

SOURCES OF WORKING FUNDS OF EMPLOYEES' CO-OPERATIVE SOCIETIES IN THANJAVUR DISTRICT

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Abstract: Banking constitutes an important sector of an active financial system of a country. In India the banking system consists of Central banks, Commercial banks, Co-operative banks and foreign banks, etc., co-operative credit structure is made up of agricultural and non-agricultural credit institutions. Non-agricultural credit cooperatives include urban cooperative banks, housing cooperative banks, salary earners' cooperatives and employees' cooperative banks. Employee's co-operative credit society is a voluntary association of permanent salary earners who gather together for a common economic need and to help them without any profit motive.

I. INTRODUCTION

In India the Co-operative movement was introduced as a remedy for the proverbial poverty of the small agriculturalists. Co-operation emphasizes on the idea of a voluntary association of individuals for the achievement of common goals. Fredric Nicholas suggested the idea of using co-operation in India as a means to combat indebtedness; no legislation was put in place to this effect. In 1889, Annoyanaya Sahakari Mandali was established at Baroda, which is the first urban Co-operative Bank of India. It was only in 1904, the co-operative credit societies Act was encourage thrift habits in people and to reduce the dependence on money lenders, besides the control and registration of co-operative credit societies. In India the co-operative credit structure is made up of agricultural and non-agricultural credit institutions. Agricultural Credit Institutions play a pivotal role in the rural credit delivery system dispensing short term, medium-term, and long term credit to rural weaker sections of society. On the other hand, non-agricultural credit institutions serve the urban areas and provide credit other than agriculture purposes with three tier federal structures. In a three tier federal structure of co-operative credit system UCBs come at the gross root level but occupy an important place in it. Employees' cooperative credit societies play an important role among the non-agricultural credit cooperatives. Employees' Co-operative societies were registered under Second All India Cooperative Societies Act, 1912.

II. EMPLOYEES' SOCIETIES

There are two types of employees' cooperatives viz., Employees' thrift and credit societies and Employees' cooperative banks registered by the RCs and controlled both by cooperative department and RBI. Employee's cooperative thrift and credit societies follow the Act, rules and byelaws of the society, where as the employees cooperative bank have to function not only as per the cooperative societies Act but also as per the Banking Regulation Act.

Statement of the Problem

Employee co-operative societies have attained a special status and have become one of the important constituents in the co-operative systems of the country. Even though there is a progress in the growth of employees' co-operatives and urban credit movement, certain defects are noticed, they are as follows:

- ❖ There was no proper helps and guidance received by employees' co-operatives due to the absence of federation from the beginning.
- ❖ Operational problems are one of the causes for slow growth in some employees' co-operatives.
- ❖ Development of urban credit and employees' co-operatives was uneven in various states.
- ❖ In many societies, there is primarily lack of appreciation that organizational set-up is an important input as much as human resources.
- ❖ The co-operative societies including ECS which could not offer new strategy to meet the employees' expectations.
- ❖ The amount of deposits as well as credit per account is small and the servicing costs are obviously high. It affects the performance and profitability of the society.

Objectives of the Study

The present study has the following objectives.

1. To examine the different sources of working funds of the selected Employee Societies.
2. To appraise the deployment of working funds with reference to loans and advances and investments.
3. To assess the customers perception towards the working of the selected employee societies.
4. To evaluate the overall financial performance of the sample employees' societies, and
5. To arrive at major findings and suggestions.

Methodology

Survey method has been followed for this study. Primary and secondary information has been collected through various sources. To collect primary information about the policies, procedures and practices of the performance of the societies, only one schedule was constructed for the sample employee societies. The information gathered through discussions with the officials in the selected societies, offices of the apex societies and co-operative union has been supplemented. The secondary information has been gathered from financial statements, audit reports and records. The profit and loss accounts and balance sheets of selected employee societies have been recast and presented in a condensed form.

In this study, various accounting and statistical techniques has been made. Ratio analysis, trends, percentages, correlation coefficient, t-test, F-test, chi-square test and analysis of variance have been applied. The use of all these techniques at different places has been made in the light of the nature and stability of the data available and requirements of analysis.

Sampling

Simple random sampling method has been followed in this study. There are 38 employees' societies functioning in the Thanjavur district, of which 3 societies were selected for this study on the basis of covering the 3 revenue divisions in Thanjavur District, such as Thanjavur, Pattukkottai, Kumbakonam, respectively. The selected Employees' societies are Police employee's Cooperative Societies in Thanjavur (PECST), Teachers employee's Cooperative Societies in Pattukkottai (TECSP) and Noon Meals employee's Cooperative Societies in Kumbakonam (NMECSK).

There are 50 employees chosen in each society. The total sample size is 150.

Period of the Study

The study covers a period of 10 years from 2002-2003 to 2011-2012.

III. SOURCES OF WORKING FUNDS

The working funds of a employees societies, like any other business enterprise, fall into two categories;

1. The owned funds consisting of Paid-up- share capital, Reserve fund, other Reserves, etc., and
2. The Borrowed funds consisting of deposits of various types modified from the members and borrowing from institutions, other agencies etc.

The ECSs derive their working funds from three major sources, viz¹

1. Share capital and reserves (owned funds)
2. Deposits from the public and other institutions.
3. Borrowings and refinance

The optimum size of the working funds and the society's efficiency in strategically applying the funds would have long term effect on the volume of business. Inefficient management of working funds would negatively affect the banking transactions, profitability and the viability of the society of the three sources of working funds, in case the share capital, there is no legal obligation to pay the dividend every year. For, the other two sources, namely, deposits, and borrowings, society has to incur a definite cost by paying interest. Therefore it is extremely desirable for the society to scientifically manage the working funds at all times to maintain the cost of total working funds at an optimum level so that it does not affect the profitability of the society. Low cost and higher income ensures profitability of the society.

TABLE 3.1 SOURCES OF WORKING FUNDS (Rupees in Lakhs)

Year	PE CST					TE CSP					NMECSK				
	OW	DS	BR	WF	Trend %	OW	DS	BR	WF	Trend %	OW	DS	BR	WF	Trend %
2002-2003	15.49 (12.33)	110.12 (87.67)	-	125.61 (100)	100	15.10 (20.30)	59.27 (79.70)	-	74.37 (100)	100	18.09 (22.18)	63.46 (77.81)	-	81.55 (100)	100
2003-2004	17.88 (11.23)	138.56 (87.01)	2.80 (1.75)	159.24 (100)	126.77	18.92 (19.06)	80.34 (80.94)	-	99.26 (100)	133.46	23.31 (15.09)	131.10 (84.90)	-	154.41 (100)	189.34
2004-2005	22.17 (7.38)	278.02 (92.61)	-	300.19 (100)	238.98	21.82 (17.81)	100.65 (82.19)	-	122.47 (100)	164.67	33.13 (14.81)	190.55 (85.19)	-	223.68 (100)	274.28
2005-2006	27.86 (5.32)	493.58 (94.32)	0.009 (0.02)	523.33 (100)	416.63	31.05 (20.20)	128.68 (79.80)	-	153.73 (100)	173.10	44.84 (13.49)	287.44 (86.50)	-	332.68 (100)	407.45
2006-2007	36.31 (5.34)	643.93 (94.65)	0.08 (0.01)	680.32 (100)	541.61	40.00 (16.33)	204.92 (83.64)	-	244.92 (100)	329.32	55.20 (13.11)	365.62 (86.88)	-	420.28 (100)	516.02
2007-2008	49.70 (6.77)	683.58 (93.15)	0.50 (0.06)	733.78 (100)	584.17	50.80 (18.13)	229.33 (81.87)	-	280.13 (100)	376.67	65.47 (14.01)	401.67 (85.98)	-	467.14 (100)	572.82
2008-2009	61.30 (7.37)	769.29 (92.58)	0.33 (0.03)	830.92 (100)	661.50	66.01 (22.24)	230.70 (77.76)	-	196.71 (100)	398.96	74.75 (13.32)	486.09 (86.68)	-	560.84 (100)	687.72
2009-2010	85.30 (10.22)	748.48 (89.73)	0.30 (0.03)	834.08 (100)	664.02	74.06 (22.53)	254.54 (77.47)	-	328.60 (100)	441.84	91.94 (16.24)	474.16 (83.76)	-	566.10 (100)	694.17
2010-2011	113.40 (12.97)	760.72 (87.01)	0.16 (0.01)	874.28 (100)	696.02	84.66 (25.18)	251.62 (74.82)	-	336.28 (100)	452.17	107.06 (20.20)	422.77 (79.80)	-	529.83 (100)	649.69
2011-2012	138.12 (15.20)	770.50 (84.80)	-	908.62 (100)	723.36	96.27 (26.27)	263.58 (73.24)	-	359.85 (100)	483.86	119.78 (24.66)	366.03 (75.34)	-	485.81 (100)	595.72
Average	80.45	90.35	0.27	-	-	19.30	80.69	-	-	-	16.71	83.28	-	-	-

OW– Owned fund DS – Deposits BR- Borrowings WF– Working Funds

Source: Annual reports of the selected ECSs,

Figures in brackets denote common size percentage for respective items to total The constitution of working funds for the Employee co-operative societies chosen for the study has been depicted in the table 3.1. The table also depicts the percentage of each item to the total working funds for each year besides the trend of change in the total working funds through the decade.

Membership and Share Capital

The growth of share capital depends on the increase in the number of members. All the consumers of ECSs are made members as per rules. The customers are the clientele of ECS besides they are members. The increase in the membership directly increases the capital and indirectly increases the clientele strength from whom the ECSs mobilize the deposits and to whom the loans and advantages are made.

Owned Funds

The owned funds of the ECSs consist of both share capital and reserves. The increase in the share capital in ECSs is the result of the increase in the number of membership. The increase in the reserves will include the transfer of surplus from profit and loss account to reserves under various heads to meet the exigencies of the society.

Deposit Mobilization

Deposit mobilization is the basic function of banking. As per sec. 5(6) of the Banking Regulation Act 1949, "Banking means the accepting, for the purpose of lending or investment of deposits of money from the public, repayable on demand or otherwise and withdrawable by cheque, draft, and order or otherwise". Deposits are the life blood of commercial banks.² For ECSs also deposits are very important. They are the chief source of funds to undertake the business of any bank including ECSs. The deposit mobilization role of ECSs is in fact, fundamental to their successful funding as credit purveyors. "The increasing Trend in deposits with the help of the banks to bring to the organized market the savings that may have remained idle or may be wasted, or may be used in creating assets which are low in the scale of the plan priorities"

An increased rate of deposits / savings is desirable not only for the sound economic growth of the national economy, but also for a more even regional distribution of deposits.⁴ Since credit functions of the bank is closely related with the volume of deposits and rate of returns on advances, a bank may increase advances only out of increased deposits and on increased rate of return.

The PECST has built up its working funds with its owned funds, deposits mobilized from public and a small contribution through borrowings. The average percentage of borrowings form only 0.27per cent for the whole decade. The deposits an average contribute 90.35 per cent of the total working funds whereas the average of owned funds consisting share capital and reserves is arrived at as 80.45 per cent for the decade of the study. In 2010-11, the owned funds covered 15.20 per cent while in the earlier years it varied from 5.32 per cent to 12.97 per cent.

The net growth of deposits has registered a 7 times increase in 10 years which reflects in the growth of total working funds, as deposits contribute more towards the working funds.

The working funds of the TECSP consists owned funds and deposits from the public. This society has no outside borrowings in the form of loans or refinance. The increase of the working funds from Rs. 74.34 lakhs in 2002-03 to Rs. 359.85 lakhs in 2011-12 sets an ascending order of growth trend except in the year 2008-09. The owned funds has grown six times in ten years from Rs. 15.10 lakhs in 2002-03 to Rs. 96.27 lakhs in 2011-12, while the deposits has grown by 4.5 times from Rs. 59.27 lakhs to Rs. 263.58 lakhs during the same period. In the case of owned funds, the contribution of reserves is higher than the share capital. The growth is also more in the reserves than in share capital. The overall growth of working funds is at 483.86 per cent in the chosen period of ten years.

The NMECSK has owned funds and deposits in the total working funds. The growth of total working funds sets an increasing trend during the first eight years and in the last two years, 2010-11 and 2011-12 the working funds has reduced. The owned fund has grown continuously throughout the decade setting an average growth of 16.71 per cent. The deposit has grown in the first 7 years of the study period from Rs. 63.46 lakhs in declined and the decrease is more the Rs. 120.06 lakhs in 3 years. Therefore, in 2009-10 the overall working funds increased about Rs. 5.26 lakhs. In the last two years of the study, both the deposits and the total working funds reduced over their previous year's performance figures.

IV. FINDINGS

Deposits

The average deposits during the study period constitute 90.35 per cent, 80.69 per cent and 83.28 per cent of the total working funds in the PECST and TECSP and NMECSK respectively. The net worth of TECSP is stronger, that of NMECSK is strong and that of PECST has to be improved. The PECST, through resorted to borrowings is 2004-05, it gradually relinquished borrowings is subsequent year.

Membership and Share Capital

The growth of share capital in ten years is at 543.65 per cent in NMECSK, 473.30 per cent in TECSP and 294.33 per cent in PECST. In case of the quantum of share capital the order charges as NMECSK has 24.41 lakhs, PECST has Rs. 18.72

lakhs and TECSP has Rs. 9.75 lakhs. The number of membership further changes the order as PECST has the highest number of members with 917 NMECSK comes next with 354 and TECSP comes third with 323. Among the Thanjavur district, NMECK has more amount of share capital. But in the case of PECST and TECSP has to improve their share capital at the level of membership proportion.

Owned Funds

The total owned funds has increased in all the three ECSs. The proportion of share capital is more (30.47 per cent) in PECST when compared to NMECSK where it is 26.69 per cent and TECSP when it is 13.46 per cent only. Correspondingly the proportion of reserves is more in TECSP where as it is 73.28 per cent in NMECSK and 69.51 per cent in PECST.

Suggestions

- ❖ The ECSs (Employees' Cooperative Society) have to shift their dependence from thrift deposits to saving deposits with planned strategies to reduce cost of funds.
- ❖ An advance is an area where the societies earn more interest income and it is one of the vital functions of the society. Therefore the ECSs, particularly PECST and NMECSK have to enhance their loans and advances based on their working funds positions, demand for loans etc. further, the ECSs have to train their officials and staff to handle the credit proposals.
- ❖ The ECSs must review their investments and other assets periodically to avoid accumulation of idle assets.
- ❖ The ECSs can expand their loans under medium term and long term loans category taking all possible precautions both at pre-disbursement survey and post disbursement follow up.
- ❖ The society should come forward with attractive deposits schemes such as children deposits, marriage deposits etc.

V. CONCLUSION

All employees' co-operative societies to maintain their solvency at the cost of their profitability as they keep high level of cash to deposits ratios. All the three employees co-operative societies are found to be strong in their capital structure and hence they can have a balanced policy to consolidate their position in their credit portfolio as well as in other functional areas.

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