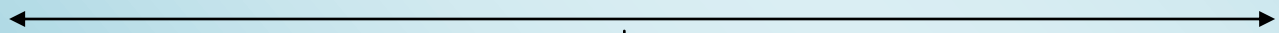


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## A COMPARATIVE FINANCIAL PERFORMANCE ANALYSIS OF SELECTED SCHEDULED URBAN CO-OPERATIVE BANKS IN INDIA WITH SPECIAL REFERENCE TO THE STATE OF MAHARASTRA.

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### **ABSTRACT**

*Urban Co-operative Banks play a significant role in deposit mobilisation of urban and semi-urban areas and create assets for the nation. Though there are 1589 urban co-operative Banks all over the India but two-thirds of these banks are located in western part of the country especially in the state of Maharashtra, Gujarat and in Karnataka. The maximum numbers of scheduled UCBs are located in the state of Maharashtra. So, in this study the researcher has selected four scheduled UCBs of Maharashtra and tried to analyse the financial efficiencies to get an idea of how these type banks are operating in all over the country. To assess the financial efficiencies the researcher has used various ratios as analytical technique and applied ANOVA to test hypothesis as statistical tool. It has been concluded that overall financial efficiency of the selected UCBs is sound and stable but there is a concern of high rate of overdue and overdependence on outside fund.*

**Key Words:** Scheduled UCBs, Financial Efficiency, Ratios, ANOVA

### **INTRODUCTION:**

In the late of 1700s, Robert Owen, a great philosopher, introduced the concept of Co-operative movement with the world in England to encourage gaining the financial stability of the weaker section of the people who were affected in the wake of industrial revolution in Europe. But the true movement was started in 1844, in Manchester, England, when 'The Rochdale Society of Equitable Pioneer' was set up by some flannel weaver to increase their earnings. In 1849-50, Herman Schultza, another great philosopher, started some co-operative credit societies in Germany for the benefit of the artisans in the cities. Thus urban co-operative credit societies originated. In India, first such co-operative credit society named 'Anonya Sahakari Mandali' was set up in 1889, by Vital Layman in the state of Baroda. This movement gained the momentum after passing the 'Co-operative Societies Act, 1904' with the view to encourage thrift practice, eradicate poverty, and provide financial assistance among poor people in the country. The first Urban Co-operative Credit Society was registered in 1904 at Conejeevaram in Madras Province. However Urban Co-operative Credit Societies began to grow rapidly after 1915 when Maclegan Committee opined that Urban Co-operative Credit Societies were most suitable agencies to cater to the needs of the lower and middle income strata to collect local saving and providing relief to those who were in the clutches of moneylenders. At the same time banking crisis of 1913-17 which saw the failure of many commercial banks, created favourable climate to originate and developed the concept of Urban Co-operative Banks in India (UCBs). Urban Co-operative Banks refer to primary co-operative banks organised on co-operative basis, located and operated in semi-urban and urban areas to cater to the need of small borrowers, small

entrepreneurs, SSIs, professionals and salaried class. Over the years UCBs have a significant role in mobilising saving and deposits from small investors of lower and middle income groups and purvey credit to small borrowers including priority sectors of society. They have also registered a significant growth in numbers, size and volume of business, members, working fund, etc. So, there was a demand of UCBs to be recognised as scheduled banks. In 1988 RBI had passed a notification dated 18<sup>th</sup> day of August and included eleven UCBs in the second scheduled of the RBI Act, 1934. As on 31<sup>st</sup> March 2014 there are 1589 UCBs out of which 50 scheduled and 1539 are non-scheduled. Thus UCBs are playing an important role in Indian economy and emerging as an integral part of Indian financial system.

### **SIGNIFICANCE OF THE STUDY:**

Banking sector in any financial system is one of the vital ingredients for the economic development of the country. Urban Co-operative Banks are an important and growing part of Indian banking sector. The UCBs helps in channelizing the idle savings of the society into a profitable venture. Apart from that UCBs help in the development of small & medium scale enterprises in urban areas by providing credit facilities at a reasonable rate. Now a-days, formation of new banks have been made easier in the wake of liberalisation and foreign direct investment in banking sector. And thus the co-operative banks in general and UCBs in particular have under gone a crisis. On the other hand failure of some good UCBs in recent time have made people conscious about their savings and investment in the safest way. In this backdrop the need to find the actual financial performance of the UCBs has been felt.

### **REVIEW OF LITERATURE:**

There are many research studies that try to evaluate whether the Co-operative Banks are operating efficiently or not. An attempt is made in the following paragraphs to review some of important earlier works by the scholars with a view to find whether any researcher has worked on the topic of the proposed study:

**Desai (2006)** on his doctoral research of selected UCBs in North Gujarat noticed that UCBs are facing the problems of high cost of business operation, low capital base, inadequate loan appraisal and credit planning, poor recovery performance, mounting overdue and relatively low level of customer satisfaction. **Talla et al (2011)** in their study of Dharmavaram Co-operative Bank (DUCB) found that there was significant growth in the deposit mobilisation, membership, loans and advances, working capital, reserves in reference to DUCB but there was no significant growth in the increase of Net Profit and Earning Per Share. The bank was also facing the problem of overdue during the period of the study. **Das (2012)** analysed financial and operational viability of state co-operative banks in Northeast India during 2002-2009 and observed that all the financial variables (e.g. capital, reserves, deposits, advances, collection, etc) increased with higher growth rate but it was evidence from the study of some financial indicators that state co-operative banks in Northeast region were not at par with all India level. **Gupta & Jain (2012)** observed that co-operative financial institutions were facing severe problems like, limited ability to mobilise resources, low level of recovery, high transaction of cost, etc, which had restricted their ability to ensure smooth flow of credit. **Khandare (2012)** found that the progress of the urban co-operative banks in Beed district is satisfactory as there was continuously positive trend in terms of owned capital, working capital, loans and advances of the urban co-operative banks but there also some lacunas e.g. over dues, complicated loan

sanctioning procedure, etc, were observed during the study. **Soni & Saluja (2013)** analysed the financial position of the DCC Bank Ltd Rajnandgaon through of ratio analysis technique and explored that solvency, liquidity and profitability of DCC Bank were sound but the bank had not succeeded in mobilising deposits in satisfactory level because of heavy competition from other banks and financial institutions. The DCC Bank Rajnandgaon was also suffering from high overdue during the study period. **Bhatt & Bhat (2013)** attempted to assess the financial performance of co-operative banks operating in Jammu & Kashmir by using Data Envelopment Analysis of eight co-operative banks during the period 2001-01 to 2006-07. The result shows that three banks are relatively efficient when their efficiency is measured in terms of 'constant return to scale' and five banks are relatively efficient when their efficiency is measured in terms of 'variable return to scale'. The researchers argue that co-operative banks should ensure effective supervision of loans, strengthen the share capital base, boost banking investment operation, employ skilled manpower and mobilise deposits and advances through innovative deposits and loans-advances schemes. **Unnamalai (2014)** conducted a study on working capital management of TDCC Bank and found that 13 of the 23 district central co-operative banks were operating under losses. He emphasises on the working capital management for the purposes of the success of the co-operative banks.

#### **Research Gap:**

The review of literature clearly reveals that no research work was previously conducted on the financial performance of scheduled UCBs in India especially in the state of Maharashtra where maximum number of scheduled UCBs are existed. Hence the research aim to fill up the gap by analysing financial performance of four leading scheduled UCBs in the state of Maharashtra.

#### **OBJECTIVES OF THE STUDY:**

The researcher has identified the following objectives as a part of the study:

**Primary Objective:** To investigate the financial efficiency of Scheduled UCBs in India.

**Secondary Objectives:**

1. To analyse the solvency position of the selected UCBs.
2. To highlight the profit generating capacity of the selected UCBs.
3. To highlight the deposit mobilisation capacity of the selected UCBs.

#### **RESEARCH METHODOLOGY:**

The study is based on secondary data taken from published annual reports of four scheduled UCBs of Maharashtra. The published annual reports of the banks have been collected from the official website of these banks. The present study is made for five years from 2010-11 to 2014-15. The following four banks have been selected for the study:

1. The Bharat Co-operative Bank Ltd (BCBL).
2. The Kalyan Janata Sahakari Bank Ltd (KJSB).
3. The Saraswat Co-operative Bank Ltd (SCBL).
4. TJSB Sahakari Bank Ltd (TJSB).

For the present study 'Ratio Analysis' technique has been used as an analytical tool and 'ANOVA' technique has been used as a statistical tool. The following ratios have been used to analyse the financial performance:

**Table-1: Various Financial Ratios and their Significance**

Ratio	Formula	Significance
<b><u>Solvency Ratios</u></b>		
<b>Current Assets Ratio (CAR)</b>	<p><b>Current Assets/Current liabilities</b></p> <p><b>CA:</b> cash in hand, balance with other banks (current account only), short-term loan-advances and bills receivables, interest receivable, sundry debtors.</p> <p><b>CL:</b> deposit, short term borrowings (cash credit overdraft), interest payable, sundry creditors, bills payables and other short term liabilities.</p>	Higher the ratio indicates better the solvency.
<b>Acid Test Ratio (AT R)</b>	<p><b>Quick Assets / Current Liabilities</b></p> <p><b>QA:</b> cash in hand and balance with other banks (current account only).</p>	Higher the ratio indicates better the solvency.
<b>Debt-Equity Ratio (DER)</b>	<p><b>Long Term Liabilities / Net Worth</b></p> <p><b>Long term Liabilities:</b> Long term Loans</p> <p><b>Net worth:</b> statutory reserves+ capital reserves+ profits and other reserves + share capital</p>	Higher the DER represents higher dependency over external funds.
<b>Capital Adequacy Ratio (CRAR)</b>	<p><b>Tier I capital + Tier II capital / Risk weighted assets</b></p>	A bank with a higher capital adequacy is considered safer because if its loans go bad, it can make up for it from its net worth. indicates Bank's sound financial capability, health and stability
<b><u>Profitability Ratios</u></b>		
<b>Net profit to Total Assets Ratio (NPTAR)</b>	<p><b>Net Profit x 100 / Total Assets</b></p>	increasing trend over the years indicates the overall efficiency of the bank.
<b>Net Profit to Working</b>	<p><b>Net profit x 100 / Working Capital</b></p>	A decline in the ratio shows that either the funds are being kept idle or the business

<b>Capital Ratio (NPWCAR)</b>		conditions are bad.
<b>Operating Profit to Working Capital Ratio (OPWCR)</b>	<b>Operating profit x 100 / Working Capital</b>	The ratio is considered an indicator of how effectively a company is using its investments to generate profit from a bank's normal core business operations.
<b><u>Management Efficiency Ratios</u></b>		
<b>Interest Income to Working Capital Ratio (IIWCR)</b>	<b>Income from Interest x 100/ Working Capital</b>	A higher ratio indicates generating more revenue using less investment.
<b>Non-interest Income to Working Capital Ratio (NIWCR)</b>	<b>Income other than Interest x100/ Working Capital</b>	A higher ratio indicates greater efficiency.
<b>Credit Deposit Ratio (CDR)</b>	<b>Total Loan and Advances x 100 / Total Deposit</b>	A higher ratio indicates more reliance on deposits for lending and vice-versa
<b>Overdue to Advances Ratio (OAR)</b>	<b>Overdue amount x 100 / Total Loan and Advances</b>	The lower the ratio, the better is the performance.

**Hypothesis:**

- Ho1: There is no significance difference in CAR during study with regard to selected scheduled UCBs.
- Ho2: There is no significance difference in ATR during study with regard to selected scheduled UCBs.
- Ho3: There is no significance difference in DER during study with regard to selected scheduled UCBs.
- Ho4: There is no significance difference in the CRAR during study with regard to selected scheduled UCBs.

- Ho5: There is no significant difference in the NPTAR during study with regard to selected scheduled UCBs.
- Ho6: There is no significant difference in the NPWCAR during study with regard to selected scheduled UCBs.
- Ho7: There is no significant difference in the OPWCAR during study with regard to selected scheduled UCBs.
- Ho8: There is no significant difference in the IIWCAR during study with regard to selected scheduled UCBs.
- Ho9: There is no significant difference in the NIWCAR during study with regard to selected scheduled UCBs.
- Ho10: There is no significant difference in the CDR during study with regard to selected scheduled UCBs.
- Ho11: There is no significant difference in the OAR during study with regard to selected scheduled UCBs.

**RESULTS AND DISCUSSIONS:**

Various financial ratios are computed from the published annual reports of the selected UCBs over a period of five consecutive years from 2010-11 to 2014-15.

**Table-2:** The Progress of Current Assets Ratio in times

Year/Bank	BCBL	KJSB	SCBL	TJSB	Pooling Avg.
2010-11	1.04	0.88	1.26	2.13	1.3275
2011-12	1.19	1	1.31	2.44	1.485
2012-13	1.31	1.07	1.3	2.53	1.5525
2013-14	1.54	1.2	1.27	2.35	1.59
2014-15	1.62	1.3	1.3	2.67	1.7225
Mean	1.34	1.09	1.288	2.424	1.5355
S.D.	0.24072806	0.164924225	0.02167948	0.20243517	0.14495
Max.	1.62	1.3	1.31	2.67	1.7225
Min.	1.04	0.88	1.26	2.13	1.3275

Table No.-2 shows that the industrial average of Current Assets Ratio is 1.54 times. The ideal CAR in banking sector is 1.33 times. BCBL and TJSB are running their business over the normal standard. Whereas KJSB is



running its business below the standard. TJSB Sahakari Bank Ltd with an average of 2.42 times of CAR is leading in this sector.

**Test of hypothesis 1:**

Source Variation	SS	d.f.	MS	F -ratio	F-critical value at 5% level of significance
Between Sample	5.436895	3	1.81229833	57.2606108	3.239
Within Sample	0.5064	16	0.03165		
<b>Total</b>	<b>5.943295</b>	<b>19</b>	<b>1.84394833</b>		

Since  $F_{cal} > F_{critical}$  (at 5% level of significance), the null hypothesis is rejected and alternative hypothesis is accepted and hence it is concluded that the CAR differs significantly.

**Table-3:** The Progress of Acid Test Ratio in times

Year/Bank	BCBL	KJSB	SCBL	TJSB	Pooling Avg.
<b>2010-11</b>	0.21	0.15	0.22	0.5	<b>0.27</b>
<b>2011-12</b>	0.18	0.14	0.19	0.51	<b>0.255</b>
<b>2012-13</b>	0.21	0.19	0.16	0.45	<b>0.2525</b>
<b>2013-14</b>	0.23	0.22	0.2	0.38	<b>0.2575</b>
<b>2014-15</b>	0.26	0.22	0.18	0.59	<b>0.3125</b>
<b>Mean</b>	<b>0.218</b>	<b>0.184</b>	<b>0.19</b>	<b>0.486</b>	<b>0.2695</b>
<b>S.D.</b>	<b>0.02949576</b>	<b>0.037815341</b>	<b>0.02236068</b>	<b>0.07765307</b>	<b>0.02496</b>
<b>Max.</b>	<b>0.26</b>	<b>0.22</b>	<b>0.22</b>	<b>0.59</b>	<b>0.3125</b>
<b>Min.</b>	<b>0.18</b>	<b>0.14</b>	<b>0.16</b>	<b>0.38</b>	<b>0.2525</b>

Table -3 shows the ATR of scheduled UCBs ranged between 0.25 times to 0.31 times during the study. TJSB Sahakari bank Ltd with an average of 0.49 times of ATR is leading in this sector. Other three banks are running their business bellow the industrial average.

**Test of hypothesis 2:**

Source Variation	SS	d.f.	MS	F -ratio	F-critical value at 5% level of significance
Between Sample	0.315775	3	0.10525833	47.6821442	3.239
Within Sample	0.03532	16	0.0022075		
<b>Total</b>	<b>0.351095</b>	<b>19</b>	<b>0.10746583</b>		

Since  $F_{cal} > F_{critical}$  (at 5% level of significance), the null hypothesis is rejected and alternative hypothesis is accepted and hence it is concluded that the CAR differs significantly.

**Table-4:** The Progress of Debt Equity Ratio

Ratio in %

Year/Bank	BCBL	KJSB	SCBL	TJSB	Pooling Avg.
2010-11	34.75	39.89	50.16	41.24	41.51
2011-12	24.01	33.86	21.22	45.97	31.265
2012-13	14.66	28.1	19.62	27.69	22.5175
2013-14	6.83	15.69	35.85	35.31	23.42
2014-15	4.86	8.68	28.44	37.2	19.795
Mean	17.022	25.244	31.058	37.482	27.7015
S.D.	12.4547609	12.86995066	12.473148	6.83463752	8.81889
Max.	34.75	39.89	50.16	45.97	41.51
Min.	4.86	8.68	19.62	27.69	19.795

Table -4 shows the DER of scheduled UCBs ranged between 19.80% to 41.51% during the study. TJSB Sahakari bank Ltd with an average of 37.48% of DER is leading in this sector. Other three banks are running their business

bellow the industrial average (27.70%). As we know higher of DER represents higher dependency over external funds, we may conclude both SCBL and TJSB need to reduce their borrowings to reduce the dependency over outside borrowers.

**Test of hypothesis 3:**

Source Variation	SS	d.f.	MS	F -ratio	F-critical value at 5% level of significance
Between Sample	1135.0765	3	378.358832	2.89349008	3.239
Within Sample	2092.19356	16	130.762098		
<b>Total</b>	<b>3227.27006</b>	<b>19</b>	<b>509.120929</b>		

Since  $F_{cal} < F_{critical}$  (at 5% level of significance), the null hypothesis is accepted and alternative hypothesis is rejected and hence it is concluded that the DER does not differ significantly.

**Table-5:** The Progress of Capital to Risk Assets Ratio

Ratio in %

Year/Bank	BCBL	KJSB	SCBL	TJSB	Pooling Avg.
2010-11	12.68	13.12	12.74	14.96	13.375
2011-12	12.58	12.55	12.37	15.05	13.1375
2012-13	12.56	12.56	11.15	13.48	12.4375
2013-14	12.58	13.01	12.11	15.03	13.1825
2014-15	12.68	12.32	12.57	15.94	13.3775
<b>Mean</b>	<b>12.616</b>	<b>12.712</b>	<b>12.188</b>	<b>14.892</b>	<b>13.102</b>
<b>S.D.</b>	<b>0.05899152</b>	<b>0.338481905</b>	<b>0.62595527</b>	<b>0.886098</b>	<b>0.38721</b>
<b>Max.</b>	<b>12.68</b>	<b>13.12</b>	<b>12.74</b>	<b>15.94</b>	<b>13.3775</b>
<b>Min.</b>	<b>12.56</b>	<b>12.32</b>	<b>11.15</b>	<b>13.48</b>	<b>12.4375</b>

Table -4 shows the CRAR of scheduled UCBs ranged between 12.44% to 13.38% during the study. TJSB Sahakari bank Ltd with an average of 14.89% of CRAR is leading in this sector. An ideal CRAR of 9% indicates Banks' sound financial capability, health and stability. As all these four banks always maintain over 12% of CRAR therefore we may conclude that the financial of these banks is sound and stable.

**Test of hypothesis 4:**

Source Variation	SS	d.f.	MS	F -ratio	F-critical value at 5% level of significance	
Between Sample	22.13896	3		7.37965333	22.793592	3.239
Within Sample	5.18016	16		0.32376		
<b>Total</b>	<b>27.31912</b>	<b>19</b>		<b>7.70341333</b>		

Since  $F_{cal} > F_{critical}$  (at 5% level of significance), the null hypothesis is rejected and alternative hypothesis is accepted and hence it is concluded that the CRAR differs significantly.

**Table 6.** The Progress of NPTAR

Ratio in %

Year/Bank	BCBL	KJSB	SCBL	TJSB	Pooling Avg.
2010-11	1.40	1.03	0.61	1.30	1.085
2011-12	1.53	1.00	0.55	1.41	1.1225
2012-13	1.65	0.99	0.46	1.31	1.1025
2013-14	1.62	0.93	1.12	1.29	1.24
2014-15	1.38	1.39	1.16	1.30	1.3075
Mean	1.516	1.068	0.78	1.322	1.1715
S.D.	0.12340989	0.18363	0.33324	0.0497	0.09725
Max.	1.65	1.39	1.16	1.41	1.3075
Min.	1.38	0.93	0.46	1.29	1.085

The above table shows the NPTAR of scheduled UCBs ranged between 1.09% and 1.31% with an average of 1.17%. The Bharat Co-operative Bank Ltd with an average of 1.52% rate of NPTAR is leading in this sector. The

Kalyan Janata Sahakari Bank Ltd and The Saraswat Co-operative Bank Ltd are running their business bellow the industrial average.

**Test of hypothesis 5:**

Source Variation	SS	d.f.	MS	F -ratio	F-critical value at 5% level of significance
Between Sample	1.5266	3	0.5089	12.5281	3.239
Within Sample	0.6499	16	0.0406		
<b>Total</b>	<b>2.1765</b>	<b>19</b>			

Since  $F_{cal} (12.53) > F_{critical} (3.24)$  (at 5% level of significance), the null hypothesis is rejected and alternative hypothesis is accepted and hence it is concluded that the Net Profit to Total Assets Ratio differs significantly

**Table 7.** The Progress of NPWCR Ratio in %

Year/Bank	BCBL	KJSB	SCBL	TJSB	Pooling Avg.
<b>2010-11</b>	1.28	0.97	1.11	1.15	<b>1.1275</b>
<b>2011-12</b>	1.40	0.93	1.05	1.24	<b>1.155</b>
<b>2012-13</b>	1.43	0.98	0.46	1.19	<b>1.015</b>
<b>2013-14</b>	1.43	1.00	0.52	1.12	<b>1.0175</b>
<b>2014-15</b>	1.27	1.03	0.61	1.15	<b>1.015</b>
<b>Mean</b>	<b>1.362</b>	<b>0.982</b>	<b>0.75</b>	<b>1.17</b>	<b>1.066</b>
<b>S.D.</b>	<b>0.08043631</b>	<b>0.03701</b>	<b>0.30668</b>	<b>0.04637</b>	<b>0.06939</b>
<b>Max.</b>	<b>1.43</b>	<b>1.03</b>	<b>1.11</b>	<b>1.24</b>	<b>1.155</b>
<b>Min.</b>	<b>1.27</b>	<b>0.93</b>	<b>0.46</b>	<b>1.12</b>	<b>1.015</b>

The above table shows the NPWCR of scheduled UCBs ranged between 1.01% and 1.16% with an average of 1.07%. The Bharat Co-operative Bank Ltd with an average of 1.36% rate of NPWCR is leading in this sector. The

Kalyan Janata Sahakari Bank Ltd and The Saraswat Co-operative Bank Ltd are running their business bellow the industrial average.

**Test of hypothesis 6:**

Source Variation	SS	d.f.	MS	F -ratio	F-critical value at 5% level of significance
Between Sample	1.0267	3	0.3422	13.1580	3.239
Within Sample	0.4162	16	0.0260		
<b>Total</b>	<b>1.4429</b>	<b>19</b>			

Since F cal (13.16) > F critical (3.24) (at 5% significance level), the null hypothesis (Ho4) is rejected and alternative hypothesis is accepted and hence it is concluded that the Net Profit to Working Capital Ratio differs significantly.

**Table 8.** The Progress of OPWCR

Ratio in %

Year/Bank	BCBL	KJSB	SCBL	TJSB	Pooling Avg.
<b>2010-11</b>	2.13	1.69	0.88	2.34	<b>1.76</b>
<b>2011-12</b>	2.16	1.49	0.62	2.25	<b>1.63</b>
<b>2012-13</b>	2.16	1.65	0.58	1.98	<b>1.5925</b>
<b>2013-14</b>	2.18	1.7	1.45	2.21	<b>1.885</b>
<b>2014-15</b>	2.21	1.52	1.53	2.04	<b>1.825</b>
<b>Mean</b>	<b>2.168</b>	<b>1.61</b>	<b>1.012</b>	<b>2.164</b>	<b>1.7385</b>
<b>S.D.</b>	<b>0.02949576</b>	<b>0.09823</b>	<b>0.45218</b>	<b>0.14977</b>	<b>0.12499</b>
<b>Max.</b>	<b>2.21</b>	<b>1.7</b>	<b>1.53</b>	<b>2.34</b>	<b>1.885</b>
<b>Min.</b>	<b>2.13</b>	<b>1.49</b>	<b>0.58</b>	<b>1.98</b>	<b>1.5925</b>

The above table shows the OPWCR of scheduled UCBs ranged between 1.01% and 1.16% with an average of 1.07%. The Bharat Co-operative Bank Ltd with an average of 2.17% rate of OPWCR is leading in this sector. The Kalyan Janata Sahakari Bank Ltd and The Saraswat Co-operative Bank Ltd are running their business bellow the industrial average.

**Test of hypothesis 7:**

Source Variation	SS	d.f.	MS	F -ratio	F-critical value at 5% level of significance
Between Sample	4.5192	3	1.5164	25.5478	3.239
Within Sample	0.9497	16	0.0594		
<b>Total</b>	<b>5.4689</b>	<b>19</b>			

Since  $F_{cal} (25.55) > F_{critical} (3.24)$  (at 5% significance level), the null hypothesis ( $H_0$ ) is rejected and alternative hypothesis is accepted and hence it is concluded that the Operating Profit to Working Capital Ratio differs significantly.

**Table 9.** The Progress of Int. Income to Working Capital Ratio in %

Year/Bank	BCBL	KJSB	SCBL	TJSB	Pooling Avg.
<b>2010-11</b>	8.72	7.82	7.88	9.25	<b>8.4175</b>
<b>2011-12</b>	9.44	8.47	8.56	9.73	<b>9.05</b>
<b>2012-13</b>	9.74	9.11	9.24	10.18	<b>9.5675</b>
<b>2013-14</b>	9.62	9.34	8.56	10.31	<b>9.4575</b>
<b>2014-15</b>	8.72	9.33	7.88	10.28	<b>9.0525</b>
<b>Mean</b>	<b>9.248</b>	<b>8.814</b>	<b>8.424</b>	<b>9.95</b>	<b>9.109</b>
<b>S.D.</b>	<b>0.49368006</b>	<b>0.65896</b>	<b>0.56893</b>	<b>0.45547</b>	<b>0.45181</b>
<b>Max.</b>	<b>9.74</b>	<b>9.34</b>	<b>9.24</b>	<b>10.31</b>	<b>9.5675</b>
<b>Min.</b>	<b>8.72</b>	<b>7.82</b>	<b>7.88</b>	<b>9.25</b>	<b>8.4175</b>

The above table shows the IIWCR of scheduled UCBs ranged between 8.41% and 9.57% with an average of 9.11%. TJSB Sahakari Bank Ltd with an average of 9.95% rate of IIWCR is leading in this sector. The Kalyan Janata Sahakari Bank Ltd and The Saraswat Co-operative Bank Ltd are running their business bellow the industrial average.

**Test of hypothesis 8:**

Source Variation	SS	d.f.	MS	F -ratio	F-critical value at 5% level of significance
Between Sample	6.4143	3	2.1381	7.0773	3.239
Within Sample	4.8964	16	0.3023		
<b>Total</b>	<b>11.2507</b>	<b>19</b>			

Since  $F_{cal} (7.08) > F_{critical} (3.24)$  (at 5% significance level), the null hypothesis ( $H_0$ ) is rejected and alternative hypothesis is accepted and hence it is concluded that the Interest Income to Working Capital ratio differs significantly.

**Table 10.** The Progress of Non-interest Income

Ratio in %

Year/Bank	BCBL	KJSB	SCBL	TJSB	Pooling Avg.
2010-11	0.66	0.54	0.93	0.61	<b>0.685</b>
2011-12	0.73	0.57	0.9	0.65	<b>0.7125</b>
2012-13	0.93	0.66	1.05	0.67	<b>0.8275</b>
2013-14	0.92	0.81	0.97	0.75	<b>0.8625</b>
2014-15	1.02	0.92	1.07	0.66	<b>0.9175</b>
<b>Mean</b>	<b>0.852</b>	<b>0.7</b>	<b>0.984</b>	<b>0.668</b>	<b>0.801</b>
<b>S.D.</b>	<b>0.1505656</b>	<b>0.16171</b>	<b>0.07403</b>	<b>0.05119</b>	<b>0.09918</b>
<b>Max.</b>	<b>1.02</b>	<b>0.92</b>	<b>1.07</b>	<b>0.75</b>	<b>0.9175</b>
<b>Min.</b>	<b>0.66</b>	<b>0.54</b>	<b>0.9</b>	<b>0.61</b>	<b>0.685</b>

The above table shows the NIWCR of scheduled UCBs ranged between 0.69% and 0.92% with an average of 0.80%. The Saraswat Co-operative Bank Ltd with an average of 0.98% rate of NIWCR is leading in this sector. The Kalyan Janata Sahakari Bank Ltd and TJSB Sahakari Bank Ltd are running their business below the industrial average.



**Test of hypothesis 9:**

Source Variation	SS	d.f.	MS	F -ratio	F-critical value at 5% level of significance
Between Sample	0.3199	3	0.1066	7.4936	3.239
Within Sample	0.2277	16	0.0142		
<b>Total</b>	<b>0.5476</b>	<b>19</b>			

Since  $F_{cal} (7.49) > F_{critical} (3.24)$  (at 5% significance level), the null hypothesis ( $H_0$ ) is rejected and alternative hypothesis is accepted and hence it is concluded that the Non-Interest Income to Working capital ratio differs significantly.

**Table 11.** The Progress of Credit-Deposit Ratio

Ratio in %

Year/Bank	BCBL	KJSB	SCBL	TJSB	Pooling Avg.
<b>2010-11</b>	72	69	73	57	<b>67.75</b>
<b>2011-12</b>	71	70	72	60	<b>68.25</b>
<b>2012-13</b>	71	71	71	64	<b>69.25</b>
<b>2013-14</b>	70	70	65	66	<b>67.75</b>
<b>2014-15</b>	68	70	66	61	<b>66.25</b>
<b>Mean</b>	<b>70.4</b>	<b>70</b>	<b>69.4</b>	<b>61.6</b>	<b>67.85</b>
<b>S.D.</b>	<b>1.51657509</b>	<b>0.70711</b>	<b>3.64692</b>	<b>3.50714</b>	<b>1.08397</b>
<b>Max.</b>	<b>72</b>	<b>71</b>	<b>73</b>	<b>66</b>	<b>69.25</b>
<b>Min.</b>	<b>68</b>	<b>69</b>	<b>65</b>	<b>57</b>	<b>66.25</b>

The above table shows the CDR of scheduled UCBs ranged between 66.25% and 69.25% with an average of 67.85%. The Bharat Co-operative Bank Ltd with an average of 0.98% rate of CDR is leading in this sector. TJSB Sahakari Bank Ltd is running their business below the industrial average.

*Test of hypothesis 10:*

Source Variation	SS	d.f.	MS	F -ratio	F-critical value at 5% level of significance
Between Sample	262.95	3	87.65	12.3451	3.239
Within Sample	113.6	16	7.1		
<b>Total</b>	<b>376.55</b>	<b>19</b>			

Since  $F_{cal} (12.35) > F_{critical} (3.24)$  (at 5% significance level), the null hypothesis ( $H_0$ ) is rejected and alternative hypothesis is accepted and hence it is concluded that the Credit-Deposit Ratio differs significantly.

**Table 12.** The Progress of Overdue to Advances Ratio

Ratio in %

Year/Bank	BCBL	KJSB	SCBL	TJSB	Pooling Avg.
<b>2010-11</b>	1.26	4.06	3.4	4.01	<b>3.1825</b>
<b>2011-12</b>	0.87	3.18	2.2	4.05	<b>2.575</b>
<b>2012-13</b>	0.81	3.21	2.23	2.61	<b>2.215</b>
<b>2013-14</b>	0.8	3.03	2.31	2.52	<b>2.165</b>
<b>2014-15</b>	0.83	2.27	1.97	2.89	<b>1.99</b>
<b>Mean</b>	<b>0.914</b>	<b>3.15</b>	<b>1.97</b>	<b>3.216</b>	<b>2.4255</b>
<b>S.D.</b>	<b>0.19526905</b>	<b>0.63667</b>	<b>0.56113</b>	<b>0.75563</b>	<b>0.47361</b>
<b>Max.</b>	<b>1.26</b>	<b>4.06</b>	<b>3.4</b>	<b>4.05</b>	<b>3.1825</b>
<b>Min.</b>	<b>0.8</b>	<b>2.27</b>	<b>1.97</b>	<b>2.52</b>	<b>1.99</b>

The above table shows the OAR of scheduled UCBs ranged between 1.99% and 3.18% with an average of 2.43%. The Bharat Co-operative Bank Ltd with an average of 0.91% rate of OAR is leading in this sector. Other three banks are suffering from high Overdue Rate.

**Test of hypothesis 11:**

Source Variation	SS	d.f.	MS	F -ratio	F-critical value at 5% level of significance
Between Sample	17.1722	3	5.7240	17.2239	3.239
Within Sample	5.3173	16	0.3323		
<b>Total</b>	<b>22.4895</b>	<b>19</b>			

Since  $F_{cal} (17.22) > F_{critical} (3.24)$  (at 5% significance level), the null hypothesis is accepted and alternative hypothesis is rejected and hence it is concluded that the Overdue to Advances Ratio differs significantly.

**FINDINGS OF THE STUDY:**

1. The current assets position over the current liability is satisfactory of all the selected UCBs except Kalyan Jyoti Sahakari Bank Ltd which needs to increase its current assets so that its current assets can capable to cover current liabilities. Liquidity position of the banks except TJSB Sahakari Bank Ltd is not satisfactory at all as these banks may face trouble in payment of immediate cash if demand of withdrawal exceeds the deposit in any adverse period of time.
2. Both the TJSB Sahakari Bank Ltd and Saraswat co-operative Bank Ltd are highly depending over outside capital. High rate of interest over borrowed capital may adversely affect the profitability of the banks.
3. The average interest income to working capital ratio of 9.11% and non-interest income to working capital ratio of 0.80% is appreciable but on the other hand the higher IIWCR indicates the greater dependence of the bank on interest income.
4. The average 67.85% of CDR reveals that the banks are not much active to mobilise their deposits into profitable advances.
5. The average NPWCR of 1.07% and OPWCR of 1.73% indicate that the banks are using their funds efficiently.
6. The average NPTAR of 1.17% is satisfactory but the banks need to increase their earnings more efficiently.

7. The average rate of OAR of 2.43% reveals that the selected scheduled UCBs are suffering from high rate of overdue. The management of these banks should keep overdue under control and to reduce OAR to an expected level.

### **SUGGESTIONS:**

1).The liquid assets of the banks are needed to be increased as much it may capable to meet at least 20% current liabilities. 2) Lots of efforts are needed to be taken to improve deposit mobilisation capacity of Saraswat Co-operative Bank Ltd as well as TJSB Sahakari Bank Ltd. Both this banks maintained CDR bellow the RBI guide line of at least 70% of CDR. Quick credit appraisal, lower rate of interest, lower processing fees, adaptation of modern technologies and recruitment of efficient staff may attract the members to take loan and improve the deposit mobilisation rate in future. 3) The managements of the banks need to take proper measures to reduce the dependency over borrowed capital. Utmost effort is needed to increase own funds so that dependency over outside fund reduces and profitability of the banks may increase. 4) A good mechanism is to be set by the banks to recover overdue crisis. A good customer care relation may be useful in reducing overdue rate of the banks. Efficient working capital management may increase the productivity and that can be useful in generating more income and in making more profit. 5) Recruitment of efficient employees, recurring training to them, good working environment, personal relation among staffs may increase job satisfaction among the employees and that may result efficient use of assets in generating more income.

### **CONCLUSION:**

The solvency position as well as profitability of the selected scheduled UCBSs is satisfactory in all respects. The efficiency of the management of these banks is also very high. There is no doubt that with sound financial structure and effective management policy Scheduled UCBs are playing a crucial role in Indian economy. The only concerning fact come out in this study is high rate of overdue and overdependence of outside loan. So it is advisable for the management to adopt more effective credit appraisal policy and loan recovery strategy. The management of these banks are also advised to take proper initiative to reduce dependency over outside capital.

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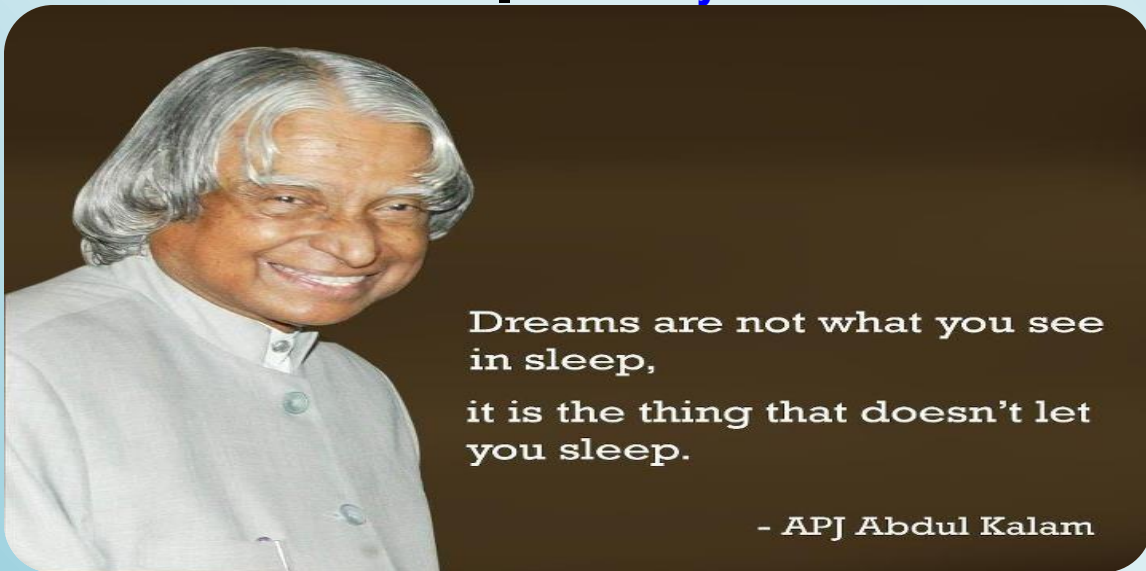
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Dreams are not what you see  
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you sleep.

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