



**A STUDY ON MACRO ANALYSIS OF URBAN COOPERATIVE  
BANKING IN INDIA**

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**ABSTRACT**

*The urban cooperative banks aim at the promotion of economic interests of urban people of meager means. Historically, the background for organizing urban cooperative banks was the same as those for the top cooperatives. The motto of the urban cooperative banks was to facilitate promotion of economic interest and thrift and self-help among the people of small means. The role of urban cooperative banks may not be efficient in comparison with that of commercial banks but it is an integral part the cooperative credit movement. Thus, the urban cooperative banking is strong and sound in the credit structure of the cooperative movement. Poverty is the root cause of economic ills. The phenomenon of poverty is more in rural areas, the population of which has been flowing to the urban areas. The urban cooperative banks have a lot to do to curb increasing urban poverty through the provision of credit and other need banking services. The input which is not only important but also utilized the other inputs on its presence is called credit. In line of credit deployment, to what extent and how effective the urban cooperative banks are sustaining, have they been effective in mobilising savings as deposits, have they been in sound line in financial status, being evaluated in this study.*

*Key Words: Cooperative Banks, economic interest, credit deployment, mobilising savings, deposits, poverty.*

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## **INTRODUCTION**

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 services of urban cooperative banks in deploying credit and rendering other services are indispensable and important for qualitative improvement in the economic conditions of poor people in urban areas and thereupon social status. 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.

## **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. The contribution of urban cooperative banks in promoting the socio-economic status of the weaker sections and the nation's economic development has been recognized as a progressive key factor. The urban cooperative banking sector has been attracted the attention of many researchers, academicians and planners. 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.

Bansal has thoroughly examined the working of urban cooperative movement and observed thus: "The urban cooperative movement has Rajendra Singh growing stronger day-by-day and become self-reliant." the then Honourable Minister for Agriculture and Cooperation has pointed out that "the urban credit sector has 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."

Man Mohan Singh, the then Governor of Reserve Bank of India expressed the motive role of the urban cooperative banks in India as: "The urban cooperative banks play a very useful and purposeful role in promoting the habit of thrift and savings; and a major portion of their advances was to help the persons of small means as well." On the study of urban cooperative banks, Raje has categorically observed that "the urban cooperative banks have made satisfactory progress only after they came under the control of Reserve Bank of India. They banks are progressing on the strength of their own funds."

Gotawale, S.R., the former Honourable Minister for Co-operation, Government of Rajasthan has critically noticed that "17 urban cooperative banks are working in the desert State of Rajasthan and 32 per cent of their loans had been provided to the weaker sections of the urban society." Adisheshaiah who expressed his opinion on urban cooperative banks as: "Almost all the urban cooperative banks were self-reliant." The interfering by the State Government as well as the Reserve Bank of India is hindering the progress of urban cooperative banks in the country.

Krishna Rao, the ex-president Andhra Pradesh State Cooperative Town and Urban Cooperative Banks Federation Limited, expressed his as: "The Infinity of urban cooperative banks in Andhra Pradesh is to comply with the Reserve Bank of India's directive of 60 per cent of loans should be provided to priority sector." An inferential conclusion that Patil drawn is as: "The urban cooperative banks have registered a considerable progress in making the need requirements of the persons of small means."

Subscribing to the view of the Maclagan Committee, Patil on urban cooperative banks opined thus: "The urban cooperative banks are an ideal Institutions to meet the credit and banking service requirements of small means like the low-middle class people, wage earners, labour class, small traders and entrepreneurs, artisans, blacksmiths etc." On critically examination the working of urban cooperative banks by Singh who drew his conclusion thus: "All is not well with the working of urban cooperative banks. There is certainly a difference in their concept and practice. A strong view on part of urban cooperative banks is that the checked all the deficiencies and unhealthy trends which to give a true urban bank character."

## **OBJECTIVES OF STUDY**

The main motto of the urban cooperative banking is to promote the socio-economic status of the small means of people of urban society. The focuses of the specific objectives of the present study are given below.

1. To diagnose the macro analysis of urban cooperative banks
2. To study the sources of funds and deployment of funds of banks including priority sector finances
3. To examine the management of funds
4. To analyse the managerial performance

## **METHODOLOGY**

The present study is confined to the functioning of urban cooperative banks 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. A two-stage 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 aspects of urban cooperative banks for the weaker sections in the study area of Bangalore city. The aspects covered are sources of funds, deployment of credit, recovery of credit, flow of funds and managerial performance including democratic management. The study covers a period of seven years from 2005-06 to 2011-12. The study is empirical in nature.

## **SAMPLE SELECTION**

A sampling approach is adopted in the present study, 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, 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 selection of households who availed the services of urban cooperative banks is concerned itself in the second stage. A pre-designed schedule was administered to 160 respondents for eliciting their opinion on the working of urban cooperative banks from which they availed services and suggestions for strengthening them. This sample of 160 was selected at the rate of 40 each from four urban cooperative banks. Whoever coming out from the sample urban cooperative banks after availing the services of them banks were administered the schedule. For the purpose of eliciting opinion including suggestions, four intervals were adopted each spreading a period of 15 to 20 days. 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. The Coefficient of Variation is used to know the variation in the progress of business variables during the period. The less the coefficient of variation, the more is the consistency or uniformity.

A linear growth rate is studied to know the operational efficiency of sample urban cooperative banks. The elasticity of funds use is applied to know the measure of efficiency and utilization of funds. The tools applied for the variables of membership, share capital, reserves, owned funds, deposits mobilization, credit deployment and recovery of credit. To explain the recovery (independent variable) Involvement in lending credit (dependent variable) Karl Pearson's Correlation coefficient is used. The formulas of the tools studied in the study are:

(1). Coefficient of Variation (CV) = S.D/Mean x 100

$$\Delta U/U$$

(2). Elasticity of Funds Use (E.)= -----

$$\Delta S/S$$

Where,

$\Delta U$  = Change in use of funds,  $\Delta S$  = Change in source of funds, S = Total source of funds, U = Total use of funds

(3) Break-Even-Point (BEP) = FC/CR

$$CR = AR - VC$$

$$AR = TR/OP$$

$$VC = VC/OP$$

Where,

FC =Fixed cost, CR = Contribution ratio, AR =Average revenue, VC= Variable cost per unit, Op =Total output, TR =Total revenue

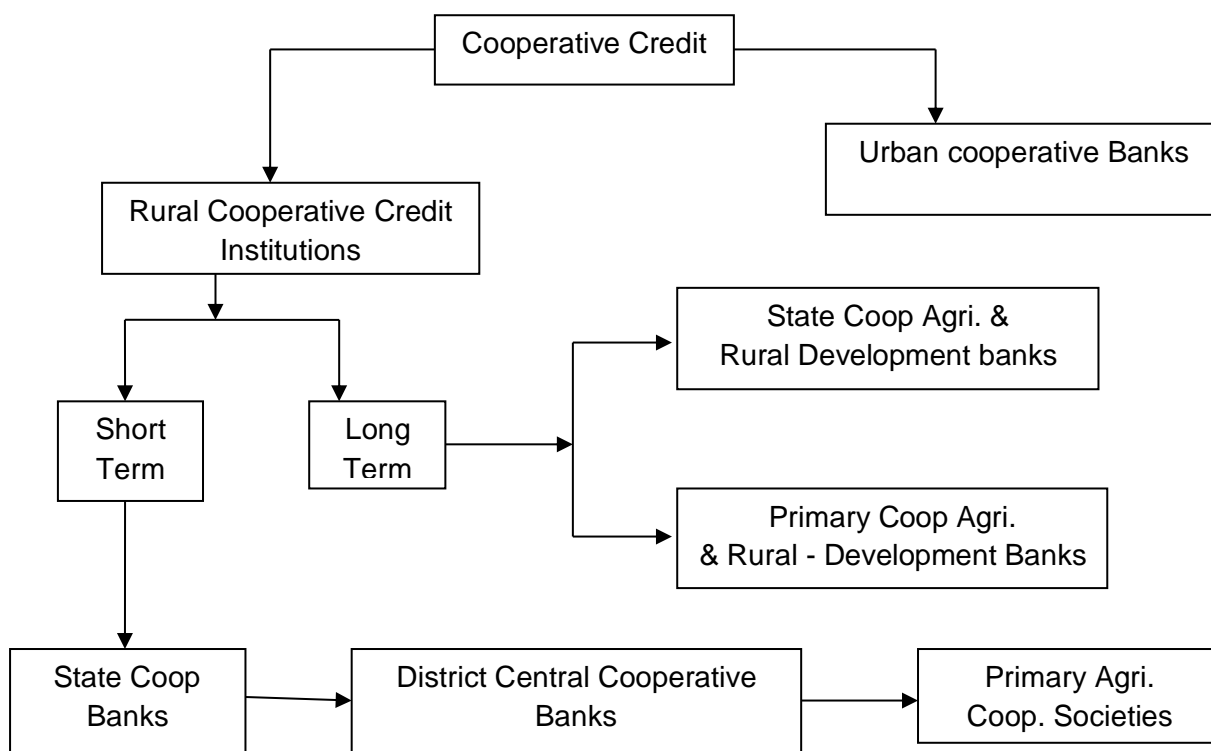
## **RATIONAL OF STUDY**

The findings the on empirical and analytical approach of this study has been made suggestions for sound operations of urban cooperative banks. The suggestion made on logical conclusions would certainly help framework and prescription of policy to the urban cooperative banks the study area or elsewhere in the country. Further, the study will add Literature to the subject.

## LIMITATIONS OF STUDY

The present study is based on the performance of urban cooperative banks and drawing logical conclusions on which offering suggestions. The study is based on the secondary and primary data; these two types sources of data are subject to the limitations - the former is take on figures appeared in annual reports while the latter is subject the memory remembrance of pact events

## CHART-1: ORGANIZATION STRUCTURE OF COOPERATIVES



## PERFORMANCE OF URBAN COOPERATIVE BANKS

The urban cooperative banks were brought under the ambit of the Banking Regulations Act of 1949 in 1966. The spatial pattern of the urban cooperative banks is highly skewed. They are largely concentrated in five States namely Maharashtra, Gujarat, Karnataka, Tamilnadu and Andhra Pradesh accounting for about 79 per cent of total urban cooperative banks in the country. Of this, the Maharashtra alone accounts for about 32 percent of the urban cooperative banks. A regional imbalance in the growth of urban cooperative banks is observed. Of the urban

cooperative banks, 35 per cent of urban cooperative banks had a deposit base of less than ₹ 10 crore and 9.00 per cent had a deposit base between ₹ 10 crore and ₹ 25 crore.

The late Involvement of Reserve bank of India in the development of the urban cooperative banks, their poor Image among the public, absence of cooperative leadership and lack of appropriate cooperative environment are the important reasons for the uneven growth of urban cooperative banks in the country.

Data on the performance of urban cooperative banks in the country is presented in Table 1 along with figure 1 shows the trends in number of urban cooperative banks, owned funds, deposits, borrowings, working capital and credit deposit ratio during the period of 1951 and 2011. In 1951 and 1971, the owned funds of 930 and 946 urban cooperative banks had ₹ 6 crore and ₹ 17 crore with deposits of ₹ 20 crore and ₹ 217 crore; working capital of ₹ 27 crore and ₹ 307 crore and overdues of ₹ 2 crore and ₹15 crore respectively.

The owned funds which were ₹ 1481 crore in 1991 has increased to ₹ 10826 crore in 2001 and ₹ 12044 in 2012. The corresponding figures in deposits are ₹ 10157 crore, ₹ 80840 crore and ₹ 95898 crore; in case of borrowings ₹ 377 crore, ₹ 2069 core and ₹ 1712 crore; in working capital, ₹ 13390 crore, ₹ 103042 crore and ₹ 113486 in crore and credit-deposit ratio of 79, 67 and 56 respectively. The borrowings as proportion of working capital are meagre of 2.81 per cent in 1991, 200 per cent in 2001 and 1.51 per cent in 2012. Credit-deposit ratio is widely used as indicator of deployment of credit. It ratio is indicative of the profitability of bank. The credit-deposit ratio of sample urban cooperative banks is around 65 during the period from 19951 to 2012.

Table 1: Performance of Urban Cooperative Banks. (₹ in crore)

Year	Banks	Owned Funds	Deposits	Borrowings	Working capital	CD Ratio
1951	930	06	20	57	27	62
1971	946	56	217	186	307	67
1991	1306	1481	10157	377	13390	79
1992	1401	1766	11108	544	14742	78
1993	1399	2224	13531	565	18007	74
1994	1400	1766	11108	544	14742	78
1995	1431	3239	19711	664	25997	74
1996	1501	3848	24165	756	31744	74
1997	1653	4695	30704	619	39570	70
1998	1502	5985	3691	886	52229	68
1999	1587	7314	52617	1040	66985	65



Year	Banks	Owned Funds	Deposits	Borrowings	Working capital	CD Ratio
2000	1784	9314	71189	1475	90301	65
2001	1618	10826	80840	2069	103042	67
2002	1854	13797	91069	NA	115696	67
2003	1941	10834	92546	1590	111746	64
2004	1926	12348	93256	1484	NA	62
2005	1902	12456	94543	1564	112578	61
2006	1884	12893	94660	1587	112763	60
2007	1776	12985	95096	1598	112802	60
2008	1863	12554	95345	1650	112808	65
2009	1652	11687	95821	1668	113012	88
2010	1662	11842	95833	1699	113214	67
2011	1645	11965	95833	1702	113301	70
2012	1824	12044	95898	1712	113486	71

Source: Reserve Bank of India, Trends and Progress in Banking

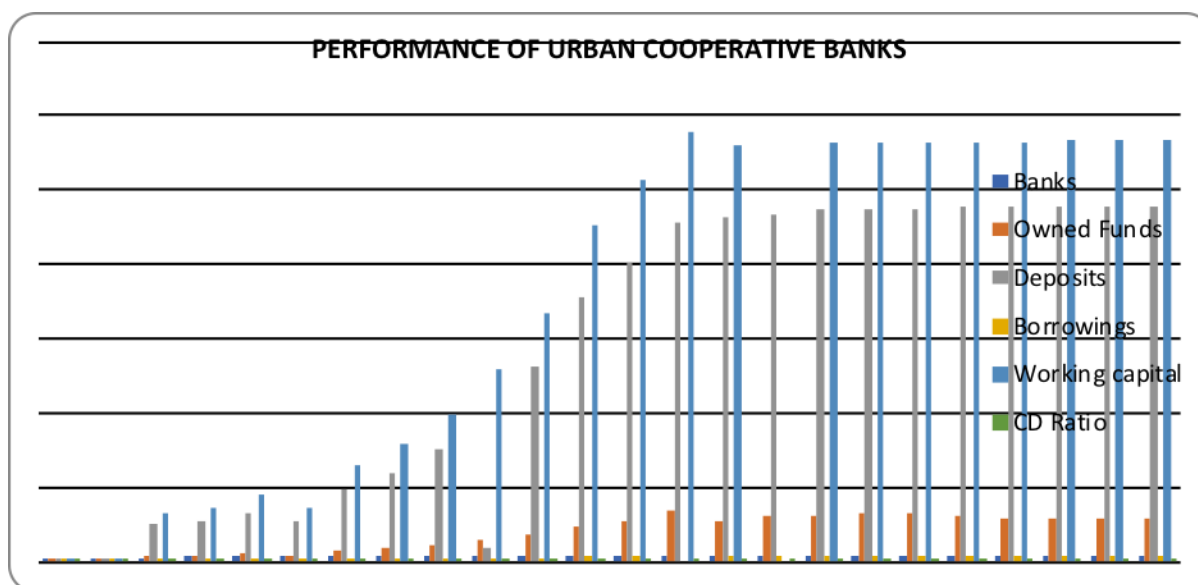


Figure 1: Performance of urban cooperative banks

## DEPOSITS AND CREDIT SIZE-WISE

Mobilization of deposits and deployment of credit size-wise of the urban cooperative banks in India as on March 31, 2011 is presented in Table 2 alongwith figure 2, shows that the size-wise of deposits mobilization and deployment of credit of urban cooperative banks in India as on March 31, 2011. The size of more than ₹ 500 crore, ₹ 500 to ₹ 1000 crore, ₹ 250 to ₹ 500 crore, ₹25 to ₹ 590 crore, ₹500 crore, ₹ 100 to ₹ 250 crore, ₹ 50 to ₹10 crore accounts for 28 or 1.70 per 25 crore and \* 10 to 25 crore and less than 41 or 2.50 per cent, 91 or 5.53 per cent, 206 or 12.52 per cent, 245 or 14.90 per cent, 318 or 19.33 per cent, 418 or 25.41 per cent and 298 or 18.11 per cent respectively.

The corresponding figures in case of credit deployment with the same vise amount are 17 or 1.03 per cent, 27 or 1.64 per cent, 50 or 3.04 cent, 148 or 9.00 per cent, 182 or 11.06 per cent, 259 or 15.74 per cent, 446 or 27.11 per cent and 516 or 31.38 per cent respectively.

Table 2: Amount-Wise Deposits and Credit (March 2011)

Deposit/credit range (₹ in crore)	% to total UCBS (Banks 1863)	% to total Deposits (₹ 94069 crore)	% to total Credit (₹36341)
> 1000	0.75	22.96	33.40
500-1000	0.86	9.94	14.02
250 - 500	2.58	15.10	12.78
100 - 250	7.62	19.52	15.33
50 - 100	11.27	13.51	8.92
25 - 50	16.21	9.38	7.22
10-25	24.35	6.57	5.43
5-10	18.02	2.21	2.15
<5	18.354	0.81	0.75
Total	100.00	100.00	100

Source: Reserve Bank of India, Trends and Progress in Banking.

Further Table 2 shows that the size-wise of deposits mobilization and deployment of credit of urban cooperative banks in India as on March 31, 2011. The size of more than ₹500 crore, ₹500 to 1000 crore, 250 to e 200 crore, 100 to 250 crore, 50 to 100 crore, 25 to 590 crore, to 25 crore and less than ₹10 crore accounts for 28 or 1.70 per 541 or 2.50 per cent, 91 or 5.53 per cent, 206 or 12.52 per cent, 245 or 14.90 per cent, 318 or 19.33 per cent, 418 or 25.41 per cent and 298 or 18.11 per cent respectively.

## CREDIT TO WEAKER SECTIONS

The urban cooperative banks play an important role in providing adequate and timely credit to the small and weak sectors of the society. The priority sector target lending to the urban cooperative banks was set at 40 percent of adjusted bank credit or credit equivalent amount of balance et exposure, whichever is higher, as on March 31, 2010. Advances to the priority sector by the urban cooperative banks constituted almost 46 cent of their total advances disbursed by them.

A further break-up rather break-up of total priority sector advances of the urban cooperative banks revealed that the small enterprises and housing loans constituted ₹ 11928 or 62.94 per cent and 21.22 per cent respectively of vital priority advances of ₹18951 crore. By the end of March 2011, almost 12.8 per cent of urban cooperative banks' total credit was

distributed to weaker sections. The advances to the weaker sections constituted almost 30 per cent of total priority sector advances as at March 2011. Data on the weaker section people's loans is presented in Table 3 (figure 3).

Table 3: Credit to Weaker Sections

Sector	Amount (₹ in crore)	% to total credit
Agriculture and allied activities	1507	1.1
Small enterprises	11928	7.3
Microcredit	1000	0.1
State sponsored SC/STs	96	0.1
Educational loans	399	0.3
Housing loans	4021	2.9
Total	18951	12.81

Source: Reserve Bank of India, Trends and Progress in Banking

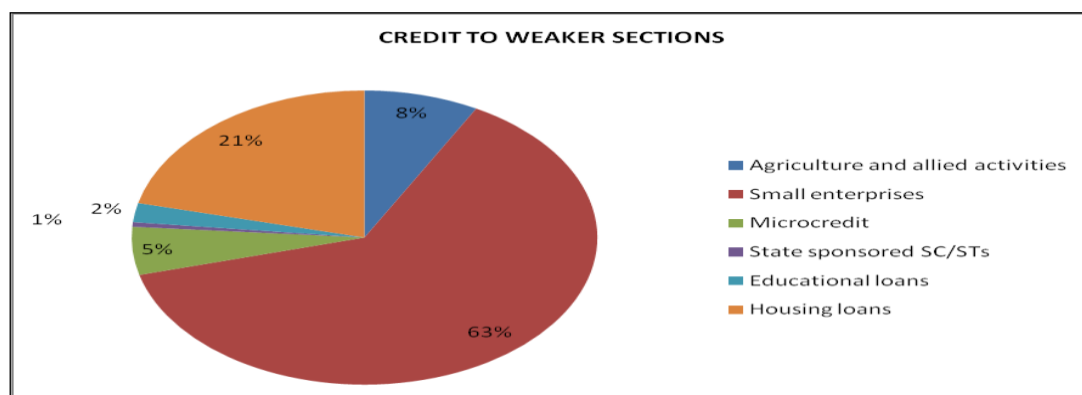


Figure 3: Credits to weaker sections

## IMBALANCES

Over a century old a century old urban cooperative credit movement to-day has a network of 2084 urban cooperative banks with 7368 branches outlets d all over the country. The deposits and credit of them constitute for about 9 per cent and 8 per cent of the aggregate deposits and credit of ha banking system respectively. In so far as the growth and performance are concerned, it may be mentioned that the urban cooperative banks were a shade better than the scheduled commercial banks. The prudential standards and regulatory system prescribed the urban cooperative banks were relatively soft in comparison with those of commercial banks. It is partly on account of historical reasons and party due to the preferential treatment of cooperative structure in general. The bench mark considers the growth and performance of urban cooperative banks with that of the banking industry after 2000 and onwards, then the scenario undergoes change towards a declining trend. For this, a host of actors like increasing

competition, tightening prudential standards and vision and regulatory standards, multiple controls and alike are responsible.

The discernible feature of urban cooperative banks structure are heterogeneity and unitary in nature. The larger urban cooperative banks numbering just 51 accounts for more than 40 per cent of the business as against 800 urban cooperative banks accounting for just 6 per cent. The structure of urban cooperative banks is exemplified by its pronounced focus on the needs of small men and microcredit sector. The average size of the loan works out to can works out to be relatively low and an overwhelming segment urban cooperative banks have been able to comply with the priority sector lending targets.

The urban cooperative credit movement in general and the number of urban cooperative banks in concentrated in few States. A noticeable feature of the urban cooperative banks is its financial independence and is not surviving on external assistance. In fact, urban cooperative banks have been supporting federal units - district central cooperative banks and State cooperative banks - by keeping their surplus resources in the form of deposits. Financial position of the urban cooperative banks as on March 31, 2011 is shown in Table 4 (Fig. 4).

Table 4: Financial Position of Urban Cooperative Banks

(₹ in crore)

State	UCBS	Share Capital	Reserves	Owned Fund	Deposits	Working capital
Maharashtra	594 (31.88)	1148 (44.95)	4550 (40.28)	5698 (41.74)	53866 (57.26)	60990 (52.75)
Gujarat	310 (16.64)	472 (18.48)	4786 (42.37)	5258 (38.52)	16668 (17.72)	23887 (20.66)
Karnataka	295 (15.83)	314 (12.29)	686 (6.07)	1000 (7.32)	7797 (8.29)	9288 (8.03)
AP	139 (7.46)	126 (4.93)	266 (2.35)	392 (2.88)	3542 (3.76)	4782 (4.14)
Tamilnadu	136 (7.30)	132 (5.17)	283 (2.51)	415 (3.04)	3275 (3.48)	4147 (3.59)
Other States	389 (20.88)	362 (14.18)	725 (6.42)	888 (6.50)	8921 (9.49)	12522 (10.83)
Total	1863 (100)	2554 (100)	11296 (100)	13651 (100)	94069 (100)	115616 (100)

Source: Reserve Bank of India, Trends and Progress in Banking

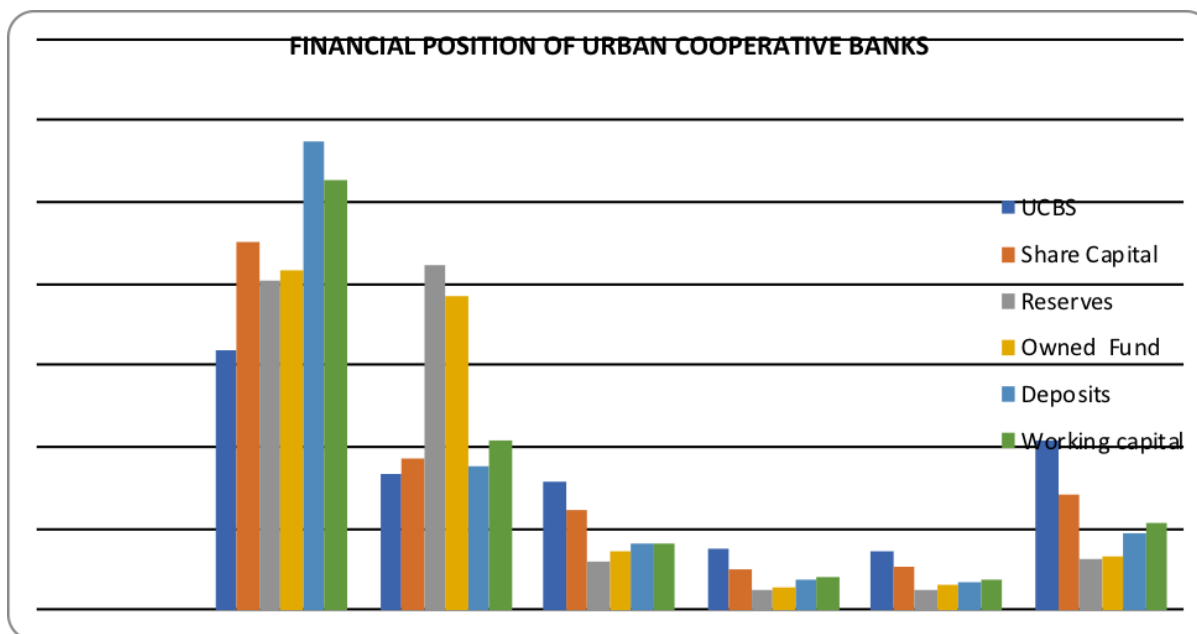


Figure 4: Financial positions of UCB's State wise

## MERGER AND ACQUISITION OF URBAN COOPERATIVE BANKS

The Consolidation through the process of merger of weak urban cooperative banking units with the stronger urban cooperative banks has been set in motion through the transparent and objective guidelines issued in February 2005. Though, the mergers and acquisition of urban cooperative banks has come within the jurisdiction of the concerned State Government, but the prior approval in form of 'No Objection certificate from Reserve Bank of India is most essential. The financial parameters of the acquired bank's post-merger must inform to the prescribed minimum prudential and regulatory remnants invariably for the merger. Beside, the Reserve Bank of India issued another set of guidelines in January 2009 for merger and acquisition of urban cooperative banks having negative net worth as on March 31, 2007. The process of merger and acquisition requires the acquiring bank must submit the proposal. The Reserve Bank of India es pros and cons of the scheme of merger and places the same before the Expert Panel for further screening and recommendation. As a consequence of it, issued the guidelines on merger of urban cooperative banks. The Reserve Bank of India had received 158 proposals for process of merging; of which the Reserve Bank has issued no objection certificates to 120 proposals by June 2010. Data on the phenomena of merging and acquisition is presented in Table 5 and figure 5.

Table 5: Progress of Mergers and Acquisitions

Year	Proposals Received	No Objection Issued	No. of banks merged
2005-06	24	13	4
2006-07	32	18	15
2007-08	42	28	27
2008-09	16	26	22
2009-10	26	17	13
2010-11	32	16	11
2011-12	10	6	3
Total	182	124	95

Source: RBI, Trends and Progress in Banking

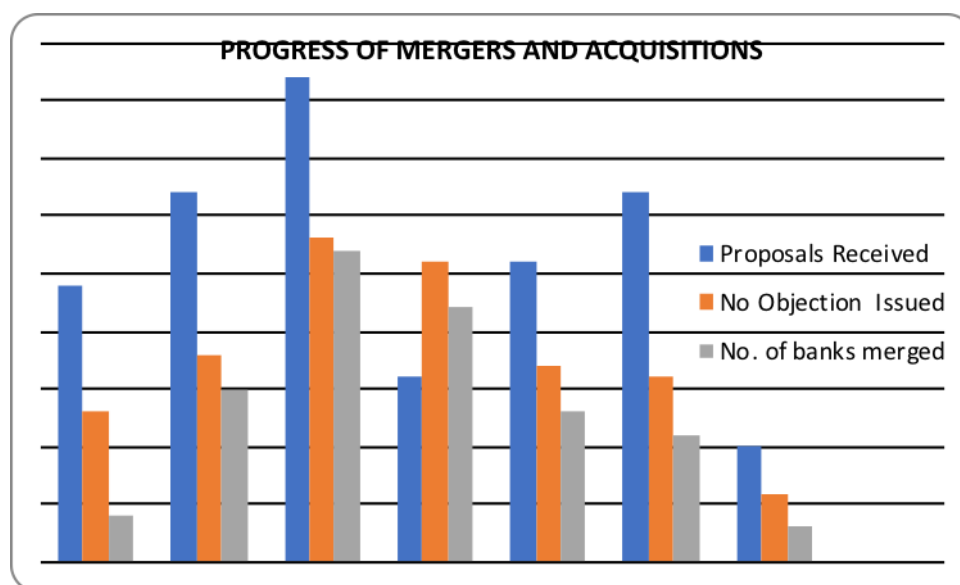


Figure 5: Progress of mergers and acquisitions.

The maximum number of urban cooperative banks merged is 58 in the State of Maharashtra followed 16 in the State of Gujarat, 10 in the State of Andhra Pradesh, 4 in the State of Uttarakhand, 2 each in the State of Punjab, Rajasthan and Chhattisgarh, and 1 in the State of Madhya Pradesh Further from the records, it is observed that of 95 notified urban cooperative banks, 8 urban cooperative banks were in Grade-I, 4 urban cooperative banks were in Grade-II, 17 urban cooperative banks were in Grade-III and 66 urban cooperative banks were in Grade-IV.

## ASSETS AND LIABILITIES

Assets and liabilities of the urban cooperative banks show their strength n growth and development of business. Therefore, the management of assets and liabilities of the urban cooperative banks is the prime key to the success of a banking business. As a consequence of

this, the concept of Asset Liability Management (ALM) came into being. The management has been developed for the banking industry and put it into practice recently. This will help in conducting the inter-firm and the intra-firm comparison to improve the efficiency of resource management. Data on assets and liabilities of urban cooperative banks by March 2011 is presented in Table 6.

Table 6: Assets and Liabilities

(₹ In crore)

Liabilities	₹	Assets	₹
Capital	6267 (2.3)	Cash in hand	2357(0.9)
Reserves	26260 (9.6)	Cash with Banks	23890(8.7)
Deposits	212031 (77.6)	Money at call	1136(0.4)
Borrowings	4289 (1.6)	Investments	87075 (31.9)
Other liabilities	24455 (8.9)	Credit	136341(49.9)
Total liabilities	272302 (100.00)	Other Assets	22503(8.2)
	Total assets		273303 (100.00)

Source: Reserve Bank of India, Trends and Progress in Banking

## FINANCIAL PERFORMANCE OF URBAN COOPERATIVE BANKS

The financial performance of all the urban cooperative banks at macro-level resulted in net profit is presented in Table 7 and figure 7.

Table 7: Financial Performance

(₹ in crore)

Particulars	2011	Percentage
Interest income	20849	92.90
Non-interest income	1594	7.10
(A) Total income	22443	100.00
Interest expenses	13137	70.71
Non-interest expenses	2621	14.11
Staff expenses	2821	15.18
(B) Total expenses	18579	100.00
(C) Profit	3865	100.00
Less Provisions, taxes, etc	1662	43.00
Net profit	2203	57.00

Source: Reserve Bank of India, Trends and Progress in Banking

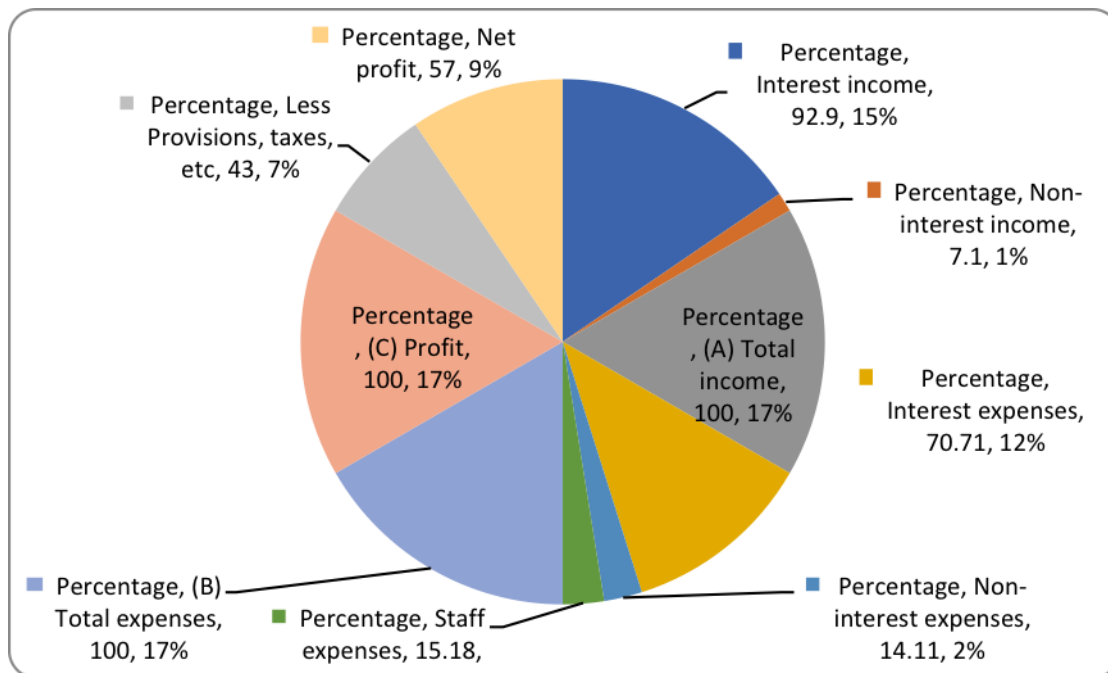


Figure 7: Financial performance of income and expenses.

## IN KARNATAKA STATE

The number of urban cooperative banks is 930 in 1950-51, with membership of 6.74 lakh, deposits of ₹ 20 crore, loan outstanding of ₹ 15 crore, working capital of ₹27 crore and overdues of ₹2 crore. The corresponding figures in 2010-11 are 1215487 and total deposits of ₹18884 crore, total loans of ₹32,000 crore and owned funds amount of ₹3560 crore. This achieved progress is due to the effective participation of urban cooperative banks on the patronage extended by the Provisional Governments and Reserve Bank of India for better functioning. Significant point observed is that the increase in the position of overdues which implies the management of urban cooperative banks; for this sorry state of affairs there are many reasons, among the inefficiency of management coupled with inefficiency of managerial function is a major factor which factor which again coupled with politicization. The urban Cooperative banks held a prestigious position in the cooperative movement of Karnataka State. As the significant component in the States urban credit system, they generated a strong resource base and made their presence felt in their area of operation.



## RESULTS AND DISCUSSIONS

1. The credit-deposit ratio has declined from a high of 79 in 1991 to a low of 67 in 2001 and 71 in 2012. Unlike other categories of cooperative credit institutions, the urban cooperative banks do not rely much on borrowings from the higher tier structure, but could mobilize savings for their business operations (Table 1 & figure 1).
2. About 0.75 and 0.89 per cent of total urban cooperative banks of 16863 had deposits of 22.96 per cent and 9.94 per cent of ₹ 94096 with range of above ₹1000 crore and between ₹5000 and ₹1000 crore respectively whereas the 0.75 per cent and 0.89 per cent of urban cooperative banks had deployed a credit of 33.40 per cent and 14.02 percent of ₹36341. When the range of deposit amount and credit deployed decreases, the percentage of urban cooperative banks increases and share of deposits mobilized and credit deployed decreased as well (figure 2)
3. The urban cooperative banks with larger deposits base (more than or equal to 500 crore though accounted for only 4.20 per cent of urban cooperative banks in mobilization of deposits and 2.67 per cent of total urban cooperative banks in credit deployment.
4. Out of 1863 urban cooperative banks on March 31, 2008 as many as 1474 urban cooperative banks - 79.11 percent are located in five States namely Maharashtra (31.88 per cent), Gujarat (16.64 per cent), Karnataka (15.83 per cent), Andhra Pradesh was in these the (A48 per cent) and Tamilnadu (7.30 per cent). The urban cooperative in these five states had owned funds of 12763 crore or 93.50 per hotel owned funds of all urban cooperative banks in all States of crore. The rest of States have on 389 or 20.88 per cent of urban active banks had owned funds only of e 888 crore or 6.50 per cent. (Table 4 & figure 4).
5. The Reserve Bank of India had received proposals for merging totally 182, of which 'No Objective certificate has issued to 124 proposals or 68.13 per cent and finally only 95 or 76.61 per cent of no objection certificate received urban cooperative banks were merged. During the period of seven years ended by 2011-12, umber urban cooperative banks merged was 4, 15, 27, 22,13, 11 and 3 respectively. Out of 95 weak urban cooperative banks merged, 59 of them are having negative net worth urban cooperative banks (Table 5 & figure 5).
6. The share of deposits in total liabilities was 77.6 per cent implying that the urban cooperative banks are heavily depended on deposits for resources use in the conduct of

business as on March 31, 2011. The reserves and capital together accounted almost 11.90 percent of total liabilities. On the assets side, credit is constituted 49.90 percent of total assets followed by investments at 31.90 per cents of assets. Deposits continued to be the mainstay of resources of urban cooperative banks. While total investments in statutory liquid securities continued to increase, there was a decline in investments made in the non-statutory liquid instruments. Added, the Table indicates that almost 93.00 per cent of total investments of urban cooperative banks were in the instruments of statutory liquid assets. Investments in the Central Government and the State Governments securities constituted almost 77.00 per cent of total statutory liquid assets (Table 6 & figure 6).

7. The interest income is a lion's share of ₹ 20849 crore or 92.90 per cent of total Income of the urban cooperative banks at the country level while the interest expenses accounted for ₹18579 crore or 70.71 per cent. The net profit after allowing the provision of contingencies, taxes, etc they remained with them a profit of 57.00 per cent of ₹3865 crore (Table 7 & figure 7).

## **MAJOR FINDINGS OF THE STUDY**

- ✍ The urban cooperative banks do not rely much on borrowings from the higher tier structure, but could mobilize savings for their business operations.
- ✍ The percentage of urban cooperative banks increases and share of deposits mobilized and credit deployed decreased as well.
- ✍ The banking business was predominantly concentrated in favour of larger urban cooperative banks.
- ✍ The fourth-fifths of urban cooperative banks five states had more nine-tenths of owned funds implying regional balance in the growth and development of the urban cooperative banks in India.
- ✍ Progress in activity of merging or acquisition of urban cooperative banks has banks for rendering effective services to the needy weaker section people of the urban society.
- ✍ Investments in term deposits with State cooperative banks and district cooperative banks constitute almost one-fifth of total Investments in statutory liquid assets of urban cooperative banks. On the asset side, y one-half of the assets was deployed

in the form of loan credit while investments constituted the second major avenue of deployment of funds.

- ✍ It can be deduced from this analysis of the urban Cooperative banks at macro-level that the position of them is in viable.

### **Conclusions:**

The business operations being mobilised through urban cooperatives without any dependence on borrowings, these criteria's owes the far flanged behaviour of urban cooperatives towards incremental mobility alongwith decline in deployment of credits, thus empowering the banking precincts prolongations through these urban cooperatives , further the merging enables quick and effective progressions throughout the nation, these are few concluding remarks drawn in through the macro analysis of urban cooperatives.

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