

Growth of Demand and Time Deposits of Thoothukudi District Central Co-Operative Bank

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Abstract

Co-operative banks have made important development in numerous significant sectors of Indian economy. In India, co-operative banks are engaged in the task of production, processing, marketing and banking in India. District Central Co-operative Banks (DCCBs) are very collective and well known organizations among co-operative credit institutions. The present study is an attempt to examine the trend and growth of demand and time deposits of Thoothukudi District Central Co-operative Bank in the post modification period.

The objectives of the present study are:

1. To study the proportion of demand and time deposits to total deposit during 2002-03 to 2011-12 of Thoothukudi District Central Co-operative Bank
2. To assess the average level and stability of demand and time deposits of Thoothukudi District Central Co-operative Bank.
3. To find out the trend and growth of demand and time deposits of Thoothukudi District Central Co-operative Bank.

It is found that the trend co-efficient was found to be statistically significant for demand and time deposits. It indicates, on an average, Demand deposits had increased by 0.0755 percent (R^2 0.93) and Time deposits by 0.1299 percent per annum during the study period. The growth rates are found to be 7.83 percent and 13.87 percent for demand deposits and time deposits respectively. To conclude, during the period under study, there has been a consistent growth in demand and time deposits in Thoothukudi District Central Co-Operative Bank under study. A closer investigation of the trends in demand and time deposits in Thoothukudi District Central Co-Operative Bank reveal that though there is expected to be a significant rise in the total deposits. This is the high time for the policy makers to give a serious thought to this trend and come out with more attractive options to sustain the business model of Thoothukudi District Central Co-Operative Bank.

Keywords: Cooperative Banks, production, processing, marketing, professionalized institutions.

Introduction

A comprehensive and active banking system is an indispensable necessity of a healthy economy. This system should not only be disturbance free but it should be able to meet the new tasks postured by technology, and other external and internal factors. The banking system in India is meaningfully diverse from that of other Asian nations because of the country's exclusive geographic, social, and economic characteristics. Cooperative banks have no option but to compete with these highly professionalized institutions in providing rural credit to the farmers (Bhagwati Prasad, 2005).

Before 1969, Cooperative Credit institutions had been remained in monopoly in the field of rural credit in India. Even today, (after nationalisation of commercial banks in 1969, entry of regional rural banks in 1975 and foreign banks after 1991) cooperative credit institutions deliver credit to the largest portion of rural population in India (E.V.Murry, 2008).

They acquire their funds from share capital, deposits, loans from the State Cooperative Banks and where State Cooperative Banks do not exist from RBI, NABARD and commercial banks. They develop and extend the banking facilities in their concerned area and make the people banking minded. It may be said that these banks are

responsible for the development of cooperative movement in the concerned district (Parsad, D. Ravindra, 1978). The present study is an attempt to examine the trend and growth of demand and time deposits of Thoothukudi District Central Co-operative Bank in the post modification period.

Objectives

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Methodology

The present study analyses the functioning of Thoothukudi District Central Co-operative Bank from 2002-03 to 2011-12 with reference to financial performance. The present study is based on secondary and primary data. Both secondary and primary data collected for the study were analysed with reference to each of the objectives of the study with the help of appropriate tools of analysis. The secondary data used for the study were collected from Annual Reports of Thoothukudi District Central Co-operative Bank for the period from 2002-03 to 2011-12, published and unpublished documents maintained by the Head Office of Thoothukudi District Central Co-operative Bank, Thoothukudi, Annual Records of Tamil State Co-operative Bank, Chennai, Reserve Bank of India Bulletin (various issues), Report on trend and progress of banking in India (various issues), NABARD reviews and lead bank Annual Credit Plans (various issues) relating to Thoothukudi District. Besides this, published and unpublished dissertation works, books, periodicals and research articles from various journals were also taken into consideration.

Review of Literature

Satyasai and Badatya (2000) reported that for restructuring cooperative credit system, there is a need to overcome certain issues such as inability to offer all types of financial service that commercial banks offer and other internal and external weaknesses such as, rising transaction cost, declining business level, mismanagement of overdue, excessive bureaucratization, politicization etc.

Shah (2002) attempted to find out how far the societies affiliated to district level institutions are successful and how best they are managed under the relaxed market conditions and concluded that the selected societies showed inefficient functioning during the post-economic reform period as compared to pre-economic reform period.

Acharya et.al. (2002) analyzed the tradeoffs between (loan portfolio) focus and diversification using a unique data set that is able to identify individual bank loan exposures to different industries, to different sectors, and to different geographical regions. The study reported that results are consistent with a theory that predicts deterioration in bank monitoring quality at high levels of risk and deterioration in bank monitoring quality upon lending expansion into newer or competitive industries. A vigorous result that emerges from the empirical findings is that diversification of bank assets is not guaranteed to produce superior performance and/or greater safety for banks.

Datta et. al. (2005) attempted to identify the pertinent problems faced by agricultural business cooperatives in today's world. The study outlined some of the thrust areas that would constitute a comprehensive reform package in the domain of

cooperative policy making, and it was concluded that making cooperatives more resilient to the dynamics of globalization should be the top priority of any policy agenda.

Clegg (2006) attempted to find out the impact of China's reform dynamics on its cooperative economy. Field study approach was used to examine the roles of farmers' specialized cooperatives within the agro-industrial chain with experiments in Shandong province. The study explains that reforms in the cooperative economy have been gradual, uneven and jerky, favoring the more entrepreneurial or better-placed farmers to pursue new market opportunities. Creating a sustainable mechanism that would protect and even enhance the interests of the poorer farmers is proving to be far more difficult.

Analysis of Demand and Time Deposits

Demand deposits are repayable at any time on the demand made by the deposits. Savings and current deposits are called demand deposits. Since the payment is made on demand deposits at any time, the bank has to maintain high cash reserve to meet out the obligations of the customers. Demand deposits are low cost funds. The Agricultural Review Committee (1989) pointed out that in order to widen the margin, it is essential that in deposit mobilization greater emphasis should be placed on securing bulk of deposits by way of savings bank accounts with a relatively lower interest rather than deposits on which rates of interest are higher. The effect of this would be to reduce the out-go by way of interest payment and hence to increase the margin of co-operative business and enhance its profitability, besides generally inculcating the saving habits in the members (Agricultural Review Committee, 1989).

Time deposits are repayable only after the expiry of a fixed period. All the fixed deposits are time deposits. Since the repayment is known in advance, it is enough for the bank to maintain cash reserve and the remaining amount can be utilized for the investment in government securities and for granting loans and advances. When a bank has more time deposits, it has to pay more interest and ultimately it affects the profitability of the bank. At the same time if the bank has higher amount of demand deposits, it will have to keep more cash reserve which leads to more borrowings for its lending purposes. So the bank should take care in maintaining the right proportion of demand and time deposits.

The study has to analyse the demand and time deposits collected by the Thoothukudi District Central Co-operative Bank and the details are given in Table.

PROPORTION OF DEMAND AND TIME DEPOSITS TO TOTAL DEPOSIT DURING 2002-03 TO 2011-12

(Rs. In lakhs)

Year	Demand Deposit		Time Deposit		Total Deposits
	Amount	Percentage of Total	Amount	Percentage of Total	
2002-2003	4236.11	23.82	12769.2	76.18	17005.31
2003-2004	4865.21	21.41	16769.2	78.59	21634.41
2004-2005	5486.13	21.35	18797.33	78.65	24283.46
2005-2006	6061.21	18.00	26752.63	82.00	32813.84
2006-2007	6279.15	15.33	34487.14	84.67	40766.29
2007-2008	7479.24	16.59	36308.58	83.41	43787.82
2008-2009	7632.67	17.19	36768.16	82.81	44400.83
2009-2010	7938.42	16.94	38916.32	83.06	46854.74
2010-2011	8067.26	16.69	40272.78	83.31	48340.04
2011-2012	8432.16	16.81	41736.81	83.19	50168.97

Source: Data compiled from the Annual reports of Thoothukudi District Central Co-operative Bank from 2002-2003 to 2011-2012.

The table shows that the demand deposits of Thoothukudi District Central Co-operative Bank increased from Rs.4236.11 lakhs in 2002-03 to Rs.8432.16 lakhs in 2011-12. It shows an increasing trend during the years 2003-04 and 2011-12. The proportion of demand deposits to total deposits of Thoothukudi District Central Co-operative Bank ranged between 15.33 percent and 23.82 percent over the 10 year period.

The time deposit of Thoothukudi District Central Co-operative Bank shows an increasing trend for all the years during the study period. But the percentage of times deposits to total deposits shows an increasing trend ranging between 76.18 percent in 2002-03 and 83.19 percent in 2011-2012 over the 10 year period.

The average level and stability of demand and time deposits over the period from 2002-2003 to 2011-2012 are presented in Table.

AVERAGE AND STABILITY OF DEMAND AND TIME DEPOSITS OF THOOTHUKUDI DISTRICT CENTRAL CO-OPERATIVE BANK DURING THE PERIOD 2002-2003 to 2011-2012

(Rs in lakhs)

Particulars	Demand Deposit	Time Deposit	Total
Mean X	6647.76	30357.82	37005.57
Standard Deviation	1466.25	10725.07	12153.14
Co-efficient of Variation (CV)%	22.06	35.33	32.84

It is inferred from the table that time deposits, on an average, over the period was found to be higher than Demand deposits. The average amount over the period from 2002-2003 to 2011-2012 was Rs.30357.82 lakhs for time deposits and Rs.6647.76 lakhs for demand deposits. The value of co-efficient of variation indicates that the amounts received under demand deposits are relatively stable over the period of 10 years compared to time deposits.

The trend and growth of demand and time deposits of the bank are shown in Table.

TREND AND GROWTH OF DEMAND AND TIME DEPOSITS OF THOOTHUKUDI DISTRICT CENTRAL CO-OPERATIVE BANK DURING THE PERIOD 2002-03 TO 2011-12

Particulars	Trend Coefficient		R ²	Compound Growth Rate in Percent
	a	b		
Demand deposits	8.36	0.0755* (10.79)	0.93	7.83
Time deposits	9.53	0.1299* (6.93)	0.84	13.87
Total Deposits	9.84	0.1189* (7.38)	0.86	12.63

Figures in brackets represent 't' values

*Significant at 5 percent level.

It is found from Table that the trend Co-efficient was found to be statistically significant for demand and time deposits. It indicates, on an average, Demand deposits had increased by 0.0755 percent (R² 0.93) and Time deposits by 0.1299 percent per annum during the study period. The growth rates are found to be 7.83 percent and 13.87 percent for demand deposits and time deposits respectively.

Conclusion

To conclude, during the period under study, there has been a consistent growth in demand and time deposits in Thoothukudi District Central Co-Operative Bank under study. A closer investigation of the trends in demand and time deposits in Thoothukudi District Central Co-Operative Bank reveal that though there is expected to be a significant rise in the total deposits. This may be mainly ascribed to the market environment and

the attractive options available in the market, thanks to the real estate boom and the stock market boom during the corresponding period. This is the high time for the policy makers to give a serious thought to this trend and come out with more attractive options to sustain the business model of Thoothukudi District Central Co-Operative Bank.

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