

Trend Analysis of Lending Performance of Erode District Central Cooperative Bank

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Received 7 July 2015, Accepted 26 August 2015

ABSTRACT:

The central cooperative banks occupy a crucial position in the pyramidal structure of agricultural cooperative banking system. They form the backbone of the agricultural credit structure and provide the vital line between the primary agricultural societies and the state apex cooperative bank functioning at the state level. The study is based on secondary data obtained from annual reports of EDCCB comprising profit and loss a/c and balance sheet for the period of 2008-09 to 2012-13. In addition, magazine, journals, text books and reports have been extensively referred to collect various information. Trend analysis is used to analyse the data. During the study period five years the trend analysis found a satisfactory position as decreased in outstanding of loan.

Keywords: Trend analysis, Lending operation, Erode DCCB

INTRODUCTION

Financial sector is the backbone of economy of a country. It works as a facilitator for achieving sustained economic growth through providing efficient monetary intermediation. A strong financial system promotes investment by financing productive business opportunities, mobilizing savings, efficiently allocating resources and makes easy the trade of goods and services. Several studies (McKinnon, 1973; Levine, 1997)

Banking has become an important feature, which renders service to the people in financial matters, and its magnitude of action is extending day by day. It is a major financial institutional system in Nepal, which accounted for more than 70% (Poudel, 2005) of the total assets of all the financial institutions. A profitable and sound

banking sector is at a better point to endure adverse upsets and adds performance in the financial system (Athanasoglou et al., 2008)

The modern banking system is a child born to the traditional function of money lending. Banking institution occupies a key position in a modern economy. It constitutes the core of country's financial structure and plays pivotal role in economic development.

The central cooperative banks occupy a crucial position in the pyramidal structure of agricultural cooperative banking system. They form the backbone of the agricultural credit structure and provide the vital line between the primary agricultural societies and the state apex cooperative bank functioning at the state level.

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Erode District Central Cooperative Bank

The Erode District Central Cooperative Bank Ltd's operation shall extend to the "Whole of the Erode District, Dharapuram revenue Division and Uthukuli block of Tirupur District. It started its working at 1982.

Literature Review

Jayaraman and Srinivasan (2009) in their study titled, "Relative Efficiency of Scheduled Commercial Banks in India (2001-08): A DEA Approach" attempted to measure the scale efficiency of scheduled commercial banks in India using Data Envelopment Analysis. The study listed out the number of efficient banks on the basis of relative performances using efficiency scores. It was found that the general performance of scheduled commercial banks under study was relatively high during the study period 2001-08 and the average efficiency score was ranging between 0.9195 and 1. More than 60 per cent of the scheduled commercial banks under study were above the average efficiency score for each study period except for the year 2006, where it was around 53 per cent. The results show that ICICI Bank, IndusInd Bank, ABN Amro Bank, Calyon Bank and Citibank were efficient for all years during study period. In addition to above banks, efficiency scores of State Bank of Travancore, Vijaya Bank, Bank of Maharashtra, and Oriental Bank of Commerce, Axis Bank, Federal Bank and Yes Bank were above the average efficiency scores for all the years.

Rajamohan and Pasupathy (2009) in their study titled, "Performance Evaluation of TAICO (Tamil Nadu Industrial Co-operative Bank Ltd.) –An Application of Structural and Growth Analysis" stated that there were several factors that determined the operating efficiency and profitability of the bank. In this context, the general performance of a bank can be analyzed more meaningfully and objectively for a given period of time through structural and growth analysis. Through structural analysis the figures reported in the profit and loss account and balance-sheet are converted into percentages for each period to ensure uniformity for the purpose of comparison with those of other periods. Macro mean had been used to exhibit the strength and weakness of each factor considered. The results were summarized in capsule form.

Macro mean in respect of interest received constituted 96.8% of the total income; it was 81.2 % for interest paid, 18.8% for operating expenses, 91% in the case of spread and 83% for burden. It was found that the net profit recorded a negative growth of 27.8%. Growth rate of operating expenses was at 44%, spread at 15%, burden at 29% and advances at 49%. Therefore, it was recommended that the burden rate should be reduced by effecting cost control measures, and the spread rate be increased so that the profitability may be at a higher rate.

Alamelu and Devamohan (2010), in their study titled, "Efficiency of Commercial Banks in India" calculated the business ratios, such as interest income to average working funds, non-interest income to average working funds, operating profit to average working funds, return on assets, business per employee and profit per employee for public sector banks, private sector banks and foreign banks for the period 2004-05 to 2008-09. It was observed that the foreign banks and new generation private banks have superior business ratios. They effectively leverage technology, outsourcing and workforce professionalism which helped them to protect their bottom line. On the other hand, the public sector banks are yet to exploit fully the advantages of vast branch network and large workforce. That's why they have unimpressive business ratios. Old generation private banks do not have impressive business ratios, as they are constrained by small size and conservatism.

Objectives of the Study

The study is based on the following specific objectives

- ✓ To traces with general working of Erode District Central Cooperative Bank.
- ✓ To measures trend analysis of Erode District Central Cooperative Banks.

RESEARCH METHOD

✓ Tools for Data Collection

The study is based on secondary data obtained from annual reports of EDCCB comprising profit and loss a/c and balance sheet for the period of 2008-09 to 2012-13. In addition, magazine, journals, text books and reports have been extensively referred to collect various information relating to the topic.

✓ **Frame Work Analysis**

In the process of analysis the data collected were analyzed and presented in the form of tables and percentages for better understanding of the problem under the study.

✓ **Tools for Analysis**

a. Trend Analysis

$Yc=a+bx$

Where, **Yc**= trend values,

a= intercept or trend value at origin i.e.,

b= slope of the trend line or the amount of change in trend value per unit of x. slope ay be positive or negative.

X= time unit white may be half year, one quarter, one month, one week or one day

$a = \frac{\sum y}{n}$ and $b = \frac{\sum XY}{\sum x^2}$

RESULTS AND DISCUSSION

Progressive of Housing Loan

The table 1 shows downward trend moving of housing loan during the period from 2008-09 to 2012-13. In the year 2008-09 the trend value is 2.276. Further it has been decreased to 0.196 in the year 2012-13.

Progressive of House Mortgage Loan

The table 2 refers upward trend moving of house mortgage loan during the period from 2008-09 to 2012-13. In the year 2008-09 the trend value is 43. Further it has been increased to 131.32 in the year 2012-13.

Table 1: Progressive of housing loan

Year	Outstanding (Rs. in Crores) Y	X	x^2	Xy	$Yc=a+bx$
2008-09	1.31	-2	4	-2.62	2.276
2009-10	1.05	-1	1	-1.05	1.658
2010-11	1.10	0	0	0	1.04
2011-12	0.97	1	1	.97	0.422
2012-13	0.77	2	4	-1.54	-0.192
	$\sum y=5.20$		$\sum x^2=10$	$\sum XY=6.18$	

Table 2: Progressive of house mortgage loan

Year	Outstanding (Rs. in Lakhs) Y	X	x^2	Xy	$Yc=a+bx$
2008-09	44.76	-2	4	-89.52	43
2009-10	46.43	-1	1	-46.43	65.08
2010-11	104.92	0	0	0	87.16
2011-12	122.67	1	1	122.67	109.24
2012-13	117.04	2	4	234.08	131.32
	$\sum y=435.82$		$\sum x^2=10$	$\sum xy=220.8$	

Progressive of Salary Loan

The table 3 shows downward trend moving of house salary loan during the period from 2008-09 to 2012-13. In the year 2008-09 the trend value is 6.93. Further it has been decreased to 6.29 in the year 2012-13.

Progressive of SHG Loan

The table 4 describe upward trend moving of SHG loan during the period from 2008-09 to 2012-13. In the year 2008-09 the trend value is 36.56. Further it has been decreased to 186.16 in the year 2012-13.

Table 3: Progressive of salary loan

Year	Outstanding (Rs. in Lakhs) Y	X	x^2	Xy	$Y_c=a+bx$
2008-09	7.28	-2	4	-14.56	6.93
2009-10	6.45	-1	1	-6.45	6.77
2010-11	6.45	0	0	0	6.61
2011-12	6.45	1	1	6.45	6.45
2012-13	6.45	2	4	12.9	6.29
$\Sigma y=33.08$			$\Sigma x^2=10$	$\Sigma xy=1.66$	

Table 4: Progressive of SHG loan

Year	Outstanding (Rs. in Lakhs) Y	X	x^2	Xy	$Y_c=a+bx$
2008-09	60.55	-2	4	-121.1	36.56
2009-10	70.73	1	1	-70.73	73.96
2010-11	80.90	0	0	0	111.36
2011-12	123.39	1	1	123.39	148.76
2012-13	221.23	2	4	442.46	186.16
$\Sigma y=556.80$			$\Sigma x^2=10$	$\Sigma xy=374.02$	

Progressive of Tabcedco Loan

The table 5 inferred downward trend moving of TABCEDCO loan during the period from 2008-09 to 2012-13. In the year 2008-09 the trend value is 62.69. Further it has been decreased to 41.01 in the year 2012-13.

Progressive of Tamco Loan

The table 6 indicates upward trend moving of TAMCO loan during the period from 2008-09 to

2012-13. In the year 2008-09 the trend value is 17.49. Further it has been decreased to 21.65 in the year 2012-13.

Progressive of NHFDC Loan

The table 7 concludes downward trend moving of NHFDC loan during the period from 2008-09 to 2012-13. In the year 2008-09 the trend value is 47.2. Further it has been decreased to 37.6 in the year 2012-13.

Table 5: Progressive of Tabcedco loan

Year	Outstanding (Rs. in Lakhs) Y	X	x^2	Xy	$Yc=a+bx$
2008-09	45.78	-2	4	-91.56	62.69
2009-10	62.48	-1	1	-62.48	57.27
2010-11	76.45	0	0	0	51.85
2011-12	49.33	1	1	49.33	46.43
2012-13	25.23	2	4	50.46	41.01
$\Sigma y=256.27$		$\Sigma x^2=10$		$\Sigma xy=54.28$	

Table 6: Progressive of Tamco loan

Year	Outstanding (Rs. in Lakhs) Y	X	x^2	Xy	$Yc=a+bx$
2008-09	15.49	-2	4	-30.98	17.49
2009-10	13.09	-1	1	-13.09	18.53
2010-11	31.53	0	0	0	19.57
2011-12	20.96	1	1	20.96	20.61
2012-13	16.79	2	4	33.58	21.65
$\Sigma y=97.86$		$\Sigma x^2=10$		$\Sigma xy=10.47$	

Table 7: Progressive of NHFDC loan

Year	Outstanding (Rs. in Lakhs) Y	X	x^2	Xy	$Yc=a+bx$
2008-09	52.02	-2	4	-104.04	47.2
2009-10	40.00	-1	1	-40	44.8
2010-11	40.00	0	0	0	42.40
2011-12	40.00	1	1	40	40
2012-13	40.00	2	4	80	37.6
$\Sigma y=212.02$		$\Sigma x^2=10$		$\Sigma xy=-24.04$	

CONCLUSION

The present study deals with lending operation of Erode District Central Cooperative Bank by analyzing trend analysis. During the study period five years the trend analysis found a satisfactory position as decreased in outstanding of loan.

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