A STUDY ON FINANCIAL PERFORMANCE OF PERIYAKULAMURBAN CO-OPERATVE BANK LTD

Dr.K.Uma
Assistant Professor, Department of Commerce, Madurai Kamaraj University, Madurai

Mr.ArulMurugan
M.Phil, Scholor, Dept of commerce, Madurai kamaraj university, Madurai

Abstract
Urban Co-Operative bank in India has a cherished history of nearly eight decades. They have growth not only in number but also in size and diversification of portfolio. But now a day particularly after nationalization of commercial banks have penetrated into small and semi-urban areas under massive branch expansion programmes. They have also started financing to small borrows including artisans, self employed persons and small scale industrial units.
Keywords*: financial performance, Capital Adequacy, Assets Quality, Management Efficiency, Earnings, Liquidity,financial performance.*

Introduction

The Co-operative credit societies Act of 1904 provided for the starting of credit societies in India. Accordingly primary agricultural credit societies were started in rural areas to provide cheap credit facilities to farmers. Likewise, in order to provide cheap credit facilities to people living in urban areas, co-operative urban banks are started in India. Urban banks functioning in India are based on Schultze Delitzsh of Germany cater to the credit needs of people living in urban areas such as salaried employees, self- employed persons, small entrepreneurs running cottage and small – scale industries and the like. Co-operative Urban Banks occupy a prominent place among the agencies supplying the credit needs of the people residing in urban areas, the first being started in Baroda.

Urban middle class people were not provided credit by the joint stock banks at the close of the 19th century because it was not economically advantageous for them. Further, joint stock banks did not possess the full and intimate knowledge of the economic strength of persons of moderate means. Joint stock banks were also not ready advance loans on personal securities. In these circumstances, the man with limited means in urban areas was driven to money lenders for financial assistance. But they charged exorbitant rates of interest.

Objectives of the study

- To study the Development of Urban Co-operative banks in India
- To analyse the financial soundness of the Periyakulam Urban Co-operative Bank Ltd.

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Methodology

In this study, the CAMEL model analysis has been employed to analyse the financial performance of the PUCB which were selected purposively for the present study.

Collection of data

The present study is based on secondary data. The required secondary data have been collected from published and unpublished materials such as books, Journal, registers, record, and reports. The data were also collected from annual reports and other records of the Periyakulam Urban Co-operative, covering the period from 2005-2006 to 2013-2014.

Development of Urban Co-operative banks in India

Urban banks were once considered to be the exclusive bankers for certain segments of urban population such as salary abs wage earners, small traders and artisans. This niche in the banking market is no longer the sole preserve of urban co-operative banks. An urban co-operative bank has been defined as one which has been organize for accepting deposits from public which are usually repayable the withdraws by cheque and which carry on normal banking business.

The first five year plan recorded witnessed a growth of 7810 non-agricultural co-operative credit societies with a membership 22 lakhs. They had a share capital of Rs.57 cores and they had advanced loans amounting to Rs.47 cores. The percentage of urban population covered by these urban credit societies was 18 per cent. The urban credit movement has made striking progress with as on 30th June 1982, 22755 non-agricultural credit societies with a membership of 92.8 lakhs while their working capital started at Rs. 1.102 cores.

The deposits of these societies amounted to Rs.409 crores during1981-82. These societies advanced loans to the tune of Rs.770 crores. It during the period is significant to note that unlike agricultural credit societies they do not have high overdue as it was formed only 5 percentage of out in 1981-82 there were 30978 societies with a membership of 153.09 lakhs in 1990-91. While the working capital was Rs.1102.00 cores the deposits were 1033.69 and loans and advances were Rs. 1952.21 during period of 1990-91.

In September 1991 the governor of the RBI constituted a committee headed by Shri S.S Maratha, director, central board of RBI to review the policy relating to the licensing of new primary urban co-operative banks. And other related aspects. The Maratha committee report was a landmark development in the history of urban co-operative banks.

Number of Urban Co-operative banks India

The following Table shows the state wise distribution of urban co-operative bank in India.

Table 1Number of Urban Co-operative banks in India

S. No	State	Number of UCBs	Number of Branches	Number of Extensive counters	Number of ATMs
1	Andhra Pradesh	114	234	7	1
2	Assam/ North –East	17	28	0	0
3	Bihar / Jharkhand	5	6	1	0
4	Chhattisgarh	13	21	2	1
5	Gujarat	260	886	10	57
6	Jammu and Kashmir	4	16	4	0
7	Karnataka	273	828	9	16
8	Kerala	60	332	2	0
9	Madhya Pradesh	55	84	0	0
10	Maharashtra/ Goa	583	4,184	165	573
11	New Delhi	15	62	1	0
12	Orissa	13	50	4	4
13	Punjab/Haryana/ Himachal Pradesh	16	40	3	1
14	Rajasthan	39	149	3	1
15	Tamilnadu/Pondicherry	130	310	0	1
16	Uttar Pradesh	70	179	19	0
17	Uttarakhand	5	49	2	3
18	West Bengal /Sikkim	49	100	2	1
	Total	1721	7522	234	659

Source: Report on Trend and progress of Banking in India 2008-09 to 2012-2013.

It is under stood from the Table 1 that Maharastra trend first by occupying 33.87 percent in no of banks, 55.14 percent in no of branches, 70.51 percent in no of extension counters, and 86.94 percent in ATMs. A moderate performance is witnessed in the state like Karnataka, Gujarat, Tamilnadu and Andhrapradesh. A low level performance is experienced in the state of Bihar and Jharkhand which occupies 5 Banks, 6 no of branches, 1 no of counters and with no ATM. The reason for changes in the distribution of UCBs between the states is attributed to the fact that the growth of UCBs is bell supported by industrial growth of the state condition.

Analysis of financial performance

This study attempts to measure the financial soundness of the study unit by using CAMEL Model Analysis. At the outset, it focuses on explaining the variables that have been selected for such an analysis which include capital adequacy, assets quality, management, earnings quality and liquidity. Financial analysis is the process or identifying the financial strength and weak nesses of the firm by property establishing relationships between the terry of the balance sheet and profit and loss account. Understanding the past in a pre-requester anticipating the future, financial data came weld to analyse a firm past performance and easels present financial strength.

Parameters under CAMEL Model Systems

Sl. No	Parameter	Ratios used
1	Capital Adequacy	Capital Adequacy Ratio Proprietary Ratio
2	Assets Quality	Net NPA to Net Advance Ratio
3	Management Efficiency	Profit Per Employee Business Per Employee
4	Earnings	Return on Assets Ratio Non- Interest Income to Total Assets
5	Liquidity	Current Ratio Liquidity Ratio Cash-Deposit Ratio Government Securities to Total Assets

Table 2 Analysis of financial performance

S. No	Ratios	Mean	S.D	C.V
1	Capital Adequacy Ratio	37.32	5.36	14.36
2	Proprietary Ratio	0.25	0.05	20.00
3	Net NPA to Net Advances Ratio	23.35	18.37	78.65
4	Profit Per Employee	0.36	0.48	133.33
5	Business Per Employee	114.62	39.42	36.35
6	Return on Assets Ratio	4.82	2.76	57.26
7	Non- Interest Income to Total Assets	4.07	1.76	43.24
8	Current Ratio	7.01	2.25	32.12
9	Liquidity Ratio	6.99	2.23	31.92
10	Cash-Deposit Ratio	4.08	2.94	72.06
11	Government Securities to Total Assets	12.78	4.72	36.93

Source: Annual Reports2003-04to2013-14

Findings

This ratio highly skewed, with the average of 37.32 per cent having a standard deviation of 5.36 because share price of the bank was increased from Rs. 25 to R.s.100.Among the all the years from 2004-2013 the least value of Proprietary ratio was 0.21 times in 2013-2014 and the highest was 0.40 times in 2006-2007 during the study period. The average of the ten years also is good 0.25 per cent which seems quite consistent as standard deviation being only 0.05.This ratio skewed, with the average of 23.35 per cent having a standard deviation of 18.37 per cent because in the year 2009-2010 state government was reduced the interest rate, so the customers induced to repay the loan amount, so that it makes to reduce the Non performing assets. In the 2007-08 to 2011-12 this ratio was not calculated because the bank has incurred heavy loss during the year. This ratio is highly skewed, with the average of 0.36 per cent having a standard deviation of 0.48. The lowest amount was Rs.579.87 lakhs in the year 2006-07. The average Business per Employee shows 107.76 per cent. Return on Assets ratio consistent, with the average of 4.82 per cent having a standard deviation of 2.76.Non- interest income to total assets ratio shows fluctuating trend during the entire study period.. This ratio shows consistent, with the average value of 4.07 per cent having a standard deviation of 1.76.Current assets, current liabilities of PUCB are fluctuating during the study period. The results of current Ratios are above the standard norms of 2:1 it means the bank is able to meet all its current liabilities without any difficulty at the same time the result is very high in compared to standard norms so; the bank has to think about using the excess liquidity. This ratios shows consistent, with the average value of 7.01 percent having a standard deviation of 2.25.In general, quick Ratio of the bank has been good during the study period.A bank facing liquidity problem will be forced to purchase funds at higher interest rates.The average government securities to total assets remained on 12.78 per cent. This ratio shows less consistent, with the average of 12.78 per cent having a standard deviation of 4.72.

Suggestions

The overall state of Capital Adequacy of PUCB was Satisfactory in terms of capital adequacy ratio and Proprietary Ratio. At the same time it was very high so the PUCB take a further step to utilize the full potential of its capital in coming years. The Assets Quality of the PUCB is very effective in providing loans to customers in study period so the Bank follow this way in coming years. The Profit per Employee of the PUCB was not satisfactory level so they may charge the collection system to avoid overdues for the improvement of the Profitability of the bank. The Business per Employee of the Bank was satisfactory level so the Bank may follows in this way in future periods. The Earnings Quality of the Bank was not satisfactory level so it can take further step for improving its management efficiency.

The Liquidity Position of the Bank is in the satisfactory level so it can maintain in this level in future periods.

Conclusion

Financial performance of these banks has potential to engage the rural populations in productive activities. A comprehensive support and complementary policy measures can indeed go a long way in revitalizing cooperative sector and generate positive externalities. This in turn can accelerate rural transformation. Hence, there is need for innovative and judicious reforms, which could restructure the entire cooperative banking sector so as to enable it to face the challenges of globalization/ privatization and meet the growing credit needs of the economies. Both state (through formal state owned commercial banks) and market have failed to ensure inclusive credit and related financial services across the regions and weaker sections of the society. Under these circumstances Cooperative Credit Institutions can shoulder very important role as effective means of social banking and inclusive access to credit.

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