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A STUDY ON FINANCIAL ANALYSIS OF URBAN COOPERATIVE BANKS WITH REFERENCE TO BANGALORE CITY OF KARNATAKA

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ABSTRACT

The financial analysis of the urban cooperative banks indicates their working in line to which it is to mean to meet the social aims. These The movement of urban cooperative banking came into existence with the main motto of meeting the credit needs of weaker sections in urban areas of the country that have hitherto neglected by the commercial banking sector and to promote their economic position through self-reliance on the principle of equity being governed by the democratic system which is a unique in Indian banking sector. The urban cooperative banks mobilize their own resources from the myriad surplus income savings of weaker sections in the form of deposits for carrying on business on the sound lines with the common canon of openness to all the members. This principle has made the urban cooperative banking a vibrant in Indian cooperative movement and made rigorous progress in banking business. The current study is focused on financial analysis of selected samples of urban cooperatives in perception to the defined objectives, subsequent findings are drawn.

Key words: *Financial analysis, cooperative banks, commercial banking, weaker sections, deposits.*

INTRODUCTION

The efficiency and quality of management of funds in any banking concern is very essential because it will reflect on all the aspects of its working. Without the financial operations efficiency, the survival of banking concern will be difficult. The efficiency with which the management of funds is reflected through the financial margin which is the ultimate financial gain available to the urban cooperative banks, being influenced by the factor of owned funds to working funds, low-cost deposits to total deposits, low overdues to total credit, high recovery to demand and balanced credit to deposit ratio. The urban cooperative banking is no exception to the principle of funds management. The urban cooperative banks are organized and managed by the means of principles of cooperation, self-help and mutual-help. The efficient and effective management of funds in urban cooperative banks is akin to a healthy person in whom the healthy heart circulates blood efficiently. Thus, the success or failure of any financial institutions is closely linked with the managerial competence. The urban cooperative banks are no exception to this rule; an attempt is made on the financial operational analysis and the managerial performance of sample urban cooperative banks.

REVIEW OF LITERATURE

Review of earlier research work done on the issue of urban cooperative banks would throw light on the need for the present and policy prescription as well. A humble attempt has been made to review the earlier research studies on the study of subject. Some of the related studies on the subject taken up by the researchers as well as institutions are reviewed to know and to felt need of the present study.

Venkataramana examined the sources and use of funds by urban cooperative banks keeping in view of the optimum relations. He said that on a working capital of $ 3000 crore, the annual return by the way of profit has remained comparatively low at $ 80 crore despite the economy availability in expenditure measures. Further, he emphasised on the basic needs to improve the financial management in urban cooperative banks, the emphasis is on the: Faster rotation of funds, Modified lending pattern and policies, choosing of proper clientele.

Bansal has thoroughly examined the working of urban cooperative movement and observed thus: “The urban cooperative movement has growing stronger day-by-day and become self-reliant.” Rajendra Singh the then Honourable Minister for Agriculture and Cooperation has pointed out that “the urban credit sector had made strides in the recent years. Further, he mentioned that the urban credit movement had acquired a special importance in the content of increasing urban population in the country.” Sumithra Cowaikar in his study analyzed the expenditure and reported thus: “It is necessary to curtail the superficial expenditure. Efficiency in every respect needs to be enhanced the corporate Government leading to success. Reserve Bank of India directive must be strictly followed by the urban cooperative banks. It is quite essential to build-up reserves for developing the capacity to compete with other banks.” In the modern environment, Mariappan V., studied a study on urban cooperative banks and reported as: “Urban cooperative banks take the cognizance of the present business environment. The future banking operations for which the foreign banks are waiting to enter in a big scale, to design suitable strategies with regard to the operational issues, functional issues and structural issues. The Management needs to issue measures for meeting the competition.” The role of banking is supposed to improve the economic conditions by actively involving in the antipoverty programmes of the country.

OBJECTIVES OF STUDY

The main motto being an attempt is made on the financial operational analysis and the managerial performance of sample urban cooperative banks. The focuses of the specific objectives of the present study are given below.

1. To carryout financial analysis of the selected sample of urban cooperative to ensure the management of funds.
2. To study allocation of funds alongwith issues associated for analysis
3. To analyse the managerial performance
4. To suggest remedial measures on the findings of the study

METHODOLOGY

The present study is confined along the financial analysis of chosen samples of urban cooperative alongwith defined objectives in the selected area in the Union of India with focus on the sample urban cooperative banks working in the City of Bangalore which is the capital of Karnataka State. The sample design was adopted in selection of urban cooperative banks and respondents for study. A list of urban cooperative banks working in the City of Bangalore has collected from Karnataka State Cooperative Urban Banks Federation Limited. From the list four urban cooperative banks operating at different areas of Bangalore City are selected as sample urban cooperative banks. The thrust of present study focus is on the financial analysis of urban cooperative banks for the sections in the study area of Bangalore city. The aspects covered are sources of funds, issues associate to financial analysis, viability, flow of funds, flow of funds and managerial performance analysis. The study covers a period of seven years from 2005-06 to 2011-12. The study is empirical in nature.

SAMPLE SELECTION

The sampling approach is adopted in the present study. In the first stage, the selection the urban cooperative banks for the study for which the criterion of overdues to owned funds was adopted. If the overdues are less and more than 40 per cent of owned funds, then the urban cooperative banks are termed as better bank and average bank respectively. Two urban cooperative banks from each group having the highest and lowest percentage of overdues to owned funds were selected for the study. Thus, four urban cooperative banks were selected from the list prepared with 40.08 per cent, and 41.24 percent, 48.72 per cent and 59.66 per cent of overdues to the owned funds. The selected four sample urban cooperative banks for study purpose are (i) The Bharat Cooperative Bank, (ii) Thyagaraja Cooperative Bank, (iii) Sri Subramanyeswara Cooperative Bank and Amanath Cooperative Bank. The selection of households who availed the services of urban cooperative banks is concerned itself in the second stage. The collection of response from the respondents was conducted and completed during the span of four months from April to July 2012. Due care was taken in getting information from the respondents and also re-checked on phone which collected from them at their first met.

DATA SOURCE AND COLLECTION

Both the primary and secondary data was used in the present study. The secondary was compiled from the annual report of the sample urban cooperative banks, Reserve Bank of India – Currency and Finance and other published sources. The primary was collected from the of customer respondents in relation to various parameters adopted by the sample urban cooperative banks for the good corporate governance and the assessment of the customers satisfaction. Interview was held with the Directors, managers and bank officers for knowing the extent of practice of governance of the urban cooperative banks.

DATA ANALYSIS

The compiled and collected data were analysed and presented in the form of tables for arriving on the functional analysis to interpret the results. To get clear picture of the different variables over a period of time and their operational consistency, average is used. Considering the operational efficiency of cooperative credit institutions as envisaged in the model which is abbreviated as CAMEL in 1998. Capital Adequacy, Assets Quality, cost of management, and profitability at BEP, chi-square test, being evaluated as data analytic tools and techniques.

HYPOTHESIS TESTING

The null hypothesis has been formulated for testing the association between the parameters of governance adopted by the sample urban cooperative banks and the satisfaction of borrowers in availing the need services including credit. The hypothesis formulation is done as:

Ho: The governance of urban cooperative banks is effective and increases the satisfaction of borrowers.

LIMITATIONS OF THE STUDY

The current study being constrained to the samples under consideration alongwith the sample area under consideration, with the implicated data interpretations along selected analytic tools and techniques with statistical calculation and analysis only.

FUNDS

The success and efficiency operation of an organization heavily depends upon the effective utilization of funds and the management of working capital. Flow of funds means movement which includes both inflow and outflow. The sources of funds of urban cooperative banks consist of: 1) The owned funds comprising (a) share capital and (b) reserves. 2) The borrowed funds forming (a) deposits and (b) borrowings from apex institutions

ISSUES FOR ANALYSIS

The need for judging the operational performance of urban cooperative banks depends upon the knowledge closely look into their profitability and managerial accomplishments. The frequently used method of measuring the operational efficiency of urban cooperative bank is to compare its results with its clearly defined objectives.

Finance is a basic input-factor which is required for any economic activity universally. The financial analysis, therefore, needs diligent examination to explore and enlighten the performance of institution and also forecasts its performance to be achieved.

The financial soundness and strength of urban cooperative banks and their profitability, efficiency and performance must be the concern of management. In th*e book entitled Management Accounting*, Sharma and Shashi Gupta pointed out this: "The purpose of financial analysis is to diagnose the information contained in the financial statements so as to judge the profitability and financial soundness of the firm."

VIABILITY

The concept of viability is not a new in the business of finance world. The working of urban cooperative banks which had been examined by various Committees laid down the emphasis on viability. The Madhava Das Committee reported that "the study of viability of urban cooperative banks is absolutely necessary in the context of rapid growth of urban cooperative banks." Viability denotes self-reliance of the financing institution and self- efficiently conducting the business leading to the economic gains of an organization. Nakkiran who conducted study on the viability of cooperative banks and observed this: "Viability is closely linked to the efficiency of operations and management." A viable of urban cooperative bank: Becomes a model to other urban cooperative banks or banking concerns, Can render sufficient services to its clientele, Can meet the social objectives, Can patronise local funds and deploy them locally and thereby inculcating the banking habit among the people. The framework of the urban cooperative banking may play a useful role to uplift socially as well as economically the weaker sections of urban people in order to improving the quality of credit service.

FLOW OF FUNDS

Flow of funds indicates the efficiency of management of an institution. To highlight the mobility of funds and their use in the urban cooperative banks, one must study the relationship between the scales of operation - the inflow and the out-flow of funds and the cost of management. The elasticity of coefficient is an appropriate technique to examine critically the funds relation in the study. The elasticity of coefficient may be proportionate or greater or less than one. The relation of in-flow and out-flow of funds is expressed in equation form as:

Inputs = outputs +losses

In applying this model to the urban cooperative banks, the transformation of this equation becomes as: Inflow = Out-flow + Investment + internal uses OR Owned funds + Deposits + Borrowings = Loans + Investments + Internal uses A change in the source of funds certainly brings out a change in the use of funds in the banking operations. In the presence of such a change in the banking operations as dependent variable, the elasticity of fund use would be unity. An efficient management of duns use by urban cooperative banks would always attempt to induce the source of elasticity of fund use. The formula is as:

$$Su = \frac{Du/Tuf}{Du/Tsf} = \frac{Du}{Tuf} \; X \; \frac{Tsf}{ds} = \frac{Du}{Ds} \; X \; \frac{Tsf}{Tuf}$$

Where,

S_u = Source of elasticity of fund use, d_s = Change in supply of funds, d_u = Change in use of funds, T_s = Total sources of funds, T_u = Total use of funds. In the sample urban cooperative banks, the relationship between the source of deposits and the use of credit is diligently examined by studying the concept of elasticity. The formula that employed for arriving at elasticity mobilized deposits use is expressed below. It is written as:

$$\mathrm{Dc} = \frac{\mathrm{Dc}/\mathrm{C}}{\mathrm{dD}\,/\,\mathrm{D}} = \frac{\mathrm{dc}}{C} \; X \; \frac{\mathrm{D}}{dD} = \frac{\mathrm{Dc}}{dD} X \frac{\mathrm{D}}{C}$$

Where,

d_e= Deposit elasticity, D= Total deposits, C = Total credit, d_C = change in credit dD = change in deposits.The elasticity of funds use of the sample urban cooperative banks in the study is computed and is presented in Table 1.

Table 1 Elasticity of Funds use.

Particular	2005-06	2011-12	E_u
Bharat Bank:			
Source of funds	16.06	88.99	
Use of funds	15.40	84.34	1.0192
S. S. Bank:			
Source of funds	5.18	30.61	
Use of funds	4.04	29.98	1.0411
Thyagaraja Bank:			
Source of funds	19.96	123.57	
Use of funds	17.69	118.98	1.0153
Amanath Bank:			
Source of funds	10.84	157.47	
Use of funds	9.73	150.13	1.0043

Source: Annual Reports, Sample Urban Cooperative Bank

Table 1 discloses that the elasticity of fund use of the sample urban cooperative banks which is more than one in all them during the study period. This fact unfailingly indicates that the average increase in the use of funds is more than the average increase in sources of funds. In other words, on an average, the increase in the use of funds is accounted for 101.92 per cent, 104.11 per cent, 101.53 per cent and 100.43 per cent in the case of Bharat bank, S. S. bank, Thyagaraja bank and Amanath bank respectively. It infers from the Table analysis that: Fund flow management is sound operationally, the urban cooperative banks could improve operational results, the percentage allocation of elasticity of funds is picturised in figure 1.

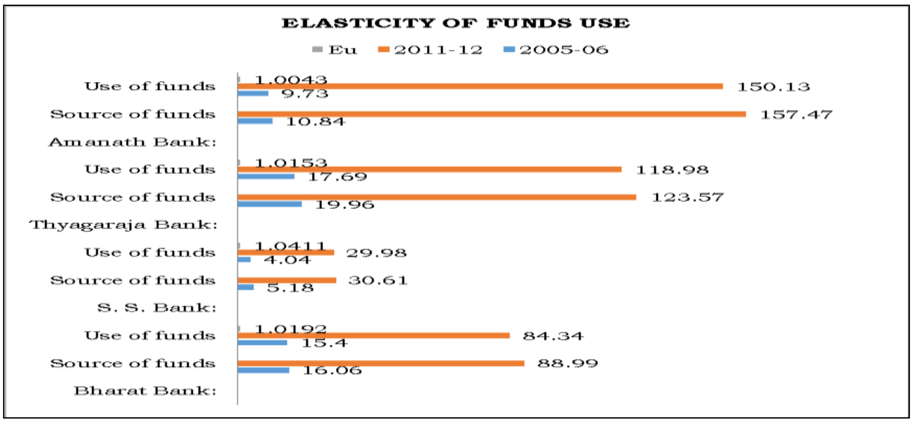


Figure 1 Percentage allocation of Elasticty of funds use.

CAMEL MODEL

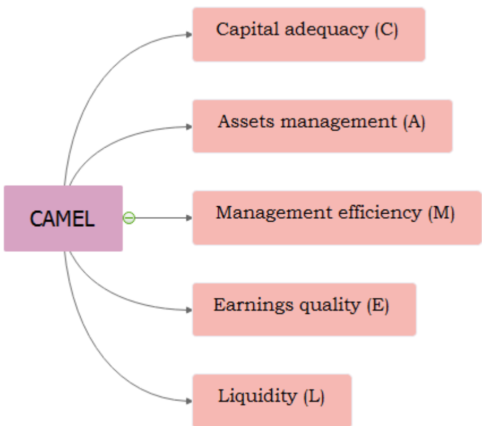


Figure 2 The CAMEL model in 1998.

The cooperative banking since the implementation of banking reforms in 1991 has gained an additional momentum as the Government of India introduced the initiates with focus on professionalism and up-gradation of the efficiency parameters in improving the operational efficiency financially through the control of cost of transactions and management costs. Considering the operational efficiency of cooperative credit institutions as envisaged in the model which is abbreviated as in figure 2 the CAMEL in 1998. Through it, the identified efficiency parameters are: Various committees suggested for enhancing the quality of credit service of the urban cooperative banks to be sound in terms of flow of funds so that rendering the need services by them to the clientele certainly improve their socio-economic status. Then only, the goal of sound-footing with effectiveness on the part of lender (bank) and quality of living of member-borrower is possibly achievable. To keep up the urban cooperative banks themselves for making use of the financial resources properly for sustenance and successive development, it is right time to scrutinise the operational effectiveness critically as well as operational efficiency for ensuring flow of funds. The suggested parameters to judge the financial performance of the urban cooperative banks are as follows:

Capital Adequacy: Urban cooperative bank needs to provide importance to the solvency implying that the assets are equal to or more than liabilities which certainly provide cushion with profit and safety. Capital which is the first and second readily available resource to protect the losses unexpectedly is called Tier-1 Capital which consisting paid up capital, statutory reserves, disclosed free reserves and capital reserve and Tier-2 Capital comprising revaluation reserves, subordinate debt, general provisions and loss reserves respectively. The Tier-2 Capital cannot exceed 50 per cent of Tier-1 Capital for arriving at the prescribed the ratio of capital adequacy. The ratio of capital adequacy ratio is calculated by using the formula which is as follows:

$$CAR = \frac{CAPITAL}{RISK} \; OR \; \frac{T1 + T2}{a \, X \, 8\%}$$

Table 2 Capital Adequacies

Banks	Tier-I	Tier-II	Total
Bharat Bank	77.82	22.18	100.00
S.S. Bank	80.06	19.94	100.00
Thyagaraja Bank	78.02	21.98	100.00
Amanath Bank	73.86	26.14	100.00

Source: Annual Reports, Sample Urban Cooperative Bank

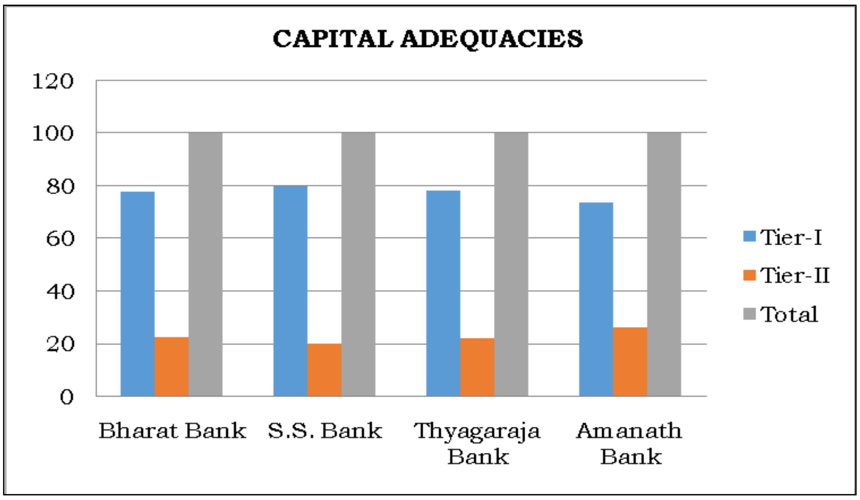


Figure 3 Percentage allocations of Capital Adequacies.

Assets Qualit: An important parameter to gauge the strength of bank is quality of assets. The motto of quality of assets helps to know the components of non-performing assets to total assets in terms of percentage. Asset quality ratio is of two types namely: 1) The gross non-performing assets to net advance ratio refers to the gross non-performing assets as percentage of net advances. 2) The net non-performing assets to net advances ratio refers to net non-performing assets as deducted by net provisions on non- performing assets and interest in suspense account from the gross non-performing assets

Management Efficiency: The management efficiency of urban cooperative bank indicates the efficiency and effectiveness of management of it on which the vision and goal can be set. In this case, a premium can be assigned to better quality services which being rendered by urban cooperative bank and discount to poorly management urban cooperative bank.

Earnings Qualit: Quality of earnings is an important criterion to any financing institution on which determines the ability of urban cooperative bank how consistently, it is efficient. In other words, profitability of urban cooperative bank explains its sustainability and conduct of business for earning profits in future. This parameter gains importance in the light of argument that a bank is earned much of income through non-core activities like investment, treasury operations and advisory services and so on. The earning quality of urban cooperative bank in the study is explained by the ratio of operating profit to average working funds.

Liquidly: Liquidity means easily changeability of non-cash assets into hard-cash. Liquidity is risk as the financial institutions identify numerically the probable non-risk, if any, investments made in the securities and non- cash assets. If fails to correct and right approach, it becomes a curse to the image of urban cooperative banks and affect adversely their image in the market of financing institutions. Hence, the careful as well as caution is to adopt while proper taking proper care to hedge the liquidity risk while making decision for investment of funds. Also needs to take decision for ensuring good percentage of return on funds invested in securities. It will certainly generate profit with provision of liquidity to the depositors. It is measured by liquidity assets to total assets of the banks. Data on liquidity of sample urban cooperative banks in March 2012 is presented in Table 3.

Table 3 Liquidity

Bank 1	**Govt. Securities % to Col.6** 2	**Term Deposits % to Col. 6** 3	**Total (2+3) % to Col.6** 4	**Non- SLR % to col.6** 5	**Total $ in crore** 6
Bharat Bank	64	24	88	11	78475
S. S. Bank	71	12	83	10	81372
Thyagaraja Bank	70	16	86	8	77531
Amanath Bank	71	14	85	7	89586

Source: Annual Reports, Sample Urban Cooperative Bank

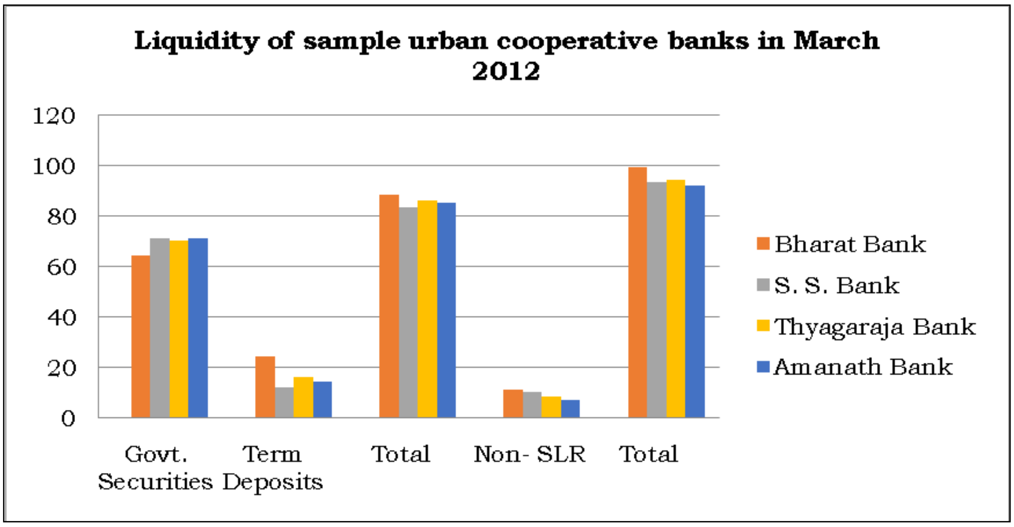


Figure 4 Liquidity of Sample Urban Cooperative banks in March 2012.

This strategy of urban cooperative banks is enough sound principle of investment of assets which probably low risk. It supports a view as to the availability of opportunity in investment in Government securities considered as most safe debt instrument. However, it carries a lower return. This analysis infers that the Government securities which are risk-free are higher investment ratio and lower-risk involved in the investment of urban cooperative banks.

COST OF MANAGEMENT

The management cost is supposed to be the expenditure incurred in a given period towards carry of the business to attain higher profits and to reduce expenses of cost of management. The management cost is to be judged with reference to the total revenue as well as the total expenditure in a given period. When the profit is zero, the management cost to total expenditure is equal to management cost to total revenue. If the profit is greater than the zero, then the management cost to total expenditure is greater than management cost to total revenue. Symbolically, the notation is written as:

When profit is zero, MCe = MCr

When profit is > zero, K = MCe – MCr

Where,

MCe = management cost to total expenditure, MCr = Management cost to total revenue

K = Difference factor. The management cost is calculate for the sample four urban cooperative banks and is given in Table 4

Table 4: Cost of Management

Year	**Bharat Bank**			**S. S. Bank**		
	MCc	**MCr**	**K**	**MCc**	**MCr**	**K**
2006	28.24	18.17	10.07	40.38	35.80	4.58
2007	25.99	17.81	8.18	36.32	30.02	6.30
2008	21.34	16.54	4.80	34.28	33.95	0.33
2009	18.51	14.31	4.20	34.79	28.77	6.02
2010	19.96	15.00	4.96	34.70	30.56	4.14
2011	22.07	17.04	5.03	33.60	23.77	9.83
2012	22.97	16.90	6.07	30.05	23.49	6.56
Average	22.72	16.54	6.18	34.87	29.48	5.39

Year	Bharat Bank			S. S. Bank		
	MCc	**MCr**	**K**	**MCc**	**MCr**	**K**
2006	21.13	17.56	3.57	34.90	25.77	9.13
2007	20.76	18.12	2.64	33.67	25.68	7.99
2008	21.55	21.02	0.53	32.98	25.48	7.50
2009	19.51	19.24	0.27	31.80	25.12	6.68
2010	23.64	21.94	1.70	32.44	25.95	6.49
2011	28.48	26.19	2.29	34.19	27.96	6.23
2012	30.41	24.93	5.48	30.99	25.56	5.43
Average	23.64	21.28	2.35	32.99	25.93	7.06

Source: Computed on the basis of data available in Annual Report, Urban Cooperative Banks.

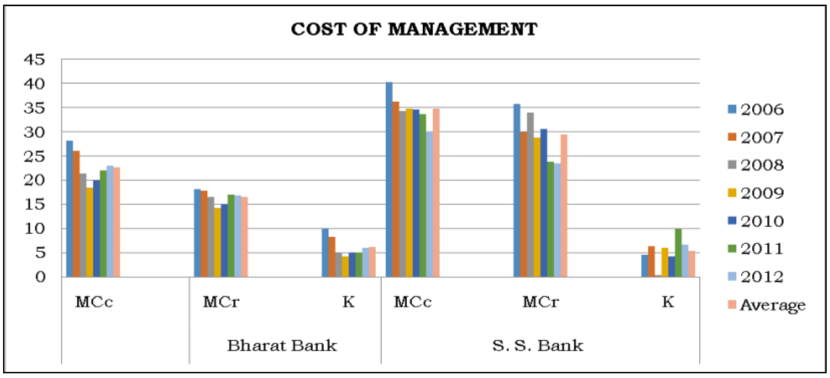
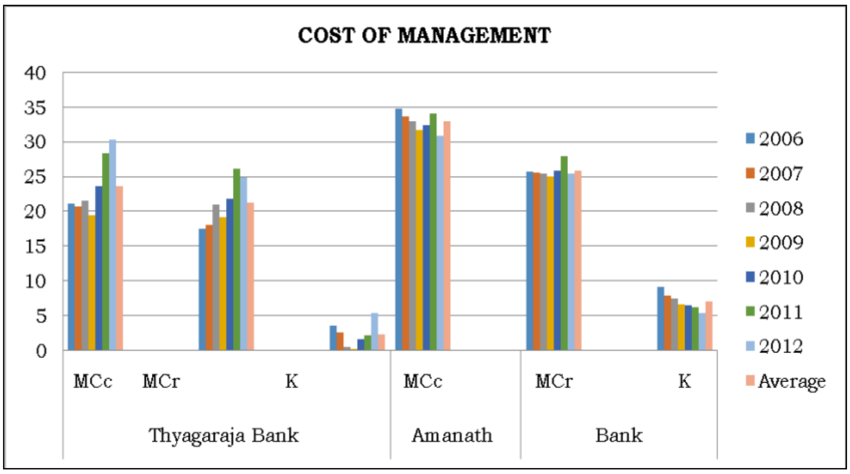


Figure 5: Cost Management



The ‘K’ factor is positive which means the management cost to total expenditure is more than the management cost to total revenue. It is because of the high cost deposits. Further, an increase in management cost mainly arises from the expenses incurred on payment of salaries and wages paid, all these figures detailed along percentages through figure 5.

PROFITABILITY

Profit indicates the success of an institution. In principle, the per unit cost of variable is constant and per unit fixed cost is variable. The urban cooperative banks are also the business organizations though not commercial organizations. They have their organizational objectives mix. The main objective of these banks is to serve their members and customers. They must generate adequate surplus for the sound and sustainable financial health. The profit margin is the major parameter to evaluate the financial performance. The urban cooperative banks, to- day, have been experiencing decline in productivity and erosion in profitability. They are facing a tough challenge to deliver at high expectation in a fiercely competitive credit environment and scepticism expressed on creditworthiness of borrowers and viability of the institution. The effective management of urban cooperative banks for profitability is presented below as:

At BEP, Rt = Ct, Ct – FCt + VCt, After BEP Rt > Ct , therefore K = Rt - Ct

Where , Rt = per rupee unit revenue, Ct = per rupee unit expenditure, FCt = per rupee unit fixed cost, VCt = per rupee unit variable cost, K = difference factor. The difference factor, ‘k’ shows the efficiency or inefficiency of the management of urban cooperative bank. The less FC_t, the more is utilization of funds with the existing cost of management. This leads to increase in k factor because the other factor VC_t is remain constant unless and until, a change takes place in the rate of interest. Thus, the higher ‘k’ factor results in lowering FC_t. The indicator of profitability is calculated and is presented in Table 5 and detailed along figure 6.

Table 5: Indicator of Profitability

Bank	Year	FC_t	VC_t	R_t	C_t	K
Bharat:	2005-06	0.02	0.05	0.10	0.08	0.02
	2011-12	0.03	0.07	0.13	0.10	0.03
S. S:	2005-06	0.04	0.06	0.10	0.09	0.01
	2011-12	0.03	0.09	0.15	0.12	0.03
Thyagaraja:	2005-06	0.02	0.06	0.09	0.08	0.01
	2011-12	0.03	0.10	0.13	0.11	0.02
Amanath:	2005-06	0.02	0.04	0.07	0.06	0.01
	2011-12	0.03	0.09	0.12	0.10	0.02

Source: Computed from data Annual Reports data, Urban cooperative Banks

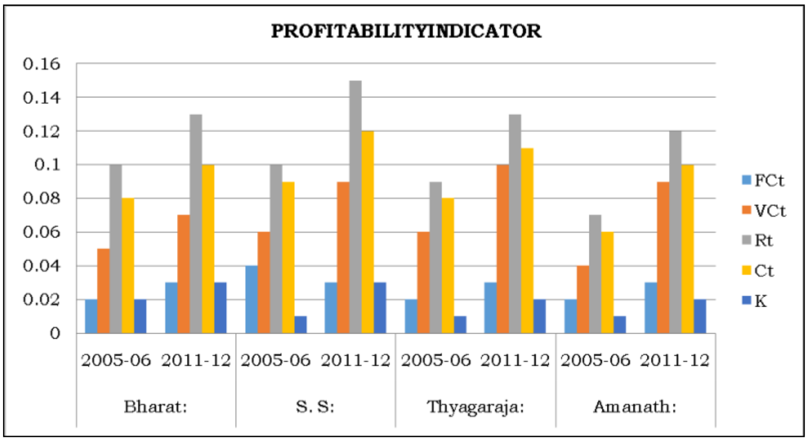


Figure 6: Profitability Indicator

NON-PERPORMING ASSETS

Managing the non-performing assets of banks is a major critical function of the management. In case of urban cooperative banks, members of the Board need to be thoroughly conversant with all the prudential norms and equip themselves with the tools to supervise the management of non-performing assets by the executives on an on-going basis. Every urban cooperative bank should preferably have a standing sub-committee to study in detail as well as in-depth its non-performing assets and take the time-bound course action to fortify that the non-performing assets accounts should need to take up u-turn. Data on the non-performing of the sample urban cooperative banks is presented in Table 6 (Fig.7).

Table 6: Non-Performing Assets

($ in crore)

Year	Bharat Bank	S. S. Bank	Thyagaraja Bank	Amanath Bank
2005-06	9.46	12.76	10.14	26.15
2006-07	9.54	10.26	10.90	24.49
2007-08	9.59	13.88	7.23	20.89
2008-09	9.73	17.25	7.03	19.20
2009-10	9.77	16.87	6.97	14.51
2010-11	9.78	12.73	6.37	14.61
2011-12	9.86	12.08	7.98	14.02
Mean	9.67	13.69	8.09	19.12

Source: Annual Reports, Sample Urban Cooperative Banks

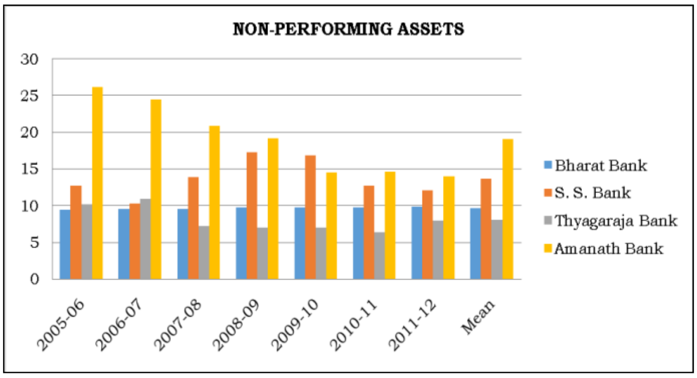


Figure 7: Non-Perporming Assets

The drastic change in banking sector norm is responsible for the growth of non-performing assets. In order to derive benefits, the urban cooperative banks advanced the loans to the various projects without considering their viability. Hence, there is a rise in non-performing assets. It is a great shock to see that loans advanced to friends and relatives without studying the capacity to repay and all norms prescribed were grossly neglected. The other reason for the increase in non-performing assets is the policy of public sector banks in advancing. In order to compete with the policy of advancing loans to the walk-in-customers on one signature, the urban cooperative banks has to advocate loans and should find their own solutions for recovery and expansion of business. The recovery position of the urban cooperative banks is not up to the mark as is found during the survey period. The reasons for fluctuating trend in non-performing assets of the urban cooperative banks reasons being, Directed and approved nature of loans sanctioned under sponsored programme, Diversion loans by the borrowers, Inadequate security or absence of adequate security, Lack of ineffective supervision over utilisation of loans, Ineffective measures taken by the banks for the recovery of advances, Political compulsion and corruption.

HYPOTHESIS TESTING

The collected response from the borrower-respondents on the issues mentioned in Table 7 with regard to the good governance of urban cooperative banks for the benefit of them as well as the borrowers is transformed in terms of percentage to total sample respondents of 160 and is presented in table 7 and detailed along figure 8.

Table 7: Governance of Urban Cooperative Banks (In %)

Particulars	High	Medium	Low	Total
Corporate mission and goal	46	42	12	100
Transparency	19	69	12	100
Effective Board of Directors	30	60	20	100
Norms and guidelines	44	48	08	100
Audit and vigilance	36	50	15	100
Working of special committees	12	62	26	100
Risk profile	30	52	18	100
Customer relationship management	18	62	20	100
Innovative products and services	32	34	34	100
Professionalism	33	28	39	100

Source: Field Survey

Chi-square = 12.86 and Table value =24.869 Result: Ho accepted

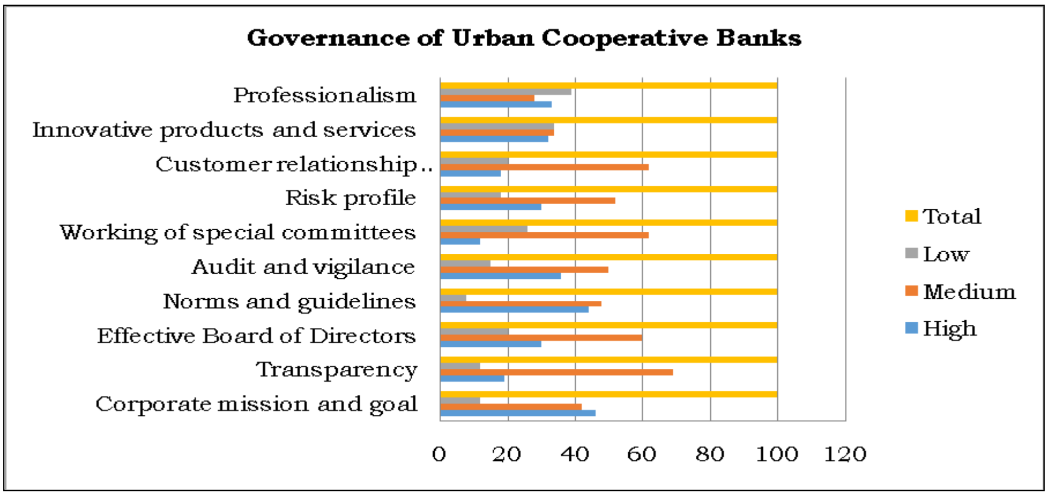


Figure 8: Governance of urban cooperative banks.

RESULTS AND DISCUSSIONS

- ✍ On an average, the increase in the use of funds is accounted for 101.92 per cent, 104.11 per cent, 101.53 per cent and 100.43 per cent in the case of Bharat bank, S. S. bank, Thyagaraja bank and Amanath bank respectively. It infers from the Table analysis that: Fund flow management is sound operationally, the urban cooperative banks could improve operational results, the percentage allocation of elasticity of funds is picturised in table 1, figure 1
- ✍ In Tier-I capital, it is 77.82 per cent, 80.06 per cent, 78.02 per cent and 73.86 per cent in case of Bharat bank, S. S. Bank, Thyagaraja bank and Amanath bank respectively. The Tier-II capital never exceeded the prescribed limit of 50 per cent in any sample urban cooperative banks, the subsequent percentage allocations of capital adequacies being depicted through table 2, figure 3.
- ✍ The investment of assts by the sample urban cooperative banks in the Government securities and term deposits to total is accounted for 64 per cent and 24 per cent of $ 78475 crore in case of Bharat bank, 71 per cent and 12 per cent of $ 81372 crore, 70 per cent and 16 per cent of $ 77531 crore and 71 per cent and 14 per cent of $ 89586 crore respectively' which otherwise investment in statutory liquid assists worked out at 88 per cent, 83 per cent, 86 per cent and 85 per cent for the above urban cooperative banks respectively, the same values being detailed trough percentages via Table 3, figure 4.
- ✍ The difference factor; 'K' for the four sample urban cooperative banks during the period of seven years from 2005-06 to 2011-12. The difference factor "k" is 10.07, 8.18, 4.80, 4.20, 4.96, 5.03 and 6.07 with mean f 6.18 in Bharath bank during the period seven years from 3005-06 to 2011-12 respectively with mean of 6.18; the figures fare 4.58, 6.30, 0.33, 6.02, 4.14, 9.83 and 6.56 with mean of 5.39; in case of S. S. Bank; 3.57, 2.64, 0.53, 0.27, 1.70, 2.29 and 5.48 with mean of 2.35 in case of Thyagaraja bank; and 9.13, 7.99. 7.50, 6.68, 6.49, 6.23 and 5.43 with mean of 7.06 in case of Amanath bank respectively. In all the four sample urban cooperative banks, the 'K' factor though positive but discerns at value implying that the phenomenon is appreciating in all the cases which being visualized by the fact of average margin maintained at 1.47, 2.53, 2.47 and 1.99 (Table 4, figure 5) by Bharat Bank, S. S. bank, Thyagaraja bank and Amanath bank respectively.

- The 'k' factor is 0.02, 0.01, 0.01 and 0.01 in case of Bharat bank, S. S. bank, Thyagaraja bank, Amanath bank respectively in 2005-06 while the figures in 2011-12 are 0.03, 0.03, 0.02 and 0.02. In case of S. S. bank only, the difference factor 'k' has increased by 0.02 whereas in case of Bharat bank, Thyagaraja bank and Amanath bank, it is increased by 0.01, 0.01 01 respectively. In all these cases, an increase in the difference factor implies that the occurrence of more proportionate change in revenue than cost. Comparatively, the S. S. bank has utilized its funds with the existing cost of management while in others the fixed cost is increased (Table 5, figure 6).
- The Bharath cooperative banks position regarding non-performing assets is concerned that right from 2005-06 to 2011-12 is on the rise. The non-performing assets were $ 9.46 crore in 2005-06 and $ 9.86 crore in 2011-12 with average of $ 9.67 core. The corresponding figures in S. S. bank are $ 12.76 crore and $ 12.8 crore with average of $ 13.69 crore; in Thyagaraja bank are $ 10.14 crore and $ 7.98 crore with average of $ 8.09 crore and in Amanath bank the figures are $ 26.15 crore and $ 14.02 crore with mean of $19.12 crore respectively (Table 6, figure 7).
- The test of chi-square is supported the null hypothesis. It is very clear from the analysis given in Table 7 that the null hypothesis is accepted at 5 per cent level of significance as it is less than the table value Therefore, it is inferred that the hypothesis stands accepted.
- The practices of sample urban cooperative banks are very well within the corporate governance pertaining to the aspect of corporate mission and goals, audit and vigilance, norms and guidelines corporate, Mission and goals, transparency, effective Board of Directors and innovative products and services governance, professionalism, and innovative products and services. In most of the parameters the respondents have shown more than eight high or medium satisfactions. (figure 8).

MAJOR FINDINGS OF THE STUDY

- The elasticity of fund use of the sample urban cooperative banks which is more than one in all them during the study period. This fact unfailingly indicates that the average increase in the use of funds is more than the average increase in sources of funds.
- The sample urban cooperative banks have the fulfilled the norm of capital adequacy.

- In all the four sample urban cooperative banks, the 'K' factor though positive but discerns at value implying that the phenomenon is appreciating in all the cases which being visualized by the fact of average margin being well maintained.
- The difference factor, 'k' is positive in all the sample urban cooperative banks during the study of period of seven years.
- The urban cooperative banks working effectively leading in more efficiency in terms of more revenue and also effective in reducing cost of management. The above is possible since location of the sample urban cooperative banks in the City Headquarters.
- The banks need to pay more attention on the areas like customers' relationship, transparency and working special committees. The opinion of respondents suggests that urban cooperative banks need to practice good corporate governance with respect to the customer relationship management which will help them to mach forward with greater customer satisfaction and sustained growth.

Conclusion:

To conclude that the working urban cooperative banks would need to strengthen them in rendering services including the provision of credit to the needy weaker section people of urban area of the country being assigned the responsibilities and design-making authority to the management incorporating a hierarchy required approvals from individual, committees and the Board of Directors. The urban cooperative banks need to establish a better mechanism for the interaction and cooperation among the Board of Directors, managers and auditors. Develop the internal control system including internal and external audit function, risk management function, independent of business line and other checks and balances. Need a special Monitoring Cell to the risk exposure where the conflicts of interest are likely high. A strategy should articulate by the urban cooperative banks against which the success of overall operations of banking enterprise and the contribution of the individuals could be measured. Flow of informational internally is the need of the hour for interaction of employees as well as to the public forthwith. The urban cooperative banks maintain a better management with regards to prudential norms operationally.

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