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Research Article

FINANCIAL PERFORMANCE ANALYSIS OF DISTRICT CENTRAL CO-OPERATIVE BANKS IN VIRUDHUNAGAR AND MADURAI DISTRICTS

Muthumeena Murugaboopathy*

Kalasalingam University

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ABSTRACT

Indian cooperative structure is one of the largest co-operative networks in the world. District Central Cooperative Banks (DCCBs) function at the district levels with a variety of purposes to serve the needs of the affiliated primary agricultural credit societies and the other societies and to the semi-urban and the rural people. In order to study about the financial performances of loss made DCCBs in Tamilnadu in March 2006, the financial performances of Virudhunagar DCCB (VDCCB) and Madurai DCCB (MDCCB) which had incurred losses are analyzed in this study by Ratio and Trend analysis for ten years from 2005-06 to 2014-15.

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INTRODUCTION

The history of the Cooperative Movement in the world could be traced back to the days of hardship and suffering in Europe faced by common people who had little or no access to satisfy their credit needs, in unforeseeable times. So they began their efforts to boost the proposal of easy accessibility of credit to small businesses and the poor segments of the society. Similarly, Indian Cooperative Banks were established to resolve the problem of unavailability of credit to fulfil the credit needs of middle and lower class people in the society. The services of co-operative Banks have become inevitable as their functions are similar to that of many microfinance institutions which are highly popular in developing countries. The Co-operative movement is greatly recognized by the working class and the lower middle class people of the Indian society. This success has been achieved mainly because of the failure of commercial banks in supporting the credit needs of small business owners and ordinary people who are outside the formal banking network. Cooperative banks also cover the poor people who are deprived of banking services and credit facilities in the society.

A cooperative bank is a financial institution which is owned and run by its members. They are formed out of the efforts of people with same profession and who have similar problems

and desires. Although they provide the most services which commercial banks offer, they widely differ from commercial banks but in terms of their values and their structures of governance. They are democratic in nature and each member exercises one vote to elect the board of members. Thus Co-operative banks worldwide have typical features like Customer-owned, Democratic structures, Sharing of profits of some amount to members and other amounts created as reserves, Involved in community development and Fostering of financial inclusion by offering credit services to the doorstep of the lowest segment of the society. In India, they have to follow the banking rules and regulations and the Reserve Bank of India and the Registrar of Co-operative Societies of the State Government supervise and control them. The functions of these banks are controlled by the provisions of Banking Regulations Act, 1949 as well as Banking Laws Cooperative Societies Act, 1965. They serve both urban and rural people with different structural organisations. Thus the structure of the cooperative banking network in India can be classified as urban credit cooperatives and rural credit cooperatives. Urban Cooperative banks (UCBs) can be divided into scheduled UCBs and non-scheduled UCBs each of which of which can be further divided into single-state UCBs and multi-state UCBs. In India, most of the UCBs are non-scheduled and single-state UCBs. RBI and NABARD regulate the banking activities of UCBs whereas Registrar of Cooperative Societies manage the Registration and

*Corresponding author: **Muthumeena Murugaboopathy**
Kalasalingam University

Management activities of single-state UCBs and Central Registrar of Co-operative Societies manage the multi-state UCBs. In case of Rural credit cooperatives, the short-term rural cooperative credit structure comprises three tiered network prevalent in different states viz., 1. State Cooperative Banks-Operating at state level, District Central Cooperative Bank-functioning at the district level and Primary Agricultural Credit Societies (PACS)-operating at the village or grass-root levels. The long-term rural co-operative credit structure consists of State Cooperative Agriculture and Rural Development Banks (SCARDBS)-operating at the state-level and Primary Cooperative Agriculture and Rural Development Banks (PCARDBS)-functioning at district/block level.

The major drawbacks in the functioning of the Cooperative Banks are (i) The duality in control by the Registrar of Co-operative Societies of the State Government and the RBI though State Level Task Force on Cooperative Urban Banks (TAFUCB) was formed to solve the problems related to duality of control and there is no clear demarcation between the powers of the State Government and RBI in controlling the co-operative banks, (ii) Maximal growth of cooperative societies in states of Gujarat, Maharashtra, Tamil Nadu whereas the other parts of India don't have a heightened presence, (iii) Excessive state control and interference because of which the autonomous characters of many of the co-operative institutions had been eroded, (iv) Lack of active members as borrowers only are allowed to exercise voting rights and absence of professional attitude, (v) Poor Credit recovery especially in rural areas, (vi) Lack of risk management systems and basic standardised banking models and (vii) Widening gap between the level of skills of Co-operative employees and the increasing computerisation of banks.

REVIEW OF LITERATURE

CathrineDivya L., & Chitra, V. (2016). in their study, "A Study on Non Performing Assets on Nilgiri District Central Co-Operative Bank" L. concluded that increase of NPA in absolute terms proved that effective preventive measures had not been taken to reduce the amount of NPA by the bank. They suggested that loan sanctions could be refused to the non credit-worthy borrowers and in addition to getting both the formal and informal reports about the trustworthiness about the borrowers, the bank had to educate the borrowers about the consequences of failing to pay the amount of interest and the loan within the stipulated period.

Jai KishanChandel, (2012). in his research paper, "Financial Performance of DCCBs in Haryana - A Comparative Analysis" analyzed the financial viability of five District Central Co-operative Banks in Rohtak Division in Haryana (India) with the tool of Z score and also analyzed the financial performance and efficiency of DCCBs for a period of twelve years from 1997-98 to 2008-09. He concluded that all the DCCBs were poor on profitability, liquidity, efficiency and solvency parameters and that they were suffering from mismanagement and underutilization of resources. He gave his suggestions that as the DCCBs were poor in management, utilization of resources, investments, capital structure, cash availability, providing innovative products, etc., the DCCBs should make changes in their vision and strategies and should be competitive and dynamic for providing better service to the people.

Jyoti Gupta., & Suman Jain, (2012). in their study on , "A study on Co-operative Banks in India with special reference to Lending practices" advocated that in spite of the improvement in the financial performances of UCBs in the year 2010-11 there were some UCBs which reported negative CRAR. They found out that 64% of the people taken for study preferred to avail long term loans which was for more than three years and that they were satisfied with the mode of repayment of instalments. But they concluded that the Co-operative Banks had faced severe problems in ensuring smooth flow of credit as well as suffered with low level of recovery and high transaction cost. They suggested that the banks should adopt the modern methods of banking like internet banking, credit cards, ATM, etc., and that they should strive for expansion of branches and should improve the customer services to a better extent.

Krupa R. Trivedi, (2012). in an analysis of UCB titled 'A Camel Model Analysis of Scheduled Urban Co-operative Bank in Surat City-A case study of Surat People's Co-operative bank' published in IOSR Journal of Business and Management, applied assets quality ratio, management capability ratios and earning ratios to assess the performance and profitability of scheduled urban co-operative bank in Surat City.

Mahendran., & HiwotBekele, (2014). from Department of Cooperatives, Ambo University, Ambo, Ethiopia in their study, 'A Study on the Funds Flow Analysis of the District Central Cooperative Banks in Tirunelveli Region, Tamilnadu' published in International Journal of Research in Commerce and Management, analysed the fundflow statement of Tirunelveli (TIDCCB), Virudhunagar (VIDCCB), Thuthukudi (TUDCCB) and Kanyakumari (KADCCB) District Central Cooperative Banks in Tirunelveli Region, Tamil Nadu and concluded that the change in the sources and applications of funds over the years was fluctuating during the years 2004-05, 2005-06, 2006-07, 2007-08 & 2008-09.

Mahendran.,&Natarajan, (2014). Ambo University, Ambo in their research study on 'A Study on the Profitability Ratio of the District Central Cooperative Banks in Tirunelveli Region, Tamilnadu' in International Journal of Research in Commerce, IT and Management, focused on non-performing assets of Virudhunagar District Central Co-operative Bank and calculated profitability Ratios of Tirunelveli (TIDCCB), Virudhunagar (VIDCCB), Thuthukudi (TUDCCB) and Kanyakumari (KADCCB) District Central Cooperative Banks in Tirunelveli Region and concluded that The TIDCCB, VIDCCB and TUDCCB had to take efforts in minimizing the non-performing assets. They found out that the average Ratio of Non-performing assets to Total assets was 10.4 for the eleven years from 1998-99 to 2008-09.

Mahendran., & MogesTadesse, (2015). computed current ratio and liquidity ratios of Tirunelveli (TIDCCB), Virudhunagar (VIDCCB), Thuthukudi (TUDCCB) and Kanyakumari (KADCCB) District Central Cooperative Banks in Tirunelveli Region, Tamil Nadu. The research work was published in International Journal of Social Science, Arts and Humanities, with the title, 'Liquidity Ratio of the District Central Cooperative Banks In Tirunelveli Region, Tamilnadu'. They concluded that the liquidity ratios of selected banks in Tamilnadu were not satisfactory during the study period of eleven years from 1998-99 to 2008-09.

Muthumeena., M. & Jeyakumaran, M. (2017). in their research work, "A Comparative Study on the Profitability and Performance of District Central Co-operative Banks in Virudhunagar and Madurai Districts" analyzed the net profits of VDCCB and MDCCB for a period of ten years from 2004-05 to 2013-14 and found out the average net profits for the study period for VDCCB and MDCCB to be 4.50 Crores and 3.39 Crores respectively. Co-efficient of variation for the net profits of VDCCB was 1.87 whereas for MDCCB it was 7.67. They found out the Mean Return on assets for MDCCB for ten years as 0.17% and for VDCCB as 0.95%. They concluded that the assets of the two selected banks were not profitable in generating income. They also suggested for both VDCCB and MDCCB to decrease its expenses to increase their efficiency of operation. They also examined the Credit-Deposit Ratios for both VDCCB and MDCCB and found out that the two banks had more than 70% of C/D ratios for the study period of ten years and that C/D Ratios for MDCCB were greater than that for VDCCB for the ten years. They gave their suggestion for both the banks to maintain C/D Ratios below 70%.

Nallusamy, (2012). in his work 'Financial Performance of the Salem District Central Cooperative Bank since Computerization – Evidence From Multi Discriminant Model' published in *Names International Journal of Management Research*, used total Expenses to total income ratio and interest earned to total income ratio to evaluate the financial performance of Salem District Central Co-operative Bank.

Nivethitha., J. & Brindha, G. (2014). in their research article titled "Management of Non-Performing Assets in Virudhunagar District Central Co-Operative Bank-An Overview" concluded that decreasing the level of NPAs by Virudhunagar District Central Co-operative Bank was inevitable to increase its profitability and perform its functions well. They suggested that arranging for training programme to educate about NPA, setting up of Monitoring Cell to monitor the levels of NPAs, conducting Review meetings on weekly and monthly bases, maintaining personal touch with the borrowers, etc., would be helpful in reducing the level of NPAs.

Selvaraj, N.(2015).Assistant Professor of Commerce from Saraswathi Narayanan College, Madurai, in his Research study, "Performance Evaluation through Z –Score: A Case study of District Central Co-operative Bank, Dindigul (Tamilnadu)" concluded that although the Bank was not found to be financially sick during the study period, it was in the danger of becoming financially sick in the near future. He had given the reason that the Z score values of the bank varied between 2.0910 and 2.5845 but not crossed the value of 2.66. So, the Bank should take steps to utilize its working capital efficiently and attract more customers by opening branches to increase its income.

ThirupathiKanchu, (2012). in his Research work 'Performance Evaluation of DCCBs in India - A Study' published in *Asia Pacific Journal of Marketing & Management Review*, analysed the performance of DCCBs in India in terms of C/D ratio, growth of investments by Indian DCCBs and performed trend analysis on the growth in number of banks, offices, membership, the capital, the reserves, investments and borrowings of DCCBs in India taking 2001-02 as the base year.

He found out that the number of banks and offices and membership had fluctuating growth during the study period of ten years from 2001 to 02 to 2010 to 11. He calculated the mean, SD and CV of C/D ratios for ten years, and concluded that the C/D ratios of Indian DCCBs from 2002 to 2011 had shown a fluctuating trend. He gave conclusion that the standard deviation of Borrowings was more consistent than that of the capital and the reserves. The trends in Borrowings were constantly increasing and the trends in Capital and Reserves were fluctuating. He calculated the average C/D Ratio of DCCBs in India for the study period to be 78.17%. He also concluded that with regard to the percentage of Cost of Management to Working Capital, it had been fluctuating and the percentage of growth of investments was gradually increasing from 2001-02 and it was the same for the last two years of the study period.

RESEARCH METHODOLOGY

The Researcher followed Multi-phase sampling method for selecting Virudhunagar DCCB and Madurai DCCB. At the first stage, 23 District Central Co-operative Banks from Tamilnadu State were selected. In the second phase, the central co-operative banks which had incurred huge losses during March 2006 were selected. In the third phase, analysis regarding the researches made on the loss made central co-operative banks for a decade was made. Except for Ramanathapuram DCCB and Madurai DCCB frequent researches were conducted on the performance of other loss made banks. From the Researches it was found out that the performance of VDCCB was to be improved. Out of these three DCCBs, Ramanathapuram DCCB had 16 branches but Madurai DCCB had 41 branches and Virudhunagar DCCB was with 33 branches. The Researcher selected DCCBs which had comparatively more number of DCCB Branches. The Head offices of DCCBs in Tamilnadu control the functions of all of their branches and determine their net profits after consolidating the net profits or net losses of all of their branches. So, the Researcher analyzed the financial performance of VDCCB (Head Office) and MDCCB (Head Office). This study examines the financial performances of VDCCB and MDCCB with the help of Ratio analysis and also with the help of trends in Net profits, Total Share capital, Reserves and Surplus, Borrowings, Deposits and Loans and Advances for a period of ten years from 2005-06 to 2014. The Ratios used for analyzing the financial performance of these two banks are Return on Assets, Return on equity, Net interest margin, Operating margin, Return on capital employed and C/D Ratio.

All the numerical data used for this analysis were collected from the Reports of "Basic Data on Performance of District Central Cooperative Banks" published by National Federation of State Cooperative Banks Ltd. (NAFSCOB) and from the Annual Reports of VDCCB and MDCCB obtained from the Head Offices of the two selected banks.

Findings and Suggestions

When considering the financial performance of VDCCB and MDCCB, Average Return on Assets (ROA) for VDCCB for the years from 2005-06 to 2014-15 was 0.39% and for MDCCB it was 0.23%. ROA was the highest (3.03%) for VDCCB during the year 2009-10. For MDCCB also ROA was the highest percentage of 7.63% during 2009-10. There were

wide fluctuations in the ROA of both VDCCB and MDCCB during the study period. But during 2014-15, ROA percentage increased than the previous year. (Table I & Table II).

Table I Return on assets-VDCCB

Year	Net Profit (Rs. in crores)	Net assets (Rs. in crores)	Return On Assets (in %)
2005-06	-9.11	316.27	-2.88
2006-07	0.06	325.05	0.02
2007-08	-5.85	335.93	-1.74
2008-09	7.22	402.54	1.79
2009-10	13.88	458.65	3.03
2010-11	8.30	570.49	1.45
2011-12	2.71	682.02	0.40
2012-13	3.94	823.36	0.48
2013-14	4.78	890.49	0.54
2014-15	7.28	909.78	0.80
Mean	3.32	571.46	0.39
SD	6.83	239.09	1.69
CV	1.95	0.40	4.12

(Average Return on Assets for VDCCB from 2005-06 to 2014-15 was 0.39%).

Table II Return on assets-MDCCB

Year	Net Profit (Rs. in crores)	Net assets (Rs. in crores)	ROA (in %)
2005-06	-2.19	615.36	-0.36
2006-07	-10.54	615.80	-1.71
2007-08	-40.42	689.09	-5.87
2008-09	7.25	818.62	0.89
2009-10	65.8	862.85	7.63
2010-11	3.42	1059.85	0.32
2011-12	2.35	1199.28	0.2
2012-13	3.16	1374.51	0.23
2013-14	4.37	1507.72	0.29
2014-15	9.70	1479.30	0.66
Mean	4.29	1022.24	0.23
SD	26.01	351.20	3.28
CV	5.75	0.33	13.64

(Average Return on Assets for MDCCB from 2005-06 to 2014-15 was 0.23%).

The two banks shall try to considerably increase their Return on Assets by increasing their net profits. Average Return on equity for the study period of ten years for VDCCB was good (13.36%) although there were fluctuations in ROE during the study period (Table III) while average ROE for MDCCB for the study period was only 5.13% though it had attained its maximum ROE (204.60%) during the year 2009-10 (Table IV).

Table III Return on equity-VDCCB

Year	Net income (Rs. in crores)	Average equity (Rs. in crores)	Return on equity (in %)
2005-06	-9.11	9.34	-97.54
2006-07	0.06	12.11	0.50
2007-08	-5.85	12.35	-47.37
2008-09	7.22	10.08	71.63
2009-10	13.88	15.10	91.92
2010-11	8.30	20.22	41.05
2011-12	2.71	21.42	12.65
2012-13	3.94	24.27	16.23
2013-14	4.78	26.36	18.13
2014-15	7.28	27.54	26.43
Mean	3.32	17.88	13.36
S.D	6.83	6.91	54.45
C.V	1.95	0.37	3.87

(Average Return on equity for the study period of ten years for VDCCB was 13.36%)

Table IV Return on equity-MDCCB

Year	Net income (Rs. in crores)	Average equity (Rs. in crores)	Return on equity (in %)
2005-06	-2.19	16.85	-13.00
2006-07	-10.54	19.69	-53.53
2007-08	-40.42	23.17	-174.45
2008-09	7.25	25.76	28.14
2009-10	65.8	32.16	204.60
2010-11	3.42	38.95	8.78
2011-12	2.35	41.69	5.64
2012-13	3.16	37.89	8.34
2013-14	4.37	35.67	12.25
2014-15	9.70	39.58	24.51
Mean	4.29	31.14	5.13
S.D	26.01	9.06	92.37
C.V	5.75	0.28	17.09

(Average Return on equity for the study period of ten years for VDCCB was 5.13%)

The reason was because of the wide fluctuations in ROE of MDCCB throughout the study period. A rising ROE indicates a company's ability to generate profit without having increased amount of capital. It is more than a measure of profit and it's a measure of efficiency also. VDCCB was able to increase its ROE constantly from 2011-12 to 2014-15. MDCCB shall make its efforts in constantly raising ROE to increase its efficiency of performance. Regarding Net interest Margin (NIM) there were no wide fluctuations both in cases of VDCCB and MDCCB and Average NIM for MDCCB was 4% while that for VDCCB was 3.30% (Table V & Table VI).

Table V Net interest margin-VDCCB

Year	Net interest income (Rs. in crores)	Average interest earning assets (Rs. in crores)	Net interest margin (in %)
2005-06	7.96	238.63	3.34
2006-07	11.57	235.59	4.91
2007-08	0.2	238.56	0.08
2008-09	16.69	300.12	5.56
2009-10	11.85	380.96	3.11
2010-11	16.46	470.22	3.50
2011-12	19.01	586.39	3.24
2012-13	21.45	710.09	3.02
2013-14	24.43	808.49	3.02
2014-15	26.84	846.47	3.17
Mean	15.65	481.55	3.30
S.D	8.01	241.52	1.43
C.V	0.49	0.48	0.41

(Average NIM for VDCCB was 3.30% for the study period of ten years).

Table VI Net interest margin-MDCCB

Year	Net interest income (Rs. in crores)	Average interest earning assets (Rs. in crores)	Net interest margin (in %)
2005-06	32.68	564.44	5.79
2006-07	32.41	546.05	5.94
2007-08	-0.21	569.05	-0.04
2008-09	41.47	612.44	6.77
2009-10	39.81	646.76	6.16
2010-11	21.45	773.18	2.77
2011-12	25.36	920.00	2.76
2012-13	29.35	1034.35	2.84
2013-14	41.55	1150.83	3.61
2014-15	41.31	1202.37	3.44
Mean	30.52	801.95	4.00
S.D	12.94	255.38	2.12
C.V	0.40	0.30	0.50

(Average NIM for MDCCB was 4% for the study period of ten years).

Wide fluctuations in NIM could be avoided so that the two banks could earn more NIM. The average Operating margin ratio for the study period of ten years was also good both for VDCCB (9.22%) and MDCCB (8.94%) (Table VII & Table VIII).

Table VII Operating margin Ratio-VDCCB

Year	Operating income (Rs. in crores)	Revenue (Rs. in crores)	Operating margin ratio(in %)
2005-06	8.15	214.30	3.80
2006-07	14.92	201.23	7.41
2007-08	12.07	222.27	5.43
2008-09	32.06	255.32	12.56
2009-10	41.29	315.74	13.08
2010-11	38.95	417.79	9.32
2011-12	47.37	519.45	9.12
2012-13	62.17	632.20	9.83
2013-14	73.26	658.18	11.13
2014-15	72.05	685.46	10.51
Mean	40.23	412.19	9.22
S.D	23.96	196.86	2.96
C.V	0.57	0.45	0.30

(Mean Operating margin ratio for the study period of ten years for VDCCB was 9.22%)

Table VIII Operating margin Ratio-MDCCB

Year	Operating income (Rs. in crores)	Revenue (Rs. in crores)	Operating margin ratio(in %)
2005-06	51.06	478.94	10.66
2006-07	37.68	455.11	8.28
2007-08	14.55	530.97	2.74
2008-09	48.02	546.72	8.78
2009-10	106.17	623.49	17.03
2010-11	55.84	801.93	6.96
2011-12	71.02	898.31	7.91
2012-13	91.97	1032.79	8.91
2013-14	103.86	1126.67	9.22
2014-15	99.96	1128.50	8.86
Mean	68.01	762.34	8.94
S.D	31.55	269.57	3.53
C.V	0.44	0.34	0.38

(Mean Operating margin ratio for the study period of ten years for MDCCB was 8.94%).

They were able to gain 9% of the revenue as profit. While evaluating a company's operational efficiency it is necessary to check the company's operating margin which changes over time. Increasing operating margins indicate that a company is able to control its costs and to increase its profits when the company grows. The higher operating earnings show that the company's business is more profitable. Hence the two banks should try to increase their operating margin ratio in future. The primary objective of making investment in any business is to obtain adequate return on capital invested. Therefore, to measure the overall profitability of the bank, it is essential to compare operating profit with capital employed. The average Return on capital employed for VDCCB for the study period was 9.45% and that for MDCCB was 10.73% (Table IX & Table X). For MDCCB average Return on capital employed was more than its average Operating margin Ratio for the study period and for VDCCB it was slightly more than its average Operating margin ratio. The two banks shall make its efforts in increasing their operational efficiency as well as in increasing the efficiency of utilizing their share capital by controlling their operating expenses and increasing their operating income. The Average C/D Ratio for VDCCB for the

study period was 99.10% and the co-efficient of variation is 0.11 for the ten years.

Table IX Return on capital employed-VDCCB

Year	Operating profit (Rs. in crores)	Owner's funds (Rs. in crores)	Return on capital employed (in %)
2005-06	8.15	177.84	4.58
2006-07	14.92	195.5	7.63
2007-08	12.07	222.43	5.43
2008-09	32.06	267.13	12.00
2009-10	41.29	316.62	13.04
2010-11	38.95	372.68	10.45
2011-12	47.37	429.03	11.04
2012-13	62.17	494.44	12.57
2013-14	73.26	590.18	12.41
2014-15	72.05	614.42	11.73
Mean	40.23	368.03	9.45
S.D	23.96	159.77	3.61
C.V	0.57	0.41	0.29

(Average Return on capital employed for VDCCB for the study period was 9.45%)

Table X Return on capital employed-MDCCB

Year	Operating profit (Rs. in crores)	Owner's funds (Rs. in crores)	Return on capital employed (in %)
2005-06	51.06	325.58	15.68
2006-07	37.68	424.92	8.87
2007-08	14.55	495.47	2.94
2008-09	48.02	497.69	9.65
2009-10	106.17	576.39	18.42
2010-11	55.84	625.65	8.93
2011-12	71.02	701.22	10.13
2012-13	91.97	832.75	11.04
2013-14	103.86	953.49	10.89
2014-15	99.96	931.57	10.73
Mean	68.01	636.47	10.73
S.D	31.55	214.63	4.12
C.V	0.44	0.32	0.36

(Average Return on capital employed for MDCCB for the study period was 10.73%)

Average C/D Ratio for MDCCB for the study period was 143.61% and the co-efficient of variation is 0.08 (Table XI & XII).

Table XI C/D Ratio-VDCCB

Year	Loans and advances (Rs. in crores)	Deposits (Rs. in crores)	C/D Ratio
2005-06	214.30	200.74	106.76
2006-07	201.23	218.89	91.93
2007-08	222.27	262.35	84.72
2008-09	255.32	304.67	83.80
2009-10	315.74	345.06	91.50
2010-11	417.79	403.77	103.47
2011-12	519.45	464.84	111.75
2012-13	632.20	538.76	117.34
2013-14	658.18	666.50	98.75
2014-15	685.46	679.07	100.94
Mean	412.19	408.47	99.10
S.D	196.86	174.87	11.18
C.V	0.45	0.41	0.11

(Average C/D Ratio for VDCCB for the study period was 99.10% and the co-efficient of variation is 0.11.)

Regarding Netprofits of VDCCB and MDCCB, they were widely fluctuating upto the year 2007-08. Their Net profits were at the peak during the year 2009-10. During 2014-15, their Net profits were satisfactory and the average net profit for VDCCB for the study period was 3.32 Crores and that for MDCCB was 4.29 Crores (Table XIII & Table XIV).

Table XII C/D Ratio-MDCCB

Year	Loans and Advances (Rs. in crores)	Deposits (Rs. in crores)	C/D Ratio
2005-06	478.94	288.14	166.22
2006-07	455.11	304.81	149.31
2007-08	530.97	352.42	150.66
2008-09	546.72	431.09	126.82
2009-10	623.49	505.21	123.41
2010-11	801.93	546.01	146.87
2011-12	898.31	618.64	145.21
2012-13	1032.79	700.16	147.51
2013-14	1126.67	811.69	138.81
2014-15	1128.50	798.58	141.31
Mean	762.34	535.68	143.61
S.D	269.57	194.19	12.20
C.V	0.34	0.34	0.08

(Average C/D Ratio for MDCCB for the study period was 143.61% and the co-efficient of variation is 0.08).

Table XIII Trends in Net Profits and Total Share Capital-VDCCB

Year	Net Profits (Rs. in crores)	Trend % of Net Profits	Total Share Capital	Trend % of Total Share Capital
2005-06	-9.11	100	9.39	100
2006-07	0.06	-0.66	14.83	157.93
2007-08	-5.85	64.22	9.86	105.01
2008-09	7.22	-79.25	10.30	109.69
2009-10	13.88	-152.36	19.89	211.82
2010-11	8.30	-91.11	20.55	218.85
2011-12	2.71	-29.75	22.28	237.27
2012-13	3.94	-43.25	26.25	279.55
2013-14	4.78	-52.47	26.47	281.90
2014-15	7.28	-79.91	28.61	304.69
Mean	3.32	-36.45	18.84	200.67
S.D	6.83	74.93	7.33	78.05
C.V	1.95	1.95	0.37	0.37

(Average net profit for VDCCB for the study period for VDCCB was 3.32 Crores. Total Share capital for VDCCB was constantly increasing from 2008-09)

Table XIV Trends in Net Profits and Total Share Capital-MDCCB

Year	Net Profits (Rs. in crores)	Trend % of Net Profits	Total Share Capital	Trend % of Total Share Capital
2005-06	-2.19	100	16.86	100
2006-07	-10.54	481.28	22.52	133.57
2007-08	-40.42	1845.66	23.81	141.22
2008-09	7.25	-331.05	27.71	164.35
2009-10	65.8	-3004.57	36.60	217.08
2010-11	3.42	-156.16	41.29	244.90
2011-12	2.35	-107.31	42.09	249.64
2012-13	3.16	-144.29	33.69	199.82
2013-14	4.37	-199.54	37.64	223.25
2014-15	9.70	-442.92	41.51	246.20
Mean	4.29	-195.89	32.37	192.00
S.D	26.01	1187.63	9.05	53.69
C.V	5.75	5.75	0.27	0.27

(Average net profit for MDCCB for the study period for MDCCB was 4.29 Crores. For MDCCB, there were fluctuations in the Total share capital as well as in it's trends).

Total Share capital for VDCCB was constantly increasing from 2008-09 and the trends in total share capital were more than that of MDCCB. For MDCCB, there were fluctuations in the Total share capital as well as in its trends. The average total share capital for VDCCB for ten years was 18.84 Crores and that for MDCCB was 32.37 Crores (Table XIII & Table XIV). With respect to Reserves and surplus for MDCCB, it was

constantly increasing from 2008-09 and their trends were more than that for VDCCB. For VDCCB, Reserves and surplus and their trends were fluctuating. The average of Reserves and surplus for VDCCB for the study period was 42.21 Crores and that for MDCCB, it was 211.16 Crores (Table XV & Table XVI). The average borrowings for VDCCB for ten years of the study period was 70.94 Crores and that for MDCCB, it was 200.02 Crores. The average trend percentage of Borrowings for VDCCB for the study period was 118.83% and that for MDCCB, it was 102.52% (Table XV & Table XVI).

Table XV Trends in Reserves and Surplus and Borrowings-VDCCB

Year	Reserves and Surplus (Rs. in crores)	Trend % of Reserves and Surplus	Borrowings (Rs. in crores)	Trend % of Borrowings
2005-06	34.52	100	59.70	100
2006-07	41.63	120.60	34.99	58.61
2007-08	44.68	129.43	18.25	30.57
2008-09	47.50	137.60	25.79	43.20
2009-10	34.30	99.36	33.53	56.16
2010-11	34.86	100.98	78.75	131.91
2011-12	39.47	114.34	118.19	197.97
2012-13	45.22	131.00	166.40	278.73
2013-14	46.82	135.63	93.83	157.17
2014-15	53.11	153.85	79.96	133.94
Mean	42.21	122.28	70.94	118.83
S.D	6.38	18.49	46.72	78.26
C.V	0.14	0.14	0.62	0.62

(The average of Reserves and surplus for VDCCB for the study period was 42.21 Crores. The average borrowings for VDCCB for ten years of the study period was 70.94 Crores).

Table XVI Trends in Reserves and Surplus and Borrowings -MDCCB

Year	Reserves and Surplus (Rs. in crores)	Trend % of Reserves and Surplus	Borrowings (Rs. in crores)	Trend % of Borrowings
2005-06	96.67	100	195.11	100
2006-07	123.71	127.97	94.09	48.22
2007-08	237.09	245.26	105.91	54.28
2008-09	175.12	181.15	110.06	56.41
2009-10	192.04	198.66	96.25	49.33
2010-11	200.39	207.29	226.10	115.88
2011-12	214.69	222.09	266.80	136.74
2012-13	275.73	285.23	312.70	160.27
2013-14	291.26	301.29	306.97	157.33
2014-15	304.93	315.43	286.23	146.70
Mean	211.16	218.44	200.02	102.52
S.D	68.80	71.17	91.69	47.00
C.V	0.31	0.31	0.43	0.43

(The average of Reserves and surplus for MDCCB for the study period was 211.16 Crores. The average borrowings for MDCCB for ten years of the study period was 102.52 Crores).

Regarding the trend percentages of Deposits of VDCCB, they were constantly increasing while there were fluctuations in the trend percentages of Loans and Advances of VDCCB but lower than the trend percentages of its Deposits. Regarding MDCCB, even though the trend percentages of Loans and Advances were lower than the trend percentages of Deposits during the ten years period, unlike VDCCB, the trend percentages of Loans and Advances were constantly increasing like the trend percentages of its Deposits ((Table XVII & Table XVIII). MDCCB should be careful confirming that it's Loans and Advances as well as it's trends were reduced to a considerable extent.

Table XVII Trends in Deposits and Loans and Advances-VDCCB

Year	Deposits (Rs. in crores)	Trend % of Deposits	Loans and advances (Rs. in crores)	Trend % of Loans and advances
2005-06	200.74	100	214.30	100
2006-07	218.89	109.04	201.23	93.90
2007-08	262.35	130.69	222.27	103.72
2008-09	304.67	151.77	255.32	119.14
2009-10	345.06	171.89	315.74	147.34
2010-11	403.77	201.14	417.79	194.96
2011-12	464.84	231.56	519.45	242.39
2012-13	538.76	268.39	632.20	295.01
2013-14	666.50	332.02	658.18	307.13
2014-15	679.07	338.28	685.46	319.86
Mean	408.47	203.48	412.19	192.34
S.D	174.87	87.11	196.86	91.86
C.V	0.41	0.41	0.45	0.45

(The trend percentages of Deposits of VDCCB were constantly increasing and there were fluctuations in the trend percentages of Loans and Advances which were lower than the trend percentages of its Deposits).

Table XVIII Trends in Deposits and Loans and Advances-MDCCB

Year	Deposits (Rs. in crores)	Trend % of Deposits	Loans and Advances (Rs. in crores)	Trend % of Loans and advances
2005-06	288.14	100	478.94	100
2006-07	304.81	105.79	455.11	95.02
2007-08	352.42	122.31	530.97	110.86
2008-09	431.09	149.61	546.72	114.15
2009-10	505.21	175.33	623.49	130.18
2010-11	546.01	189.49	801.93	167.44
2011-12	618.64	214.70	898.31	187.56
2012-13	700.16	242.99	1032.79	215.64
2013-14	811.69	281.70	1126.67	235.24
2014-15	798.58	277.15	1128.50	235.62
Mean	535.68	185.91	762.34	159.17
S.D	194.19	67.39	269.57	56.28
C.V	0.34	0.34	0.34	0.34

(The trend percentages of Loans and Advances of MDCCB were lower than that of its deposits but constantly increasing during the study period of ten years.)

CONCLUSION

Though the average net profit for the study period of ten years from 2005-06 to 2014-15 for MDCCB was more than that of VDCCB, average ROA and average ROE for MDCCB were less than that of VDCCB. This means that the net profits of MDCCB are to be substantially increased. VDCCB and MDCCB should make their best efforts to increase their operating margin ratio and Return on capital employed ratio by decreasing their operating expenses and enhancing their operating income to increase their efficiency of performance. Likewise wide fluctuations in Net interest margin in both the cases of banks shall be avoided to earn more Net interest margin. Although the average total share capital of MDCCB was more than that of VDCCB, MDCCB shall try to avoid more fluctuations in total share capital and also shall decrease the amount of Reserves and surplus to increase its net income.

Both VDCCB and MDCCB should strive their best to maintain C/D Ratio below 70% as it would help them to increase their profitability and performance. Although the trend percentages of Loans and Advances for VDCCB and MDCCB were lower than the trend percentages of Deposits during the ten years period, both the banks should be careful in reducing their Loans and Advances as well as its trends to a considerable extent.

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