

# Deposits Mobilization By Baroda District Central Co-operative Bank Ltd. (A Co-operative Bank Of Gujarat)

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## INTRODUCTION

**Agriculture plays a dominant role in the Indian Economy, providing employment for 70 percent of the people and contributing 42 percent to the Gross National Product (GNP).** Agriculture has been and will continue to be the life line of the Indian economy. **Agriculture is the most important sector of the Indian Economy from the perspective of poverty alleviation, and employment generation.** Agriculture is affected by several factors like irrigation, HYV, marketing of agriculture products, advanced techniques, fertilizer, credit and other capital equipment etc. Credit is one of the major factors affecting the agricultural development. **There are two source of agriculture credit. First is "Non-institutional" and Secondly is "Institutional"**. The Non-Institutional source is very costly as compared to the institutional because the interest rates of non-institutional sources are very high. The rate of interest is differing man to man and purpose to purpose. The reason being the monopoly of money lenders and another is non availability of institutional source. In 1951-52, money lenders supplied 70 percent of the total amount borrowed by farmers. The first action was taken by the British Government in context of institutional credit for agriculture sector. The British Government made provisions for agricultural credit of two types- the first was Land Improvement Loans Act of 1883 and second was Agriculture Loans Act, 1884. Under these laws, long-term loans, popularly known as '*Taccavi*' loans were given to the farmers for understanding land improvement measures like constructing embankments, tanks, water-sources, and the like with a maximum repayment period of 35 years. In the later stages, short-term loans were provided for the purchase of seeds, cattle, manure and implement. "*Taccavi*" loans played an important role during times of famines, floods and drought. These loans were routed through the revenue department of the state government. The second step was taken 1904 in context of institutional loans for agriculture as a co-operative movement.

The co-operative movement owes its origin to England, where a great philosopher, Robert Owen, gave the idea of '*Self-Help through Mutual Help*' to mitigate the suffering of the exploited class of the society. The co-operative movement was introduced in India in the early years of the 20<sup>th</sup> century, with the main objective of relieving the peasantry's burden of debt and for providing credit through a local agency on the principles of thrift, self-help and mutual aid. The Co-operative Societies Act, 1904, was introduced on the recommendation of the Law Committee appointed by the Government of India under the chairmanship of Edward Law. Indian Co-operative Movement picked up momentum, especially after the world war. By 1950, the co-operative credit movement had emerged as a developed, sound satisfactory banking system in most of the Indian Union. The co-operative banking structure consists of two wings that are short-term and long-term.

## CO-OPERATIVE CREDIT SECTOR - LATEST STATUS IN INDIA

**The co-operative credit sector consists of State Co-operative Banks (SCBS-31), State Land Development Banks (SLDBS-20), Central Co-operative Banks (CCBS-367), Primary Agriculture Credit Societies (PACS-108779), Primary Land Development Banks (PLDBS-20) and Primary Co-operative Bank (PCBS-727).**

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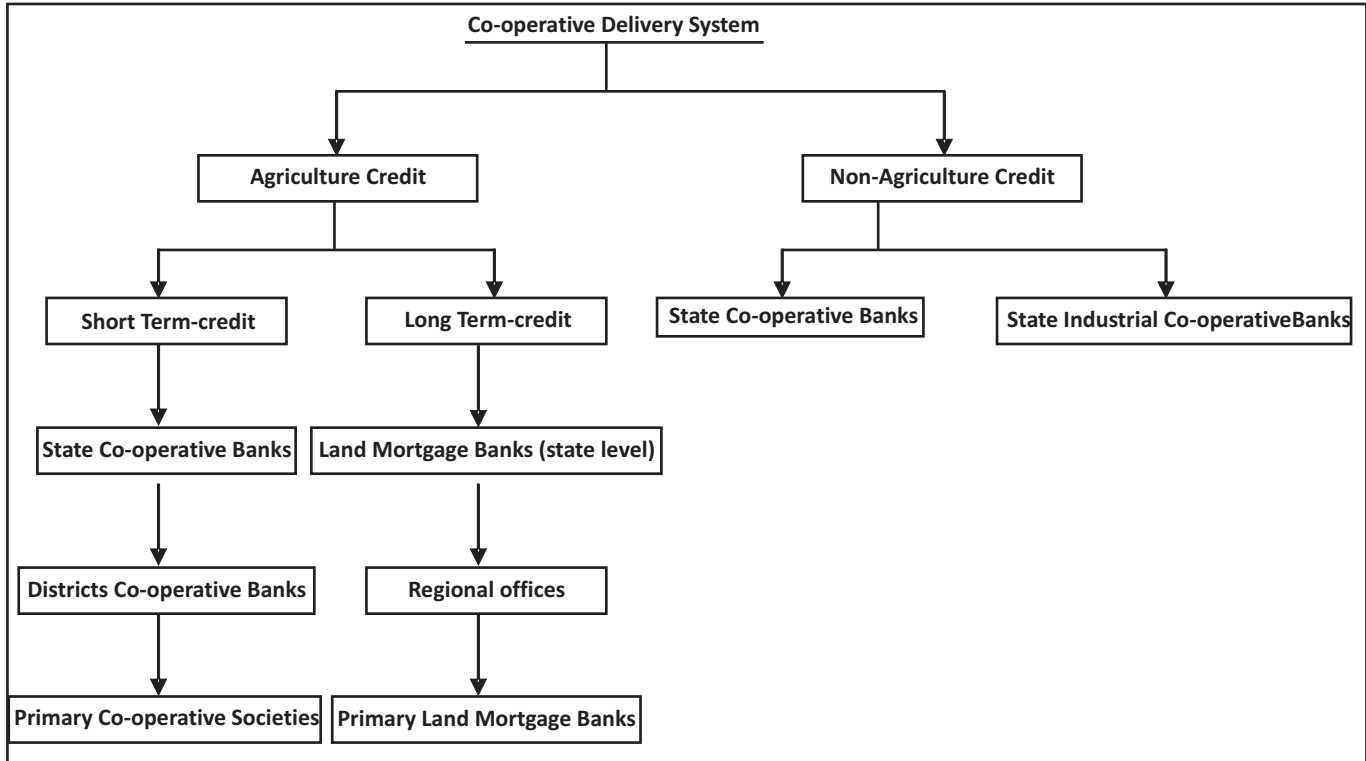
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**Figure 1: Structure Of Cooperative Banking In India**



### **CENTRAL CO-OPERATIVE BANKS**

According to the three-tier system, each district in the country has a Central Co-operative Bank. All the primary co-operative banks in the district work under the central co-operative bank. The office of the central co-operative banks, functions in the district head quarters or in any other important town in the district. Central Co-operative Societies are of two types (1) Central Co-operative Societies which came into existence by the membership of various primary co-operative banks (2) Central Co-operative Societies formed with the membership of primary societies and private individuals. The first type, Central Bank is known as Banking chain and the second type are mixed banks. The second type of banks collect funds from businessmen and middle-class people.

### **SALIENT FEATURES OF CO-OPERATIVES**

1. A Co-operative Bank performs two essential functions, viz (a) Accepting of deposits, and (b) Lending or investing the same.
2. The deposited money should be repayable to the depositor on demand made by the latter, the withdrawal should be effected through an order, cheque or otherwise.
3. To meet the credit need of farmers.

### **OBJECTIVES OF THE STUDY**

1. To study the growth of Deposit in Baroda DCCB Ltd., Gujarat.
2. To review the pattern of deposit mobilizations in Baroda DCCB Ltd.
3. To offer suggestion for improving the performance of the study unit.

### **HYPOTHESIS OF THE STUDY**

1. H<sub>01</sub> -The total amount of current deposits in DCCB do not increase during the study period.
2. H<sub>02</sub> -The total amount of saving deposits in DCCB do not increase during the study period.
3. H<sub>03</sub> -The total amount of fixed deposits in DCCB do not increase during the study period.
4. H<sub>04</sub> -The total amount of all deposits in DCCB do not increase during the study period.

## METHODOLOGY

The study makes use of secondary data, which mainly collected from the Baroda District Central Co-operative Bank (DCCB) at Baroda.

## STATISTICAL TOOL

This data was collected from secondary sources. The trend of deposits mobilization has been predicated by using the least square method in time series, percentage, mean and Chi Square test.

Chi Square test

$$\chi^2 = \sum_{i=1}^n (O_i - E_i)^2 / E_i$$

$$E_i = \frac{\sum_{i=1}^n O_i}{n}$$

Where

$O_i$  = denotes the  $i^{\text{th}}$  observed frequency

$E^o$  = denotes the  $i^{\text{th}}$  expected frequency

N = total no. of years.

## PERIOD OF STUDY

The study covers a period of seven years - from 2001-02 to 2006-07.

## LIMITATIONS OF THE STUDY

1. The present study is an analytical one and all information was collected from secondary sources.
2. The study is based on the information available only for seven years.
3. Due to time constraint, limited information has been taken for the study.
4. The study only analyses the deposits pattern and
5. Finally, all the data has been presented in round figures in lakhs.

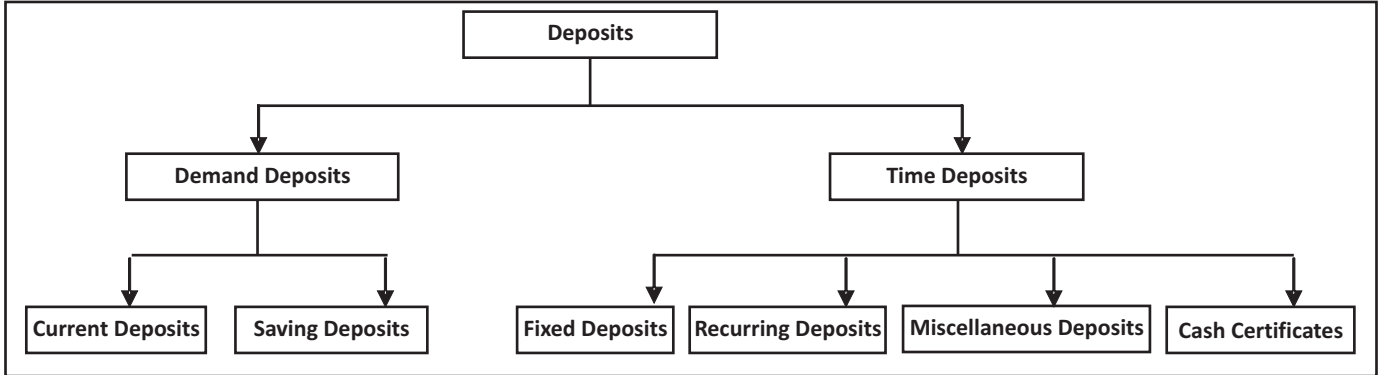
## DEPOSIT MOBILIZATIONS - AN ANALYSIS

Deposits are the main source of funds for any banking institutions and as well as DCCB Ltd. The amount mobilized as deposits are then lent in the form of advances. The higher the amount of deposits mobilized, the higher is the amount of funds lent. The growth of deposits depends on savings. For economic growth to take place, it is essential that these saving are mobilized and channelized for capital formation which, in turn, accelerates economic growth. Co-operative banking is an important financial intermediary in rural areas between savers and borrowers. DCCB mobilizes saving by accepting deposits. **Deposits may be categorized into three types. First is Demand deposit: Demand Deposit is a deposit which can be withdrawn without notice and they can be repaid on demand current accounts and saving accounts are classified as demand deposits. Second is Time deposit: Time deposits are deposits which are repayable after a fixed date or after a period of notice. Thirdly is Fixed deposit: Fixed deposits includes recurring/cumulative deposits, miscellaneous deposits, and cash certificates are classified as time deposits.** All these deposits are presented in Figure 2.

## NEED OF DEPOSITS

In our country, most of the people are living below the poverty line (BPL) or in other words, 27.5 percent people are living under BPL. The important reason for this poverty is that the people do not have any permanent source of income, especially in villages. Due to these hurdles, people find it very difficulty to fulfill their basic needs. To remove the above hurdles, people must save a part of their money as it will improve their economic condition and also

**Figure 2 : Types of Deposits**



improve the economy of the country. Thus, saving or depositing the money becomes necessary. Another reason for the need to deposit is that the people are suffering from shortage of capital to start new businesses. In such case, if they have any deposits in a bank, it will help them to meet the shortage of capital. The practice of deposit also boosts up the per capita income of a person. Therefore, it is the duty of the government to take some necessary actions which will encourage the people to invest their money in banks.

**Table 1: Various Deposits In Baroda District Central Co-operative Bank (2000-2001 to 2006-2007)**

(₹ In Lakh)

Year	Current Deposits	Saving Deposits	Fixed Deposits	Total Deposits
2000-01	2134 (6)	4624(13)	28809 (81)	35567 (100)
2001-02	1890 (6)	4725 (13)	27883 (79)	31498 (100)
2002-03	1041 (4)	4943 (15)	20032 (77)	26016 (100)
2003-04	1649 (8)	4946 (24)	14013 (68)	20608 (100)
2004-05	1148 (6)	4976 (26)	13016 (68)	19140 (100)
2005-06	1646 (8)	5761 (28)	13169 (64)	20576 (100)
2006-07	1888 (9)	6295 (30)	12800 (61)	20983 (100)
<b>Average</b>	<b>1672 (7)</b>	<b>5516 (22)</b>	<b>17725 (71)</b>	<b>24913 (100)</b>

Sources:

- 1) Annual Balance Sheet of Baroda District Co-operative Bank.
- 2) Figure in Bracket as percent of total.
- 3) All amount rounded-off in lakh.

**Graph 1 : Composition of Deposits in % to Total Deposits**

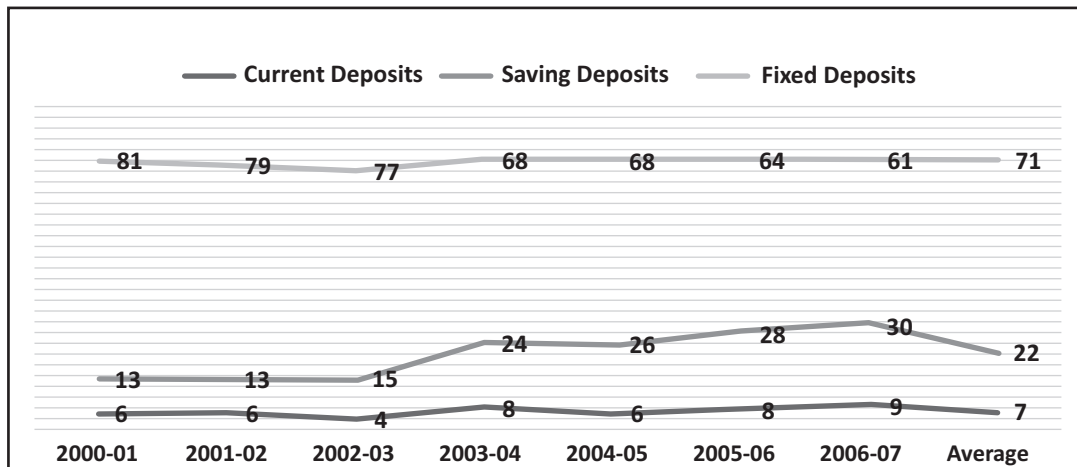


Table 1 shows the Structure of Deposits in Baroda Central Co-operative Bank.viz; Current, saving and term deposits. In 2001-01, ₹ 2134, 4624 and 28809 lakh amounts were deposited in current, saving and term accounts. The shares of different deposits are 6, 13, and 81 respectively. But, up to 2006-07, only current & saving amounts of deposits increased from ₹ 2134 and 4624 to ₹ 1672 lakh and 5516 lakh and also, these shares increased from 6 to 7 and 13 to 22 percent respectively in the study period. But the amount of fixed deposits and also, their share decreased to ₹ 28809 to ₹ 17725 lakh and 81 to 71 percent respectively. The table further depicts average share of all three types of deposits over the study period. The average share of current deposits, saving deposits, fixed deposits in total deposit of BDCCB are 7 percent, 22 percent and 71 percent respectively.

**Table 2 :Trend of Type Wise Deposits in Baroda District Central Co-operative Bank Ltd.**  
(₹ In Lakh)

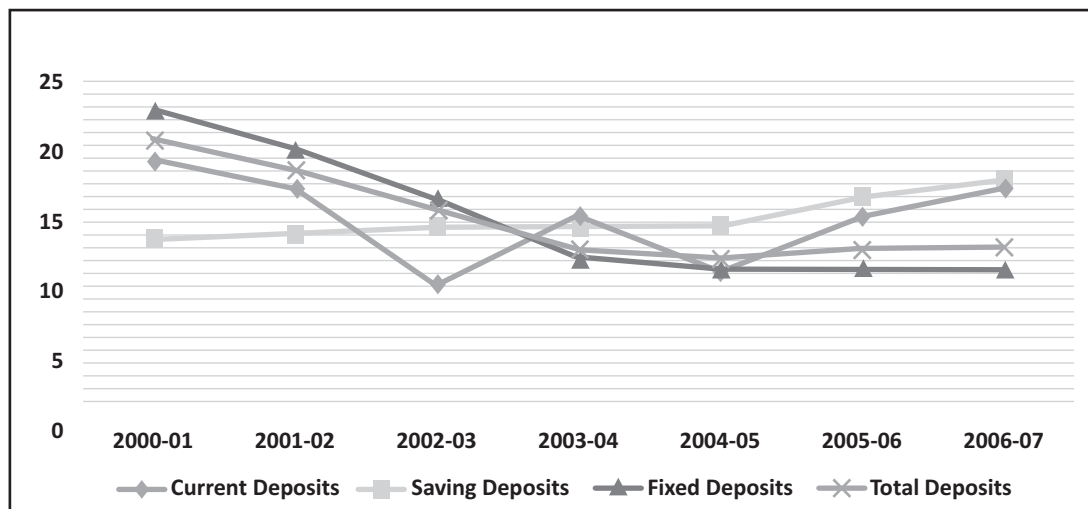
Year	Current Deposit		Saving Deposit		Fixed Deposit		Total Deposit	
	Amount	Share (%)	Amount	Share (%)	Amount	Share (%)	Amount	Share (%)
2000-01	2134	18.72	4624	12.74	28809	22.73	35567	20.39
2001-02	1890	16.58	4725	13.02	24883	19.63	31498	18.06
2002-03	1041	9.13	4943	13.62	20032	15.80	26.16	14.91
2003-04	1649	14.41	4946	13.63	14013	11.05	20608	11.81
2004-05	1148	10.07	4976	13.71	13016	10.27	19140	10.97
2005-06	1646	14.44	5761	15.88	13169	10.39	20576	11.79
2006-07	1888	16.56	6295	17.35	12800	10.10	20983	12.03
<b>Total</b>	<b>11396</b>	<b>100</b>	<b>36270</b>	<b>100</b>	<b>126722</b>	<b>100</b>	<b>174388</b>	<b>100</b>

Sources:

- 1) Annual Balance Sheet of Baroda District Co-operative Bank
- 2) Figure in Bracket as percent of total.
- 3) All amount rounded-off in lakh.

Table 2 shows the total amount of deposits in various deposits facilities in the study period. viz ; 2000-01 to 2006-07. This table also reveals the share of different years in total amount of different deposits. This table further depicts the range of percent share of all deposits out of total deposits in different years and as well as different deposits schemes. The higher range of percentage presence in fixed deposits, which is 12.63 (22.73 - 10.10) and less all of them is saving deposits. Which is 4.61 (17.35 - 12.74).

**Graph 2 : Trend of Various Deposits (Base Year-2006-07)**

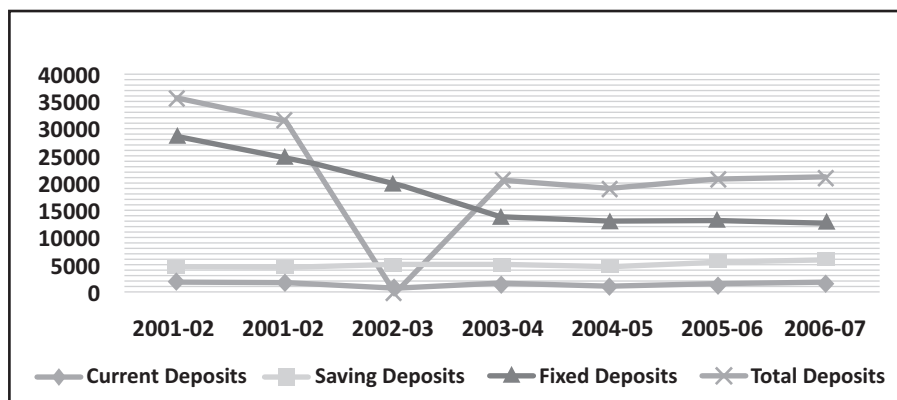


## RESULTS AND DISCUSSION

After applying Chi-Square ( $\chi^2$ ) test, we found that :

⊗  $H_{01}$  is rejected. So, we conclude that during the study period, the total amount of current deposits in Baroda District

**Graph 3 :Different Type of Deposits**



Central Co-operative Bank have increased.

❖  $H_{02}$  is rejected. So, we conclude that the total amount of 'saving deposit' in Baroda District Central Co-operative Bank has increased in the same period.

❖  $H_{03}$  is also rejected. So, we conclude that the total amount of 'Fixed Deposits' in Baroda District Central Co-operative Bank have increased in the period of 2000-01 to 2006-07.

❖  $H_{04}$  is rejected. So we conclude that the total amount of 'Deposits' (Viz; current, saving and fixed deposits) in Baroda District Central Co-operative Bank have increased in the period of study.

**Table 3: Summary Of The Results**

S. No	Hypothesis	Tabulated Value		d.F. n-1 (7-1=6)	Expected value	Results
		0.01	0.05			
1	$H_{01}$	16.812	12.592	6	571.98	Reject
2	$H_{02}$	16.812	12.592	6	434.10	Reject
3	$H_{03}$	16.812	12.592	6	14327.85	Reject
4	$H_{04}$	16.812	12.592	6	9802.32	Reject

## SUGGESTIONS

On the basis of the study, the following suggestions are made:

- ❖ The banks should increase the facilities that can be availed by the account holders.
- ❖ New deposit schemes should be started to attract the general public.
- ❖ Banks should adopt new technology for the facilities of customers like, ATM, Credit Card, and Debit Card etc.
- ❖ Banks should give attractive offers to customers like giving away a prize to those customers who have the maximum number of deposits in the bank; the maximum number of transactions with the bank etc.

## CONCLUSION

The present study reveals that the amount of various deposits viz. current deposits, saving deposits, fixed deposits as well as total deposits have increased during the period under study. But, the proportion of current and saving deposits in the total deposits have increased; while, the proportion of fixed deposits in total deposits has decreased. The study also depicts that significant growth has been seen in all types of deposits of the Boroda District Central Co-operative Bank Ltd.

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## APPENDICES

### Appendix 1 : Analysis Of The Current Deposits Of Baroda DCCB Ltd.

S.No.	O <sub>i</sub>	E <sub>i</sub>	(O <sub>i</sub> - E <sub>i</sub> )	(O <sub>i</sub> - E <sub>i</sub> ) <sub>2</sub>	(O <sub>i</sub> - E <sub>i</sub> ) <sup>2</sup> /E <sub>i</sub>
1.	2134	1628	(+) 506	256036	157.27
2.	1890	1628	(+) 262	68644	42.16
3.	1041	1628	(-)587	344569	211.65
4.	1649	1628	(+) 21	441	0.270
5.	1148	1628	(+) 440	193600	118.91
6.	1646	1628	(+) 18	324	0.199
7.	=1888	1628	(+) 260	67600	41.52
	∑O <sub>i</sub> =11396				χ <sup>2</sup> =571.98

Source: Authors' Calculation

Now, the calculated  $\chi^2$  value is 571.98 and degree of Freedom is n-1 (7-1=6). Tabulated  $\chi^2$  value at 1% and at 5% of level of significance is 16.812 and 12.592 respectively. Since the calculated  $\chi^2$  value is greater than the tabulated  $\chi^2$  value, the null hypothesis is rejected (Calculated value shown in appendix I). So, we conclude that, during the study period, the amount of current deposits of the Baroda District Central Co-operative Bank had been increasing.

### Appendix 2 : Analysis Of The Saving Deposits Of Baroda DCCB Ltd.

S.No.	O <sub>i</sub>	E <sub>i</sub>	(O <sub>i</sub> - E <sub>i</sub> )	(O <sub>i</sub> - E <sub>i</sub> ) <sup>2</sup>	(O <sub>i</sub> - E <sub>i</sub> ) <sup>2</sup> /E <sub>i</sub>
1.	4624	5181.42	(-) 557.42	310717.05	59.96
2.	4725	5181.42	(-) 456.42	208319.21	40.20
3.	4943	5181.42	(-) 238.42	56844.09	10.97
4.	4946	5181.42	(-) 235.42	55422.57	10.69
5.	4976	5181.42	(-) 205.42	42197.37	8.14
6.	5761	5181.42	(+) 579.57	335901.38	64.82
7.	6295	5181.42	(+)1113.57	1240038.10	239.32
∑O <sub>i</sub>	36270				χ <sup>2</sup> =434.10

Source: Authors' Calculation

Now, calculated  $\chi^2$  value is 434.10 and degree of Freedom is n-1 (7-1=6). Tabulated  $\chi^2$  value at 1% and at 5% of level of Significance is 16.812 and 12.592 respectively. Since the calculated  $\chi^2$  value is greater than tabulated  $\chi^2$  value, the null hypothesis is rejected (Calculated value shown in appendix II). So, we conclude that during the study period, the amount of saving deposits of the Baroda District Central Co-operative Bank had been increasing.

Now, calculated  $\chi^2$  value is 14327.85 and degree of Freedom is n-1 (7-1=6). Tabulated  $\chi^2$  value at 1% and at 5% of level of Significance is 16.812 and 12.592 respectively. Since the calculated  $\chi^2$  value is greater than tabulated  $\chi^2$  value, the null hypothesis is rejected (Calculated value shown in appendix III). So, we conclude that, during the study period,

**Appendix 3: Analysis Of The Fixed Deposits of Baroda DCCB Ltd.**

S.No.	O <sub>i</sub>	E <sub>i</sub>	(O <sub>i</sub> - E <sub>i</sub> )	(O <sub>i</sub> - E <sub>i</sub> ) <sup>2</sup>	(O <sub>i</sub> - E <sub>i</sub> ) <sup>2</sup> /E <sub>i</sub>
1.	28809	18103.14	(+) 10705.86	11461543.30	6331.24
2.	24883	18103.14	(+) 6779.86	45966501.61	2539.14
3.	20032	18103.14	(+) 1928.86	3720500.89	205.51
4.	14013	18103.14	(-) 4090.14	16729245.21	924.10
5.	13016	18103.14	(-) 5087.14	25878993.30	1429.53
6.	13169	18103.14	(-) 4934.14	24355737.53	1344.83
7.	12800	18103.14	(-) 5303.14	28123293.85	1533.50
	∑O <sub>i</sub> =126722				χ <sup>2</sup> =14327.85

Source: Authors' Calculation

the amount of fixed deposits of the Baroda District Central Co-operative Bank had been increasing.

**Appendix 4: Analysis Of the Total Deposits of Baroda DCCB Ltd.**

S.No.	O <sub>i</sub>	E <sub>i</sub>	(O <sub>i</sub> - E <sub>i</sub> )	(O <sub>i</sub> - E <sub>i</sub> ) <sup>2</sup>	(O <sub>i</sub> - E <sub>i</sub> ) <sup>2</sup> /E <sub>i</sub>
1.	35567	24912.57	(+) 10654.43	113516878.60	4556.61
2.	31498	24912.57	(+) 6585.43	43367888.28	1740.80
3.	26016	24912.57	(+) 1103.43	1217557.76	48.87
4.	20608	24912.57	(-) 4304.57	18529322.88	743.77
5.	19140	24912.57	(-) 5772.57	33322564.40	1337.58
6.	20576	24912.57	(-) 4336.57	18805839.36	754.87
7.	20983	24912.57	(-) 3929.57	15441520.38	619.82
	∑O <sub>i</sub> =174388				χ <sup>2</sup> =9802.32

Source: Authors' Calculation

Now, calculated  $\chi^2$  value is 9802.32 and degree of Freedom is n-1 (7-1=6). Tabulated  $\chi^2$  value at 1% and at 5% of level of significance is 16.812 and 12.592 respectively. Since the calculated  $\chi^2$  value is greater than the tabulated  $\chi^2$  value, the null hypothesis is rejected (Calculated value shown in appendix IV). So, we conclude that, during the study period, the amount of fixed deposits of the Baroda District Central Co-operative Bank had been increasing.