

Deposit Mobilisation and Lending Performance of Cheruvannur Service Co-operative Bank, Cheruvannur

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Abstract

Deposit mobilization is an integral part of financial institutions. By mobilizing deposits they ensure continued service to members needs and build financial strength. Hence, deposit mobilization is vital to the local economic development and is a key for financial sustainability they foster local economic development by mobilizing deposits and lending these out to individuals, families, farmers, and small businesses in the same area. The study is based on secondary data obtained from annual report o Cheruvannur Service Cooperative Bank for the period of 2015-16 to 2019-20. The study of the bank's deposit mobilization along with lending practices provided to the customers here with undertaken. The analysed data reveals that growth of term deposit registered a fluctuating tend during the study period whereas saving and current deposit showed a decrease in its growth rate. Loans and advances of agricultural loans increasing trend where as Gold loan showed fluctuating trend. The trend further predicted for the deposits and advances of Cheruvannur Service Cooperative Bank for the year 2025 shows on increasing in its trend.

Key words : *Deposit, Deposit Mobilization, Lending performance, Loans and advances*

1. Background of the study

Co-operative movement has been recognized as an important instrument towards achieving socio-economic transformation of rural masses. Primary Agriculture Credit Societies (PACS) are pillars of co-operative credit movement as these societies are intended to promote the economic interest of its members its accordance with the co-operative credit movement as these societies are intended to promote economic interest of its members in accordance with the co-operative principles.

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Currently, PACS are transient through crisis. PACS are not efficient to sustain themselves in this global environment. Occurrence of non-viability is one of the major setbacks. PACS are able to fetch small amount of deposit that result in slight progress in over all deposits in PACS. The repaying capacity of the PACS has been dwindled considerably, as a result of mounting over dues in the loan outstanding against members. Along with the increasing volume of business the number of PACS running into loss and the amount of loss has increased considerably over the years.

The comparative performance of PACS in Kerala with respect to their counterparts in the rest of the country is remarkable. Kerala had the highest rank with regard to membership, population coverage, borrowing members, loans and advances, deposits mobilization and share capital contribution. Despite the phenomenal outreach and volume of operation, the health of the cooperatives has deteriorated significantly. (Vinaikumar and VeeraKumaran, 2016)

2. Objective of the Study :

The objective of the study is to analyze the Deposits mobilization and Lending performance of Cherruvannur Service Cooperative Bank

3. Methodology :

This research study do not have any primary data analysis. The analysis and findings are based on the secondary data collected from the financial statements of Cheruvannur Service Cooperative Bank (CSCB) from last 5 years ie. (2015-16 to 2019-20). This study done with respect to study the deposit mobilization and credit deployment done in Cheruvannur Service Cooperative Society.

Tools Used for the Study :

For the analysis of deposit mobilization and credit deployment the growth rate and trend analysis tools are used.

4. Literature review

Jayalakshmi and Muthulakshmi (2012) done a research study of Sriviliputhur Primary Agricultural Co-operative Society. It has been found that the society mobilized 49.795 % of the average saving deposit, 0.935 average of recurring deposits, and 49.35 % of the average fixed deposit, during the previous 10 years. It was identified that the society provided 14.63 % of agriculture jewel loan during the study period. It has been suggested to

conduct many deposit mobilization programmes and adequate supervision after the loan was sanctioned, which will support to develop of society's better effective operations.

Rajashekarappa and KundanBasavaraj (2012) have examined the mobilization of deposits of banks, loans, and investments of the bank. The data analysis represents that the bank's performance has been gradually increased, and as well as the bank's network has expanded to the extent.

Rajni and Dhaliwal (2013) examined the deposit mobilization scheme in State Cooperative Agricultural Development Bank from Punjab, in study it was found that the growth rate of fixed deposits were high due to the high rate of interest paid by PADB during the study period of eleven years i.e, 1999-2000 to 2011-12.

Selvaraj and Balaji Kumar (2015) conducted a study on the deposits mobilization pattern of the Dindigul District Central Co-operative Bank Limited. Data analysis indicates that DCCB mobilizes resources by taking deposits and loaned fund from the State Co-operative Bank. During the study period, the total deposits show a positive growth of 7.184%.

5. Results and Discussion:

Table – 1: Term Deposits

(Rs in Lakhs)

YEAR	Term Deposits	Percentage to Total	Increase/ Decrease	Growth Rate	Total Deposits
2015 – 16	2521.29	79.01	----	---	3191.17
2016 – 17	2923.04	80.80	401.75	15.93	3617.77
2017 – 18	3366.75	81.72	443.71	15.18	4119.75
2018 – 29	4007.25	83.89	640.5	19.02	4776.72
2019 – 20	5103.08	86.95	1095.83	27.35	5868.88

Source: Annual Reports of CSCB.

The above table shows that the term deposits mobilized by bank represents growing trend during the last five years. The term deposits with bank were Rs. 2521.29 lakhs in 2015-16 and over the period it got grown up to Rs.5103.08 lakhs in 2019-20. It indicates a two-fold increase. Term Deposits shows increasing trend of growth rates. The trend indicates variations between 15.93 % to 27.35 %.

Table – 2: Saving and Current Deposits of CSCB

(Rs. in Lakhs)

YEAR	SB, CA & Others (Rs in Lakhs)	Percentage to Total	Increase/ Decrease	Growth Rate	Total Deposits
2015 – 16	669.73	20.99	---	---	3191.17
2016 – 17	694.73	19.20	25	3.73	3617.77
2017 – 18	753.00	18.28	58.27	8.38	4119.75
2018 – 29	769.47	16.11	16.47	2.19	4776.72
2019 – 20	765.80	13.05	-3.67	-0.48	5868.88

Source : Annual Reports of CSCB.

The above table number 2 indicates that savings and current deposits mobilized by CSCB, which raised at Rs.669.73 lakhs in 2015-16, had progressively improved to 765.80 lakhs in 2019-20. The growing rates varies between -0.48% and 8.38%. Growth rate was fall down in the year 2019-20.

Table – 3 : Total Deposits of CSCB

(Rs in Lakhs)

Year	Total Deposits (Rs in Lakhs)	Increase / Decrease	Growth Rate
2015 – 16	3191.17	---	---
2016 – 17	3617.77	426.6	13.37
2017 – 18	4119.75	501.98	13.86
2018 – 29	4776.72	656.97	15.95
2019 – 20	5868.88	1092.16	22.86

Source : Annual Reports of CSCB.

The above table number 3 displays an increasing trend of total deposits mobilized by CSCB. In the year 2015-16, the total deposits were Rs. 3191.17 lakhs, which raised to 5868.88 lakhs in the year 2019-20. On an average the growth rates of deposits was 13.20%.

Table – 4: Details of Gold Loan

(Rs in Lakhs)

Year	Gold Loan	% of Gold Loan to Total Loan	Increase/ Decrease	Growth Rate	Total Deposits
2015 – 16	959.52	29.66	---	----	3235.38
2016 – 17	778.66	24.81	-4.84	-18.85	3137.97
2017 – 18	813.00	22.03	-2.78	4.41	3690.41
2018 – 29	820.14	19.30	-2.73	0.88	4249.18
2019 – 20	1045.18	20.96	1.66	27.44	4985.78

Source : Annual Reports of CSCB.

Table number 4 represents the Gold Loans lend by CSCB were Rs. 778.66 lakhs in 2016-17 and in the year 2019-20 it was Rs.1045.18 lakhs. The growth rates of gold loan have fluctuating trend. The growth rate was -18.85% and highest growth rate was 27.44%.

Table – 5: Details of Agriculture Loan

(Rs in Lakhs)

Year	Agricultural Loan	% of Agriculture Loan to Total Loan	Increase/ Decrease	Growth Rate	Total Deposits
2015 – 16	436.63	13.50	---	---	3235.38
2016 – 17	684.48	21.81	8.32	56.76	3137.97
2017 – 18	827.61	22.43	0.61	20.91	3690.41
2018 – 29	1106.42	26.04	3.61	33.69	4249.18
2019 – 20	1425.31	28.59	2.55	28.82	4985.78

Source : Annual Reports of CSCB.

Table number 5 shows the Agricultural advances of CSCB. In the year 2015-16 the agricultural advances were Rs. 436.63 lakhs and it got raised to Rs.1425.31 lakhs in the year 2019-20. This represents an increasing trend of agricultural advances in CSCB. The same growth rates also showed a fluctuating trend ranging between 20.91 percent in 2017-18 and 56.76 percent in 2016-17.

Table –6: Other Loans

(Rs in Lakhs)

Year	Other Loan	% of Other Loans to Total Loan	Increase/ Decrease	Growth Rate	Total Deposits
2015 – 16	1839.23	56.85	---	---	3235.38
2016 – 17	1674.83	53.37	-164.4	-8.94	3137.97
2017 – 18	2049.80	55.54	374.97	22.39	3690.41
2018 – 29	2322.62	54.66	272.82	13.31	4249.18
2019 – 20	2515.29	50.45	192.67	8.30	4985.78

Source : Annual Reports of CSCB.

Table number 6 represents the other loans and advances allotted by CSCB. In the year 2015-16 other loans and advances were Rs. 1839.23 lakhs and it got raised to Rs.2515.29 lakhs in 2019-20. The other loans and advances allotted by CSCB has an increasing trend over the last five years. Average growth rate was 7%. The growth rates has a fluctuating trend the lowest growth rate was -8.94% in 2016-17 and highest growth rate was 22.39 % in 2017-18.

Table – 7 : Total Loans and Advances

(Rs in Lakhs)

Year	Total Loan	Increase/ Decrease	Growth Rate
2015 – 16	3235.38	---	---
2016 – 17	3137.97	-97.41	-3.01
2017 – 18	3690.41	552.44	17.61
2018 – 29	4249.18	558.77	15.14
2019 – 20	4985.78	736.6	17.34

Source : Annual Reports of CSCB.

The above table number 7, shows the total advances of CSCB held during last five years. The trend of total advances was increasing over the period. In the year, 2016-17 total advances were Rs. 3137.97 lakhs and in the year 2019-20, it got slightly increased to Rs. 4985.78 lakhs. Average growth rate of Loans and Advances was 9.41%.

Trend Analysis :

To predict future year 2025, Trend Analysis was conducted to analysed the trend of Time deposits, trend of saving and current deposits, trend of

total deposits, trend of Gold Loans, trend of Agricultural advances, trend of other loans and advances and trend of total advances. For calculating the straight-line trend of the deposits and advances of CSCB, the data in the previous tables have been used.

By using a linear trend equation, the estimation of the trend values of different loans like Gold Loans, other loans and advances, Agricultural advances, total advances was calculated. As well as trend, values of different deposits like time deposits, total deposits, saving and current deposits have calculated with following formula:

$$Y_t = a + bx \text{ Where}$$

Y = Deposits/Advances /Net Profits in lakhs of rupees.

X = Time Variable

'a' and 'b' are parameters to be estimated. Y_t = Computed trend figure for period X.

The method of least squares has estimated the above trend equation. The values of 'a' and 'b' are determined by solving the following two normal equations.

$$\sum y = Na + b \sum x \quad \text{----- (1)}$$

$$\sum XY = a \sum X + b \sum X^2 \quad \text{----- (2)}$$

Where N = number of years for which data are given that is five years.

With the help of the above linear trend equation, the trend values for Gold Loans, Agricultural advances, other loans and advances and total advances, Time deposits, saving and current deposits, total deposits, are calculated and displayed in the table number 8.

Table 8 : Trend Values of Deposits and Advances of CSCB

Sr. No.	Particulars	Trend Value forecasted for 2025 (Rs. in Lakhs)
1	Time Deposits	7957.735
2	Saving and Current Advances	917.36
3	Total Deposits	8874.92
4	Gold Loans	1032.26
5	Agricultural Loans	2575.60
6	Other Loans and Advances	3480.29
7	Total Advances	7088.15

Source: Annual Reports of CSCB.

As per the calculation, forecasted total deposits in the year 2025 will be Rs. 8875.09 lakhs that indicates 51.22% growth rate in coming five years. The forecasted total loans and advances will be Rs. 7088.15 lakhs that indicates 42.16% growth rate in coming five years.

Findings

- ☞ The term deposits indicate of CSCB had a two-fold increase in the last five years. The trend indicates variations between 15.93 % to 27.35 %. Term Deposits show an increasing trend of growth rates.
- ☞ On average the growth rate of saving and Current Deposits of CSCB is only 2.76%. In the year 219-20, the deposit under this category have decreased drastically bank need to concentrate on opening more account as well as saving schemes.
- ☞ The total deposits of CSCB has a growing trend. The highest growth of 22.86 percent was recorded in 2019-20, and the lowest was 13.37 percent in 2016-17. On average the growth rate of total deposits of CSCB is only 13.02%.
- ☞ Overall the loans and advances for Gold loans shows a decreasing trend, year on year gold loan lend have decreased as compared to 2015-16. The growth rate of the Gold Loan of CSCB reported a high downtrend as well as some positive trends also in the last five years.
- ☞ Overall the CSCB agricultural advances have raised in the last five years. The CSCB indicates an overall growth rate of 28.03% in agricultural advances.
- ☞ The other loans and advances were Rs. 1839.23 lakhs in the year 2015-16 which touched Rs. 2515.29 lakhs in the year 2019-20. It presents an average growth rate of 7.01%. The other loans and advances of CSCB reported a downtrend as well as some positive trends also in the last five years.
- ☞ The CSCB has grown deposits by 13.02% in a studied period. Similarly, CSCB has risen total loans and advances by 9.14%. This indicated efficient mobilization of deposits done by CSCB.

Conclusion :

To sustain itself in the global financial market era CSCB need to continue with efficient management of funds to grow in the coming future. Cheruvannur Service Cooperative Bank should adopt new technology to serve

the best financial services to its members. The adaptation of information technology and the computer will result in transparent governance and a reduction in operating cost. The bank should focus on the training and development of staff. Bank should employ skilled human resources as per the new information system to increase the efficiency of the bank's operations.

The present study indicates that the Cheruvannur Service Cooperative Bank did a good balance between deposits and loans. CSCB should concentrate on rising the net worth of a bank, which will offer incremental profit share to members. CSCB needs to make an effort to upturn farmer's Service centers to render financial services. CSCB has developed confidence in people by delivering financial services to a low-income section of society. The bank should offer attractive loans to small-scale businesses. The bank has successfully removed private moneylenders.

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