the banks requires attending some grey areas which need immediate attention. There are some steps to require improving their profitability of the bank. The study reveals that there is a scope to improve them in an efficient manner. During the study period the performance of the bank does not in a greater position. The ratio analysis shows the position of the bank only because of the efficiency and effectiveness of their employees. This is because of their motivated and committed employees. The man power of the bank is highly committed to achieve their objectives of the bank. With the help of solvency ratios one can concludes that the bank is in sound financial position. For sound solvency position any bank requires motivated staff members. The bank requires some new innovative products in its long term way then the position of the bank may in a greater height, and the bank requires introducing some innovative products according to the requirements of its customers.

Sanjay Kanti Das, **(**2012) State Cooperative Banking in Northeast India: Financial and Operational Viability Analysis**,** in this study the researcher points out the reasons for the slow progressing level of the State Cooperative Banking in the Northeastern region of India where they are from the backward region of our country. Only secondary data have been collected for the study. The data have been collected for a period of seven years from 2002-03 to 2008-09. The secondary data have been from the books, periodicals, websites journal dailies and annual reports of banks NABARD, RBI and NAFSCOB. the results and performance have been interfered with help of statistical tools such as correlation, correlation matrix, Probability Density Functions (P value), mean value least squares and linear trend. Ratios are used to test the financial position, solvency position and profitability position. The ratios which are all used for the study are CD ratio, Spread Ratio, business per employee, net profit per employee and advances per employee. In the study the ratios are used because of its available secondary data. The researcher points out that there should be continues monitoring committee and good corporate governance and frequent inspection for find out the problems and solutions for the problems which are all find out by the committee. It may overcome the difficulties and procees for their future growth. The paper finally pitfalls and shortcomings faced by the SCB in the backward region of India.

Gnanasekaran. E, Dr. M. Anbalgan, N. Abdul Nazar, (2013), "Cooperative Banks Success and growth in Vellore District – Statistical Analysis", in this study reveals that the position of Membership, the share capital position, NPAs, Loans and advances of the banks and profitability position of the bank are tested and verified with the help of statistical tools and ratio analysis. The overall position showed a significant growth and concluded that it is in a progressive way. The study concludes that the bank is role model for other banks and the bank is occupied in eighth place and it served a best and role model for other banking industries in this district

RESEARCH GAP

The review of literature clearly reveals that no research was previously conducted on the financial performance analysis of TDCCB ltd in Tiruchirapalli district in Tamil Nadu, India. Hence the research aims to fill the gap by analyzing the financial performance of TDCCB ltd in Tiruchirapalli district in Tamilnadu, India

OBJECTIVES OF THE STUDY

The main objective of the study is to know the financial performance of Tiruchirapalli District Central Co-operative Bank Ltd.

The Other Objectives of the Study

- To know the progress of Tiruchirapalli District Central Co-operative Bank
- To know the growth of membership, share capital, deposit mobilization, loans and advances, non performing assets, net profit, working capital, investments and business of the TDCC Bank

- To know about the liquidity position of TDCC Bank
- To know about the solvency position of TDCC Bank
- To know about the profitability position of TDCC Bank

METHODOLOGY OF THE STUDY

Only secondary data have been collected for the study. Data have been collected from the books, web sites, annual reports of the bank. In order to test the hypotheses the ratio analysis, t test, correlation and percentage analysis are used.

HYPOTHESES OF THE STUDY

Based on the objectives the following hypothesis are formulated and tested.

- There is no significance between share capital and profit
- There is no significance between Business and profit
- There is no significance between share capital and membership

RESULTS AND ANALYSIS

Table 1 explains overall performance of the bank.

Table 1: Overall Performance of TDCC Bank

Sl. No	Particulars	2007-08	08-09	09-10	10-11	11-12	"t" Value
1	Membership	995	985	986	986	987	540.5
2	Share capital	2720	2835	3179	3808	4278	11.3357
3	Reserves	16663	18193	17182	17586	18601	50.9748
4	Deposits	62968	79285	90798	100032	116099	9.9577
5	Borrowings	10414	10643	16086	26189	42464	3.4999
6	Investment	19783	24858	30892	26030	30697	12.8365
7	Business	113946	178036	205090	242770	287941	6.9847
8	Own fund	32420	36768	38027	40797	43370	20.6173
9	Working capital	111332	134927	156651	180762	219310	8.6117
10	Loans and advances	79224	104303	129070	160852	178368	7.2146
11	Net profit	328	707	750	1263	1483	4.3742
12	Gross NPA	15.28	13.03	9.81	7.59	6.3	6.1935

Sources: secondary data

The membership of TDCC Bank has been fluctuated from 995 to 985. The share capital, in 2007-08 was Rs.2720 lakhs which went up to Rs.4278 lakhs in 2011-12. The linear growth rate of 18.8 and the "t" value 11.34 was not significant. The "reserves" is the indicator of financial position of the banks. The reserves also improved moderately from Rs.16663 lakhs in 2007-08 toRs.18601 lakhs in 2011-12 with linear growth rate of 8.61 and with moderately significant t-value 50.1. The compound growth rate was 18.44. One more fact worth noting is that the reserves and share capital are sufficient as their source. The TDCC Bank never depended on the outside borrowings. It is remarkable achievement of this Bank. Another indicator of progress of TDCC Bank is the deposits mobilized by them. It indicates the trust and faith in the TDCC Bank.

In 2007-08 deposits were around Rs.62968 lakhs and during the year 2011-12 they rose to Rs.116099 lakhs. The linear growth rate of 81.19 indicates with not significant “t” value 9.96.The working capital has increased from Rs.111332 lakhs in 2007-08 to Rs.219310 lakhs in 2010-11 with a linear growth rate of 88.68 and with a significant “t” value 8.61. The compound linear growth rate is 9.49 percent.

Loans operation is a source of income to banks. Loans and Advances were Rs.79224 lakhs in 2007-08 and increase to 178368 in 2011-12 and it indicates a rise in advances. The linear growth rate was 53.40 with “t” value 2.54 which was significant at 5 percent level. Even the compound growth rate was 8.87 percent.

The profit of the banks has increase by 1483 in 2011-12 from 328 in 2007-08. The t value is 4.37 and the compound growth is 81.25. On the other hand gross non - performing assets has been decreased from 15.28% in 2007-08 to 6.3% in 2011-12. It is health progress of this bank.

Liquidity Position

Table 2 explains the liquidity position of the Bank. Liquidity for a bank means the ability to meet its financial obligations as they come due. Bank lending finances investments in relatively liquid assets, but it funds its loans with mostly short term liabilities. Thus one of the main challenges to a bank is ensuring its own liquidity under all reasonable conditions. It can be explained with the help of current ratio and credit deposit ratio.

Table 2: Liquidity Position

Sl. No	Particulars	Current Ratio	Credit Deposit Ratio
1	2007-08	1.35	126
2	08-09	1.44	132
3	09-10	1.5	142
4	10-11	1.7	156
5	11-12	1.8	168
		1.558	144.8

Sources: Secondary data

The above table shows that the current ratio has increase gradually over the study period. In the year 2007-08 the liquidity ratio was 1.35 times, it has raised to 1.8 times in 2011-12. It is observed that the proportions of Current Assets to Current Liabilities are not uniform. The thumb rule of 2:1 is not maintained during last 5 years. The TDCC Bank neither has superfluous liquid fund, nor has below the danger line, it is just maintaining a safer strategy during recent years.

The average Credit-Deposit ratio of the study unit over the study period is 144.8 per cent. The maximum percentage of ratio is 168 in 2011-12 and minimum percentage is 126 in the year 07-08. Though the percentage varies, it remained well above the standard norms of 70 per cent. Thus, as per the Madhavadas Committee it may be inferred that the credit-deposit ratios indicates a better liquidity management.

Solvency Ratio

Solvency ratio is one of the various ratios used to measure the ability of a company to meet its long term debts. Moreover, the solvency ratio quantifies the size of a company’s after tax income, not counting non-cash depreciation expenses, as contrasted to the total debt obligations of the firm. Also, it provides an assessment of the likelihood of a bank to continue congregating its debt obligations. It can be explained with the help of Debt-Equity Ratio, Debt to Total Fund and it can be explained with the help of the following table.

Table 3: Solvency Ratio

Sl. No	Particulars	Debt Equity Ratio	Dept to Total Fund
1	2007-08	1.06	6
2	08-09	0.79	7
3	09-10	0.98	7
4	10-11	0.98	8
5	11-12	0.98	8
	Average	0.958	7.2

Sources: Secondary data

The average Debt-Equity ratio over the study period is.958. This ratio is explains that the bank maintain balanced between the debt and equity. The average Debt to total fund ratio over the study period is 7.2 times. The debt/equity ratio tends to have above 2. This is more than the acceptable ratio in India. So it can be inferred that the proportion of debt is said to be high which indicates high leverage of the study unit.

Profitability Ratio

Even though the bank meant for services, the profitability position of the bank conquered the confident of the customers. Only profit value will not be able to show its profitability, we measure it with the help of profitability ratios as explained with the help of the following table.

Table 4: Profitability Ratio

Sl. No	Particulars	NP/TI	NP/TD	NP/SPREAD Ratio	NP/TA	NP/NW	NP/WC
1	2007-08	0.2	0.5	0.7	0.06	0.04	0.02
2	08-09	0.27	0.57	0.65	0.06	0.05	0.02
3	09-10	0.35	0.5	0.72	0.06	0.07	0.03
4	10-11	0.47	0.6	0.74	0.06	0.06	0.02
5	11-12	0.57	0.62	0.82	0.06	0.06	0.02
	Average	0.372	0.558	0.726	0.06	0.056	0.022

Source: Secondary data

(NP= Net Profit, TI= Total Income, TD= Total Deposits, Spread ratio =interest earned- interest paid, TA= Total Assets, NW= Net Worth=Capital + Reserves, WC= Working Capital.)

Ratio of Net Profit to Total Income ratio, Ratio of net profit to total deposits, net profit to spread ratio, ratio of net profit to total advances, ratio of net profit to net worth and ratio of net profit to working capital h. The net profit of the bank fluctuates from have been in a progressive trend. This ratios increased from 20 per cent to 57 per cent, 50 to 62 percent, fluctuating from 70 to 82 percent, average of 6 percent 4 to 6 percent and average of 2 percent respectively. The bank maintains higher level of profitability. Ratio of Net Profit to Total Deposits started receiving deposits recently, the banks response to deposits is very good as deposits are in increasing trends but profits are not increasing in that proportion due to which this ratio is declining during the study period from 52 per cent to 62 per cent. It is increasing throughout the study period. Ratio of Net Profit to spread ratio is the difference between interest earned and interest paid. Spread can be considered as net profit of the bank, it gives clearer picture of profitability of the bank. Ratio of net profit to spread will indicate the relation between spread and net profit, higher ratio will indicate better profitability position of the bank. As evident from the Table 4, this ratio lies in range of 70 per cent to 82 per cent during the study period.

Ratio of Return to Assets ratio of return on assets measures the earning capacity of the assets. Throughout the study period it remains 6 per cent. This ratio is nominal. Ratio of Return to Equity ratio of return on equity determines the earning capability of the capital employed. Equity is also called net worth which is aggregate of paid up capital and reserves. The table 4 shows that ratio is increasing throughout the study period from 0.04 per cent to 0.06 per cent. Ratio of Net Profit to Working Capital ratio of net profit to working capital shows the health of banking operations i.e. higher the ratio healthy banking operations and vice versa. The table 4 shows that the ratio is constant throughout the study period i.e. 0.02 per cent which is very normal and shows that banking operations of the bank are not in a serious position.

Test of Significance

- There is no significance between share capital and profit
- There is no significance between Business and profit
- There is no significance between share capital and membership

Table 5

Factors		Method	Correlation	Result
Share capital	Profit	$t = \frac{\sum d}{\sqrt{\frac{n(\sum d^2) - (\sum d)^2}{n-1}}}$	4.56 Table value=3.36	Rejected
Business	Profit	$t = \frac{\sum d}{\sqrt{\frac{n(\sum d^2) - (\sum d)^2}{n-1}}}$	5.85 Table value=3.36	Rejected
Share capital	Membership	$t = \frac{\sum d}{\sqrt{\frac{n(\sum d^2) - (\sum d)^2}{n-1}}}$	8.1 Table value=3.36	Rejected

- There is significance between share capital and profit
- There is significance between Business and profit
- There is significance between share capital and membership

CONCLUSIONS

From the detailed study of TDCC Bank, it can be concluded the bank is functioning in a satisfactory level with regards to financial performance. There are certain grey areas which need immediate attention. Effective steps are required for improving their liquidity position in order to meet its day to day requirements. The standard norm is 2 but the bank maintains below the standard norms. An analysis of solvency ratios reveals that bank is performing its operations efficiently, there lies a scope to improve its operations so that it become more efficient. From the solvency ratios it can be inferred that the bank stands on a sound footing. However, a better solvency position can be achieved by the continuous endeavor of the members, management and staff of the bank. An analysis of the profitability position of the bank indicates the criteria of profits of the bank. During the study period it shows rosy picture. Thus it can be said that Tiruchirapalli District Central Co-operative bank achieved a significant growth in profits and showed a good performance in banking operations in the last phase of this period. One can concludes the bank can retain its dominating position in the years ahead like the past due to the stiff competition.

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