

## FINANCIAL ANALYSIS OF URBAN COOPERATIVE BANKS WITH SPECIAL REFERENCE TO TAMIL NADU

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**Abstract:** *The First Five Year Plan suggested to setting up of Urban Cooperative Banks in India in Cooperative Method. In this study, the researcher selected Two UCBs from Dindigul District which are Dindigul Urban Cooperative Bank and Palani Urban Cooperative Bank. The average membership of Dindigul UCB is being 24247 and Palani UCB as 15032. The mean value of reserve fund is headed by Palani UCB as 87.88. The coefficient of variation of Dindigul is in the range 0.13. Palani UCB has high value of fixed deposit as 2182 lakhs and savings deposit as 369 lakhs. Current deposit is in palani UCB as 45.78 lakhs and only Dindigul as 4.05 lakhs. Dindigul UCB is headed with 4.70 crores. The Standard Deviation is being as 2.82 and Palani as 0.11. Palani UCB provides nearly 374 lakhs as Gold Loan to its member which is quite higher than Dindigul UCB. From the study it concluded that even the Dindigul city is headquarters of the Dindigul District, Dindigul UCB is quite low in its business performance when compare to Palani UCB. Palani UCB is performing with high amount of members deposit and its liability position also good.*

**Key Words:** *Financial Analysis, Urban Cooperative Banks, Membership, Non-Agriculture Loans.*

### 1. INTRODUCTION:

The First Five Year Plan (1951-56) drew round in detail the vision of the cooperative movement in India and the rationale for emphasizing Cooperatives and Panchayats as preferred organizations for economic and political development. It recognized cooperation as an instrument of planned economic action in democracy. The Plan highlighted the adoption of the cooperative method of organization to cover all aspects of community development. It provided for setting up of urban cooperative banks, industrial cooperatives of workers, consumer cooperatives, housing cooperatives, diffusion of knowledge through cooperative training and education and recommended that every government department follow the policy of building up cooperatives. In this study, the researcher selected Two UCBs from Dindigul District which are Dindigul Urban Cooperative Bank and Palani Urban Cooperative Bank.

### 2. PREVIOUS LITERATURE:

**Ramesh and Patel (2000)** attempted to analyse the variables influencing the profitability of Urban Cooperative Banks (UCBs) in the state of Goa. For analyzing profitability various variables were used which include: interest rate spread, manpower expenses, other expenses, non interest income and overdue interest, and doubtful debt provision.

**Teli (2005)** attempted to evaluate the performance of Urban Cooperative Banks (UCBs) in Kolhapur district of Maharashtra state for a time period of 1991-2004. The performance was evaluated from different angles and it was found that UCBs in Kolhapur district showed a considerable growth in deposits, loans and net profits. But the amount of overdue is also increasing. It was suggested that banks should diversify their loan portfolio and should increase their income other sources.

**Koli and Landage (2007)** made an attempt to analyse the financial performance of Ratnagiri DCCB. It was observed that increase in fixed deposits is more than saving and current deposits. It was also found that the working capital funds showed a decreasing trend which means that the bank is heavily dependent on the borrowings which is not good for the performance of the bank. The trend in loan recovery shows that the bank was trying its best to increase the recovery rate and the recovery efforts were positively increasing with the increase in loan transactions.

With the improvement in recovery performance, i.e., reduction in Non Performing Assets (NPAs), the bank was raising its level of profits.

**Shah (2001-02)** attempted to analyze the performance of Kolhapur District Central Cooperative Bank (KDCCB) during the pre- and post-reform period. It was found that the financial health of KDCCB has improved in loan advances, deposits, membership and return on owner's equity in the post-economy reform period. But the share of net worth in its total liability, liquidity ratio is declining in the post-reform period. As the return on owner's equity has increased significantly during the post-reform period, it could be interpreted that financial health and economic viability of KDCCB has improved considerably in recent times.

**Darling Selvi, V (2008) 35** examines the lending performance of Kanyakumari District Central Co-operative Bank (KDCCB). He observed that the overall growth rate of loan disbursement on short term credit shows a positive growth of 25%. The credit facilities extended by KDCCB are high for services, medium for industries and low for agriculture. He concludes that the overall performance of the KDCCB is good. If the benefits are properly toiled and utilized there will be a bright future for both to the community and to the nation.

### 3. METHODOLOGY:

This study is done with the design of Case Study. And the samples are selected as simple random sampling. Primary and secondary data is collected and analysed with the Tabulation, Simple percentage and Descriptive measures.

### 4. ANALYSIS AND INTERPRETATION:

- **Membership position of Selected UCBs**

Members are the back bone of the cooperative banks. They are both owners and consumers. Based on the members' utilization, the performance of the banks is increased. Member's admission shows the banks' service to their customers. The growth of the membership of selected UCBs is shown below

**Table 1: Growth of Membership of Selected UCBs**

YEAR	DIN	AGR	PAL	AGR
2005-2006	24193	0	14488	0
2006-2007	23755	-1.81	14416	0.5
2007-2008	23755	0	14416	0
2008-2009	23755	0	14360	-0.39
2009-2010	23755	0	14319	-0.28
2010-2011	23755	0	14268	-0.36
2011-2012	23755	0	14226	-0.29
2012-2013	25066	5.51	16209	13.93
2013-2014	25254	0.75	16752	3.34
2014-2015	25425	0.67	16862	0.65
Mean	24247		15032	
SD	672.88		1045.9	
CV	0.029		0.073	

The membership position of the selected UCBs is not having any improvement in this study period. The average membership of Dindigul UCB is being 24247 and Palani UCB as 15032. Hence, the coefficient of variation of this selected UCB is very negligible in this period.

- **Financial Resources of Selected UCBs**

Urban Cooperative Banks are operating with both owned and borrowed fund. Share capital and reserve fund are the Banks' own fund. Borrowed fund includes deposits and Loans form apex institutions.

Share Capital makes an integral part of owned funds and is a primary source of funds of UCBs formed by the contributions of the members as a share. As membership of UCBs increases, the share amount also increases. It may be referred to as "owned or risk capital" as the supplier of this capital is the owner of the organization in a real sense. They shares the loss or earns. Owned funds can be increased by increasing the share capital, as reserves doesn't be increased so easily. Share capital can be used for meeting long term investments such as fixed capital requirements.

**Table 2: Owned Fund of Selected UCBs**

YEAR	Share Capital				Reserve Fund			
	DIN	AGR	PAL	AGR	DIN	AGR	PAL	AGR
2005-2006	98.95	0	80.62	0	46.38	0	62.58	0
2006-2007	84.76	-14.34	76.61	-4.97	46.97	1.27	62.58	0
2007-2008	71.88	-15.2	75.03	-2.06	46.97	0	75.28	20.29
2008-2009	62.1	-13.59	76.11	1.43	51.5	9.64	76.04	1
2009-2010	59.56	-4.09	74.11	-2.62	51.5	0	76.04	0
2010-2011	58.15	-2.36	70.77	-4.5	51.5	0	76.04	0
2011-2012	57.98	-0.29	69.09	-2.37	61.66	19.72	83.88	10.31
2012-2013	59.46	2.55	68.63	-0.66	62.46	1.29	101.84	21.41
2013-2014	65.86	10.76	89.71	30.71	62.46	0	128.86	26.53
2014-2015	70.05	6.36	90.91	1.33	62.46	0	132.68	2.96
<b>Mean</b>	<b>68.88</b>		<b>77.16</b>		<b>54.39</b>		<b>87.58</b>	
<b>SD</b>	<b>12.77</b>		<b>7.44</b>		<b>6.68</b>		<b>23.99</b>	
<b>CV</b>	<b>0.19</b>		<b>0.10</b>		<b>0.13</b>		<b>0.29</b>	

The average share capital of Palani UCB is 77.16 which was quite higher than Dindigul UCB as 68.88. The mean value of reserve fund is headed by Palani UCB as 87.88. The coefficient of variation of Dindigul is in the range 0.13.

The reserve funds provide a measure of financial strength to an organization. It is an important constituent of owned funds. It constitutes a base for expansion a cushion for loss absorption and a basis for maintenance of solvency. It is the only source and which is cost free.

The management of the UCBs must be very careful while creating the reserves and should always consider the amount distributed to the shareholders out of the profits should not be reduced in any circumstances. Besides the reserve fund, the Urban Banks can augment the following funds: (1) Reserves for bad and doubtful debt (2) Building Fund. (3) Dividend Equalization Funds. (4) Publicity Fund (5) Religious fund (6) Gratuity Fund and Provident Fund. (7) Co-operation Education Fund. (8) Co-operation publicity fund (9) Public Welfare Fund (Employees Welfare Fund and Members Welfare Fund) (10) Jubilee Fund (11) Members Funeral Fund. (12) 01 percent to State Federation. (13) Investment Depreciation Fund etc.

• **Growth of Deposits of Selected UCB's**

UCB's are collected all types of deposits from the members with the different interest rates. Fixed and Savings deposits are benefited to the farmers. Recurring and Current deposit only are useful for the business peoples.

**Table 3: Growth of Deposits of Selected UCBs**

YEAR	Fixed Deposit		Savings Deposit		Recurring Deposit		Current Deposit	
	DIN	PAL	DIN	PAL	DIN	PAL	DIN	PAL
2005-2006	312.78	1661.72	155.4	234.41	34.33	11.59	3.35	28.14
2006-2007	266.6	1683.84	183.67	254.65	21.73	15.01	2.58	40.62
2007-2008	281.12	1690.96	202.11	272.34	16.41	13.2	7.56	42.65
2008-2009	149.77	1845.05	198.35	320.57	24.36	13.37	3.52	51.69
2009-2010	756.18	1962.07	279.1	357.14	28.21	18.55	4.27	67.93
2010-2011	1018.54	2119.55	209.68	401.65	29.09	17.9	4.88	40.03

<b>2011-2012</b>	1198.8	2249.67	243.32	437.5	34.53	22.91	1.84	63.83
<b>2012-2013</b>	1558.01	2555.27	261.44	463.64	37.16	26.78	1.64	36.77
<b>2013-2014</b>	2065.78	2880.75	269.44	474.88	43.96	28.95	9.74	62.02
<b>2014-2015</b>	1944.4	3180.84	283.81	479.05	53.32	41.65	1.07	24.13
<b>Mean</b>	<b>955.19</b>	<b>2182.97</b>	<b>228.63</b>	<b>369.68</b>	<b>32.31</b>	<b>20.99</b>	<b>4.05</b>	<b>45.78</b>
<b>SD</b>	<b>683.24</b>	<b>505.53</b>	<b>42.32</b>	<b>90.29</b>	<b>10.88</b>	<b>9.34</b>	<b>2.75</b>	<b>15.07</b>
<b>CV</b>	<b>0.75</b>	<b>0.24</b>	<b>0.19</b>	<b>0.26</b>	<b>0.34</b>	<b>0.44</b>	<b>0.68</b>	<b>0.33</b>

Palani UCB has high value of fixed deposit as 2182 lakhs and savings deposit as 369 lakhs. Current deposit is in palani UCB as 45.78 lakhs and only Dindigul as 4.05 lakhs.

- Growth of Borrowings of Selected UCB's**

Urban Cooperative banks receives financial assistance as loans and advances and subsidy from RBI and other financial

**Table 4: Borrowings of Selected UCBs**

YEAR	Borrowings			
	DIN	AGR	PAL	AGR
<b>2005-2006</b>	3.51	0	0.15	0
<b>2006-2007</b>	3.66	4.27	0.16	6.66
<b>2007-2008</b>	2.42	-33.87	0.16	0
<b>2008-2009</b>	1.42	-41.32	0.24	50
<b>2009-2010</b>	2.1	47.88	0.32	33.33
<b>2010-2011</b>	7.83	272.85	0.28	-12.5
<b>2011-2012</b>	2.42	-69.09	0.33	17.85
<b>2012-2013</b>	7.99	230.16	0.34	3.03
<b>2013-2014</b>	7.13	-10.76	0.19	-44.11
<b>2014-2015</b>	8.54	19.77	0	-100
<b>Mean</b>	<b>4.70</b>		<b>0.22</b>	
<b>SD</b>	<b>2.82</b>		<b>0.11</b>	
<b>CV</b>	<b>0.6</b>		<b>0.5</b>	

From the above table it explained that Dindigul UCB is headed with 4.70 crores. The Standard Deviation is being as 2.82 and Palani as 0.11. The coefficient of variation is high in Dindigul and next by Palani UCB.

- Loan Policy of Selected UCBs**

Urban Cooperative Banks are offering Gold Loan, House Mortgage Loan and Deposit Loan to its members.

**Table 5: Loans Issued by Selected UCBs**

YEAR	Gold Loan		House Mortgage Loan		Deposit Loan	
	DIN	PAL	DIN	PAL	DIN	PAL
2005-2006	379.15	394.14	361.31	585.66	28.95	105.59
2006-2007	695.71	523.26	209.39	494.78	28.39	89.55
2007-2008	732.44	580.74	119.6	435.07	21.55	87.33
2008-2009	885.08	747.72	905.08	430.86	16.56	105
2009-2010	121.67	810.29	352.84	459.77	32.25	90.25
2010-2011	134.76	104.32	332.8	468.73	39.9	90.93
2011-2012	155.57	147.67	430.2	466.72	47.31	99.44
2012-2013	176.9	158.67	634.75	404.14	55.84	134.65

2013-2014	184.2	149.00	114.45	479.44	43.91	107.77
2014-2015	189.33	131.26	218.14	510.30	22.24	99.52
<b>Mean</b>	<b>365.48</b>	<b>374.71</b>	<b>367.86</b>	<b>473.55</b>	<b>33.69</b>	<b>101.00</b>
<b>SD</b>	<b>292.51</b>	<b>273.92</b>	<b>244.63</b>	<b>50.32</b>	<b>12.67</b>	<b>13.96</b>
<b>CV</b>	<b>0.80</b>	<b>0.73</b>	<b>0.67</b>	<b>0.11</b>	<b>0.38</b>	<b>0.14</b>

Palani UCB provides nearly 374 lakhs as Gold Loan to its member which is quite higher than Dindigul UCB. Even though, Palani UCB is high in House Mortgage Loan as 473 lakhs. 101 lakhs amount of deposit loan is offered to the customers by Palani UCB which is 3 times higher than Dindigul UCB.

## 5. CONCLUSION:

Cooperatives were started with the motive of offering credit facility to the rural farmers. In the upcoming years based on the need of the urban population, UCBs started their services. UCB provides different types of loans to its members. From the study it concluded that even the Dindigul city is headquarters of the Dindigul District, Dindigul UCB is quite low in its business performance when compare to Palani UCB. Palani UCB is performing with high amount of members deposit and its liability position also good.

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