

**A STUDY ON
THE PERFORMANCE EVALUATION OF
URBAN COOPERATIVE BANKS IN GOA**

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DECLARATION

I declare that the Thesis is a bonafide record of independent research work done by me under the guide. I also declare that this thesis or part thereof has not previously formed the basis for the award of any Degree, Diploma, Associateship, Fellowship or other similar titles.



Date: 7/5/99


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CERTIFICATE

Certified that the Thesis submitted is a bonafide record of independent research work done by the candidate under my guidance and supervision and that it has not previously formed the basis for the award to the candidate for any Degree, Diploma, Associateship, Fellowship or other similar titles.



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CHAPTER I

INTRODUCTION

This chapter provides the background covering origin of cooperative movement, urban cooperative banking, organisational composition of cooperatives and cooperative values and principles to the research proposition describing the statement of problem and its significance, objectives, scope and limitations of the undertaken study.

CHAPTER - I

INTRODUCTION

1.1 Origin of Co-operative Movement

A Co-operative form of life has been in existence since dawn. The co-operative movement which saw the light of the day in Europe had spread throughout the world. An organised type of co-operative movement dates back to around 18th century. In the United States, William Bryan formed a co-operative store near Hudson and Leroy Street at New York in 1830. In Sweden, the first well known co-operative named Lagunda and Hagunda District commodity buying company of orsundsbro was started in 1850. In Italy, the General Workers' union setup a "provident store" in 1854 which was considered to be the first enduring consumer co-operative in Italy. In Great Britain, Robert Owen initiated the spirit of co-operation.

In India, the origin of co-operation can be traced back to very ancient times. The socio-economic fabric of our ancient village, primarily based on the Hindu joint family system, is a glaring example of a co-operative life. The co-operative movement was introduced in India with the prime objective of making a breakthrough in the stagnation of the poorer

classes especially the vast majority of agriculturists who were groaning under the heavy weight of indebtedness. Sir Daniel Hamilton had rightly remarked that "the country was in the grip of Mahajans". In this direction, the first Agricultural Bank was formed with the Governmental Finance in 1882 by Sir William Wedderburn, the magistrate of Poona.

The Madras Government in 1882 deputed Frederick Nicholson - a civilian to Germany to study the working of village banks organised on co-operative lines for the benefits of the farmers and his famous report with a special focus on the introduction of co-operative credit societies had brought an additional fillip to the movement. The first co-operative enactment passed in 1904, had marked the real beginning of a co-operative movement in India. Similarly, a full fledged co-operative legislation passed in 1912, MacLagan Committee Report (1915) emphasising on the knowledge of co-operative principles, honesty and a loan for productive purpose, the economic boom created by the second world war (1939-45), the co-operative planning committee (1946), the conference of the state ministers of co-operation held at Hyderabad, 1964 et al witnessed a considerable growth in co-operative sector. Since independence, a co-operative sector has been recognised as one of the most significant segments of Indian economy and the movement has spread to the nook and corners of the country. The co-operation has now touched upon almost all the

economic activities of the Indian economy viz., Urban Credit co-operatives, consumer, agricultural, dairy, housing, marketing, fishery, farming, transport, processing, service and so on.

The ideas of the people about co-operation in Goa were so old. Goans started co-operative activities in the form of "comunidades" centuries ago as early as the Portuguese came to Goa. However, an official co-operative movement in Goa began late with the institution of the office of the Registrar of Co-operative Societies on 17th Nov., 1962, soon after the liberation from the Portuguese regime on 19th December, 1961.

1.2 Urban Co-operative Banking in India:

The Urban co-operative banking sector is a major innovation in the co-operative sector. The urban co-operative credit movement originated in Germany when Hermann Schultze started the urban credit societies for the benefit of the artisans in the cities during the period 1855-1885. At the same time, Luigi Luzzatti started similar societies in Italy. The success of the urban credit institutions in those countries encouraged the social workers in India to think in terms of co-operation as a means of

bringing succour to the middle classes as early as the close of the 19th century.

The urban co-operative credit movement started in India with the chief objective of catering to the banking and credit requirements of the urban middle class viz., the small trader or businessman, the artisan or factory worker, the salaried people with a limited fixed income in urban or semi-urban areas. Besides, protecting the middle classes and the men of a modest means from the clutches of the moneylenders, the movement is also aimed at inculcating the habit of thrift and savings amongst them. The first urban credit society saw the light of the day on 5th Feb., 1889 when a mutual aid society, was registered at Baroda. Subsequently, the urban co-operative credit society at Conjeevaram in Chennai (the then Madras) province, the Betegiri Co-operative Credit Society in Dharwad district and the Bangalore City Co-operative Credit Society were registered in October 1904, in October 1905 and in December 1905 respectively. Many urban credit co-operatives came to be organised in Mumbai (the then Bombay) and Chennai (the then Madras) provinces during 1920 to 1940. The world war second (1939-1945) and the post war boom had greatly influenced their growth and working. The urban credit societies gradually grew in number as well as in volume of their business and styled themselves as urban co-operative banks.

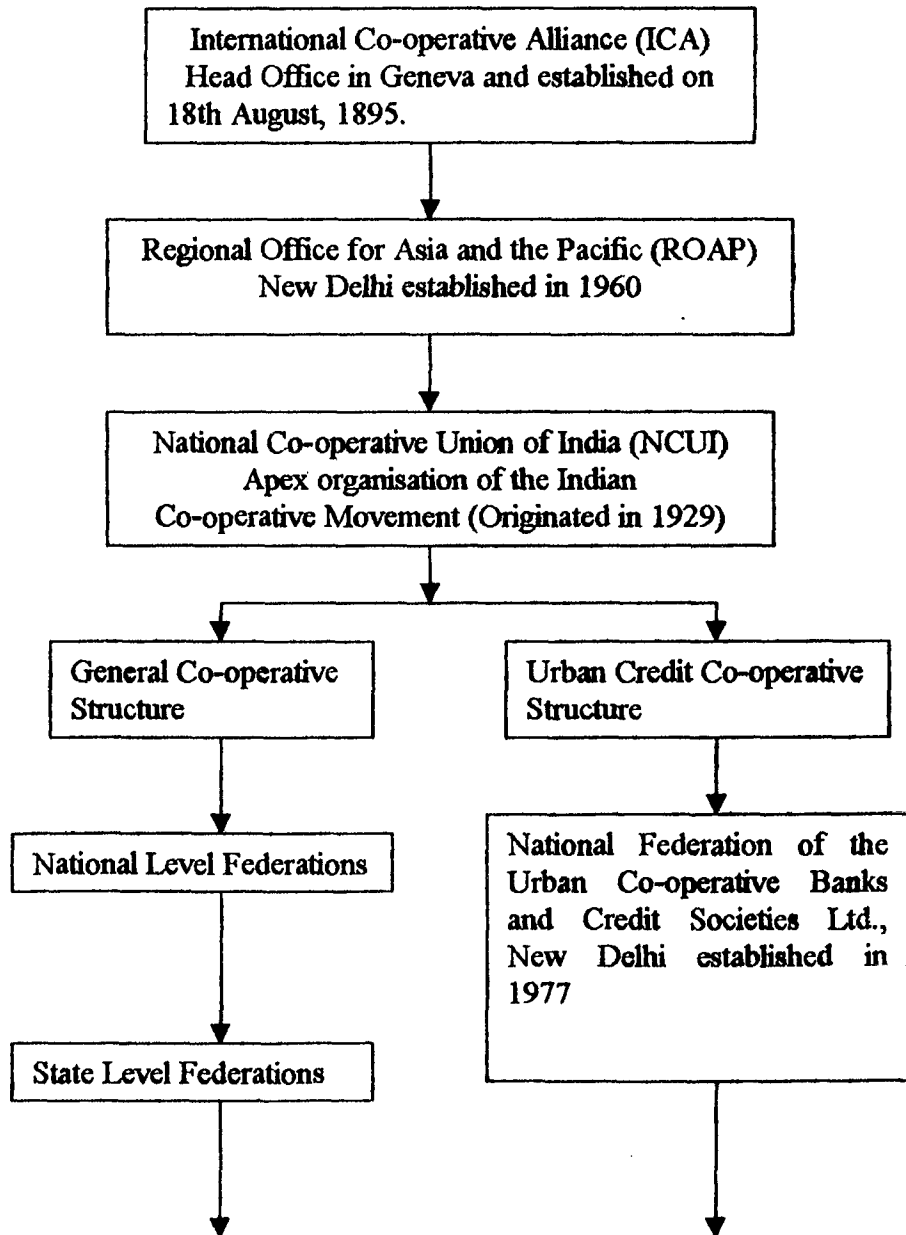
Today, Indian co-operative movement is emerged as one of the largest in the world in respect of its area of operation and coverage. India alone accounts for more than 22 percent of the total world membership of the International Co-operative Alliance (ICA) whereas the urban co-operative banking sector has reached 1653 banks having a total branch network of 4953 with a total deposits of Rs. 28000 crores and loans & advances of Rs. 19086 crores as on 31-3-1997 from mere 812 banks with a deposit of Rs. 17 crores at the time of India's independence.

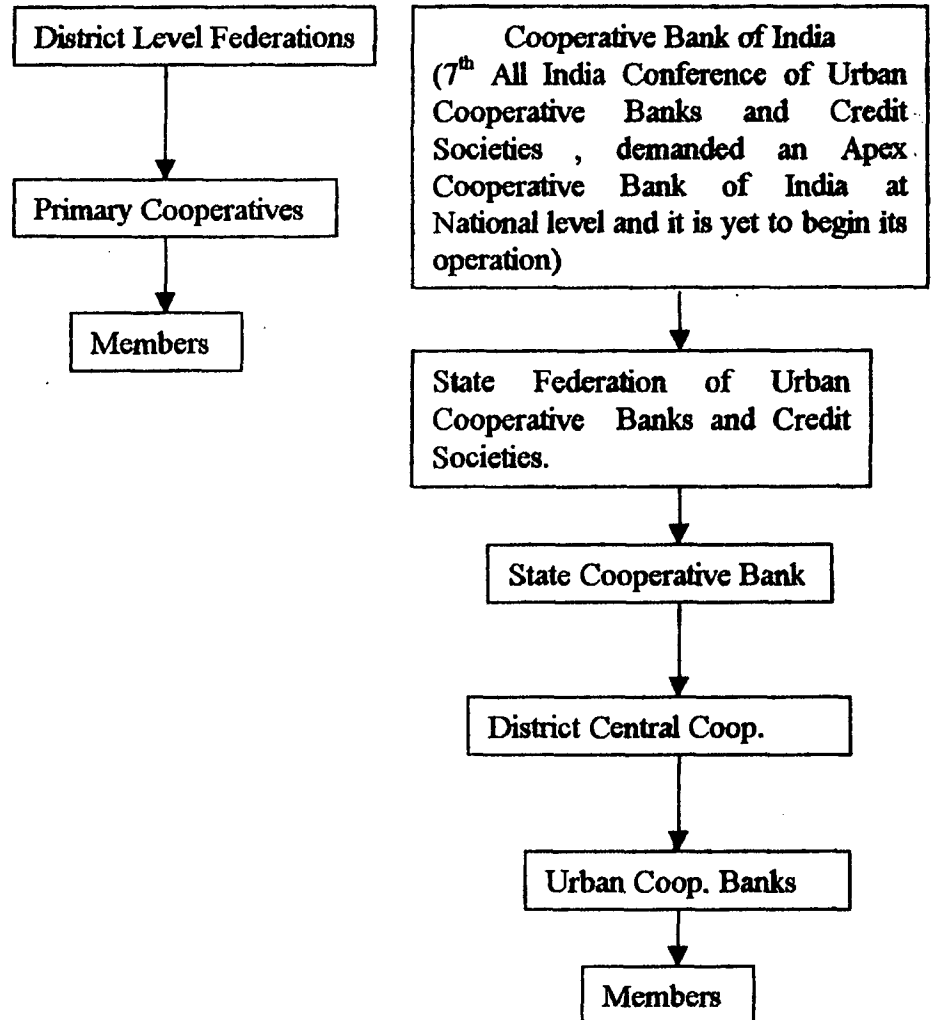
On the other hand, there are seven urban co-operative banks in Goa as on 31.3.1997 having a total membership of 211456. The total deposits of these banks amounted to Rs. 42541.18 lakhs. The total advances added up to 30409.56 lakhs. The total share capital to the tune of Rs. 1091.85 lakhs. The Goa state co-operative bank acts as an apex financing institution in the co-operative sector. Presently, the Maharashtra State Co-operative Societies Act, 1960 with necessary modifications has been made applicable to the state of Goa.

The urban co-operative banks are required to comply with the provisions of three Acts: the banking Regulation Act 1949 (as applicable to the co-operative societies) which had come in to force from 1st March, 1966 and has vested the Reserve Bank with various statutory powers of

control and supervision over the co-operative banks, Co-operative Societies Act of the states concerned with regard to the incorporation, management etc., and the Reserve Bank of India Act, with regard to the inclusion of primary co-operative banks in the second schedule to the RBI Act, Credit limit to the scheduled urban co-operative banks, etc.

1.3 Organisational Composition of Cooperatives in India:





1.4 Co-operative Values and Principles:

The Cooperatives are conceived as a distinct form of organisations as compared to any other form of organisations like private or public. The distinguished characteristics of the co-operatives can be seen in their working and operation. The co-operatives are essentially a function

based on the universally accepted set of co-operative values and principles. Therefore, they are called as a value based and the value oriented organisations. The values and the principles are revised from time to time by the International Co-operative Alliance (ICA) which is one of the oldest International non Governmental organisation representating the world wide the co-operative organisations of all types.

Recently, the 31st ICA Congress held at Manchester in September, 1995, gave a statement on co-operative identity which included a revised definition of the co-operative values and the co-operative principles.

The Statement on values in "Co-operatives is based on the values of self help, self responsibility, democracy, equality, equity, solidarity, honesty, openness, social responsibility and caring for others". On the other hand, the accepted seven co-operative principles are: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education training and information; co-operation among co-operatives and concern for community.

1.5 Significance of Urban Co-operative Banks in the Economy:

The need for urban co-operative banking was initially felt when the swadeshi joint stock banks did not take interest in providing credit to the urban middle class. The reluctance on the part of the joint stock banks was on account of the high cost of advancing and recovering of loans. This kind of attitude of the joint stock banks extended an opportunity for the co-operative banking to develop as a medium for mobilising the savings of persons of a modest means and meeting the financial needs of the weaker section of the society.

The urban co-operative banks operate in metropolitan, urban and semi-urban centres and are targeted to cater to the credit needs of small borrowers like small scale industrial units, retail traders, professionals and salaried persons. These banks can organise and bring together the middle and working classes in urban and semi-urban areas and inculcate in them the habit of thrift and self help and acquaint them with the elements of ordinary banking principles. These banks can rescue the middle and working classes from the exploitation of money lenders and other unscrupulous agencies by providing credit on a reasonable terms which is important in the contest of rising prices and cost of living.

The necessity of urban co-operative banking in financing the artisans, small traders, factory workers, urban middle classes and the small scale industries was recognised as an ideal institution by the various committees and working groups, such as Central Banking Enquiry Committee (1931), the Co-operative planning Committee (1946), the Study Group on Credit Co-operatives in the Non Agricultural Sector (1963), the Working Group on Industrial Financing through Co-operative Banking (1968), Madhava Das Committee Report (1977), and a study conducted by the RBI (1981).

No doubt, the urban co-operative banking sector has been emerged as an important segment of Indian banking system. The economic survey for the year 1995-96 underlined the continuing crucial role of the co-operative banks in the economic development as the credit co-operatives alone accounted for 67 percent of the total short term bank disbursement followed by the commercial banks 28 percent and the Regional Rural Banks (RRB) provided the balance 5 percent during 1994-95 for productive purpose. Further, the Reserve Bank of India has recognised the importance of these banks by allowing them to extend their operation to rural areas and finance even to agricultural activities. These banks have recorded a higher growth rates both in deposits and advances as compared to the commercial banks.

In the latter years, the urban and semi-urban centres have been growing by leaps and bounds. And the on going economic reform policies have created innumerable economic opportunities to the people in these centres. In this view, despite of a wide network of banking, the role of urban co-operative banks in meeting the rising credit needs of small scale industrial units, small businessmen, small trader, service operator and professionals in these centres is of paramount importance as these banks unlike commercial banks, are region based and the operation is confined almost to a particular area. Moreover, these banks are interested in the economic welfare and well being of the men of small means and a weaker section of a particular urban centre.

The role and working of urban co-operative banks based on universally accepted co-operative principles and values like self help and mutual help, concern for community, nature of simplicity, close contact, local feel and involvement enjoying the confidence of local people, has been increasingly felt momentous in meeting the credit requirements to the weaker section of the society. In recognition of their importance and necessity, the Reserve Bank of India has granted special concessions and privileges to the urban co-operative banks as compared to the commercial banks with regard to cash Reserve Ratio (CRR), Statutory Liquidity Ratio

(SLR), interest rates, Prime Lending Rates (PLR), Lending to priority section etc.

Similarly, the urban co-operative banking sector plays a crucial role in the Goan financial system in terms of meeting the credit and banking requirements to small scale industrialists, businessmen, small traders, gold smiths, petty shopkeepers, service operators, salaried persons etc., in urban and semi-urban centres in the state. More importantly, the urban banks have a special role to play in the state's economy as industry, tourism, mining, fisheries and service sector are the main economic activities of the state.

1.6 Problem Focus:

The Urban co-operative banks have occupied an important place in the state's economy in terms of financing the major economic activities. It is important to note that the state has a wide network of banking with a total 396 branch offices including the urban co-operative banks both in the rural and the urban areas, and engaged in mobilising savings and distribution of mobilised resources to various economic activities. The average population per bank branch office in Goa is the

lowest in India being less than 3600 as against the national average of 14000. In view of this large banking network, a study on the performance and contribution of urban co-operative banks to the economy assumes more importance.

The urban co-operative banks are a distinct form of organisations and they cannot be matched with any other banks either private or public. The recent changes as a part of economic reforms introduced by the Government of India, have indeed extended an ample opportunities for all the sectors of the economy and the urban co-operative banking sector is no exception. In contrast, it has been very often heard that the performance of co-operatives has been by and large not satisfactory and they are not financially viable. The liberalised new economic policies have posed threat to the survival and growth of co-operatives. In this context, the urban co-operative banking as one of the most significant segments of co-operatives attracts an immediate attention.

There are seven urban co-operative banks with a total 58 branch network functioning in the state as on 31.3.1997. But, so far a comprehensive and detailed study on the workings of the urban co-operative banks in Goa has not been undertaken.

The reform measures initiated in the Indian banking sector in general and in the co-operative banking in particular have brought forward many challenges before the urban banks' management. These reforms are based on the recommendations of the Narasimham, committee report, 1991. These inter alia are: liberalised licensing policies for new primary urban co-operative banks; deregulation of lending and deposit rates; allowing urban banks to invest their surplus funds in equity/bonds of all India financial institutions; permitting urban banks to extend direct finance for agricultural activities being considered as a priority sector advances; asset classification; income recognition; provisioning for a bad and doubtful debts etc. This changing operating environment in the banking sector necessitates to examine the working status of the urban co-operative banks operating in the state.

Keeping all the above factors in view, the present study has been taken up with an overall objective of evaluating the performance of urban co-operative banks operating in the state of Goa. The findings of the study may be of immense use both to the policy makers for the urban co-operative banks and to the general public to learn about the working of urban co-operative banks in Goa.

1.7 Objectives of the Study:

The specific objectives of the study are as follows:

- 1) To evaluate the growth and performance of urban co-operative banks in terms of physical and financial parameters.;
- 2) To analyse the capital adequacy of the urban cooperative banks.
- 3) To analyse the factors influencing profitability of urban cooperative banks.
- 4) To make a comparative performance evaluation of the urban cooperative banks in the study area.
- 5) To suggest appropriate policy measures for better performance.

1.8 Scope of the Study

The present study intends to examine the working, growth and performance of the urban co-operative banks, in respect of both the physical and financial performance indicators. Geographically, the study confines itself only to the urban co-operative banks operating in the state of Goa. It is an empirical work at micro level based on secondary data relating to working of the urban co-operative banks in the state. The main focus of the investigation is to evaluate the performance of the entire urban co-

operative banking sector in the state. The findings of the study would help to the policy makers, administration, and other officials in formulating the better policies and their implementation.

1.9 Presentation of the Study

The complete study that has been carried on is presented in the ^{eight} different chapter. Chapter-I provides the background to the research proposition describing the statement of problem and its significance, objectives and scope of the study. The chapter-II makes an attempt to comprehend the earlier research studies on the performance evaluation of the urban Cooperative Banks as well as other cooperative institutions and calls out the major findings and further research problems to be included in the present study. The Chapter-III deals with the description of the study area, sampling procedure adopted, nature and source of data, analytical techniques employed to analyse the chosen performance indicators so as to achieve the objectives of the study. Chapter-IV is focussed on the performance evaluation of the urban cooperative banks in terms of selected physical as well as financial parameters by using the growth rate analysis. Chapter-V makes an attempt to evaluate the financial and capital adequacy performance of Urban Cooperative banks through ratio analysis. Chapter-

VI attempts regression analysis of the factors influencing profitability of urban cooperative banks. Chapter-VII is focussed on inter-bank comparative performance evaluation and ranking of urban cooperative banks in the study area and the last Chapter summarises the important findings of the research work and provides a SWOT(P) chart for each bank and finally makes certain policy suggestions to improve the performance of the urban cooperative banks in the state of Goa.

1.10 Limitations of the study

The study that has been undertaken is based on the secondary data for the period from 1985-86 to 1996-97. However, in case of the Bicholim Urban Cooperative Bank, the study period is restricted to 10 years only from 1987-88 to 1996-97 as the bank completed only 10 years of its operation as on 31.03.1997, the ratio of non-performing assets (NPA) to the total advances could not be worked out in case of two banks viz., the Bicholim Urban Cooperative Bank and the Women Urban Cooperative Bank due to the non-availability of data relating to NPAs and even the information about NPAs was not disclosed in their yearly financial statements. One bank names the Goan People's Urban Cooperative Bank Ltd. was excluded from the present study as it has been in operation only for the last two years.

Further, the study did not focus on the impact of the urban cooperative banks on the Goan Economy in terms of creating an economic opportunities to the people of Goa.

CHAPTER-II

REVIEW OF LITERATURE

In order to evaluate the objectives of the present study, it was felt more desirable to have an idea of the findings of some of the earlier research studies and the tools adopted therein. The review of literature on the working and performance of the urban co-operative banks as well as other co-operative institutions could provide a frame of reference for the present study and serve as a point of departure for further empirical investigation either to confirm or contradict the available findings. The findings of existing literature are provided as under:

2.1 Findings of Existing Literature:

Natarajan et al (1980) calculated liquidity, profitability and a long term solvency ratios to evaluate the financial performance of the consumers' co-operative stores in Andhra Pradesh. The study revealed that the liquidity position was not satisfactory with low current ratios compared to the ideal norm 2:1. The debt finance was in excess of the equity with high debt equity ratio. Similarly other ratios also disclosed poor inventory turnover, huge stock inventory and ineffective utilization of funds.

CHAPTER II

REVIEW OF LITERATURE

This chapter deals with the review of literature. In order to evaluate the objectives of the present study, an attempt is made to comprehend the existing research studies on the working, growth and performance of the urban cooperative banks as well as other cooperative institutions. Further, the findings of the studies are critically assessed and called out further research problems to be included in the present study.

Anand S.K. (1981) employed the solvency, stock turnover, working capital and profitability ratios to evaluate the financial position and performance of the state consumers co-operative federation, Maharashtra.

Anand, G.S. (1984) evaluated the performance of the Grape Growers' Marketing and Processing Co-operative Society in Bangalore. He applied the solvency, liquidity, turnover, total sales to fixed assets and total sales to owned funds ratios to examine the performance of the society.

M.K. Goyal (1985) analysed debt-equity ratio of all the Apex Co-operative Banks in India for the period from 1970-71 to 1978-79. The author calculated debt-equity ratio by two ways: i) Ratio of deposits to owned funds and ii) Ratio of total outside liabilities to owned funds. The study indicated that the increase in deposits was more than the owned funds during the study period. The ratio was in between 300 percent to 492 percent and the ratio of total outside liabilities to owned funds varied between 583 percent and 717 percent during the study period.

Shankarmurthy H.G. (1986) studied the performance of Karnatak State Co-operative Marketing Federation Ltd. He used different ratios to study the different aspects of financial position of the federation

such as solvency, liquidity , turnover profitability efficiency and strength. He expressed that the ratio analysis would provide a better idea of the financial position of the federation.

Further, he employed cluster analysis technique to analyse the scores obtained from three different groups of respondents in the opinion survey in order to evaluate the working of the Marketing Federation Ltd.

S.S. Hugar (1986), studied financial analysis of 19 District Central Co-operative Banks in Karnatak for the period from 1978-79 to 1982-83. The author used Ratio Analysis technique to test the working capital position, deposit mobilization, credit disbursed and recoveries, operating efficiency, cost and profitability of the DCCBS.

The study revealed poor performance in respect of the working capital, credit disbursed, recoveries, operating efficiency and profitability. However, deposit mobilization was noticed a steady rise from year to year during study period.

N. Thanulingom and T.R. Gurumoorthy (1987). The authors analysed the financial performance of the thirty handloom co-operative societies in Paramakudi town in Tamil Nadu. The performance

has been analysed with the help of liquidity, profitability and turnover ratios. The study revealed that due to heavy accumulation of inventory and a large quantity of debtors, high current ratio was noticed and the gross profit margin was too little to meet the expenses to be incurred. It was concluded that the performance of the handloom co-operative societies was too poor to improve the profits for the societies.

N. Narayanasamy and S.R. Ramachandran (1987), the authors evaluated the profitability performance of the district central co-operative Bank (South Arcot) in Tamil Nadu. The study period was 1974-75 to 1983-84. The variables considered for the study were: interest earned, interest paid, manpower expenses, establishment expenses, profits and income of business.

They employed ratio analysis technique namely spread ratio, burden ratio and profitability ratio to study the profitability performance of the bank. Further, the correlation technique was employed to workout the relationship between the profitability, spread and burden ratios. In order to prove the influence of these ratios on profitability, the regression technique was used.

The study revealed that the profitability of the bank has decreased over a decade. The spread ratio declined as a result of fall in

interest earned ratio coupled with rise in interest paid ratio. The correlation test revealed that the spread ratio is more associated with profitability and the burden ratio is negatively correlated.

C.S. Shreshthi (1989), evaluated the financial performance of the five Wholesale Consumers' Co-operative Stores in Pune city in Maharashtra state for a period from 1978-79 to 1982-83. He employed the ratio analysis technique to evaluate the performance of the stores. The ratios were: profitability ratios, liquidity ratios, solvency ratio and others. The results of the analysis revealed that the earning capacity of these stores was considerably low. The net profit margin was below 2 percent and the gross profit margin was below 6 percent. Out of the 5 stores, two suffered losses. The liquidity ratios of three stores showed a satisfactory financial position. However, the study was concluded that the overall financial performance of the five stores was not so satisfactory during the study period.

Sukumaran A. and Shaheena P. (1991) analysed the spread, burden and profitability management in Palghat District Co-operative bank in Kerala. The period for the study was 1977 to 1987. The results revealed that the profitability and the interest expenditure of the banks showed a fluctuating but unfavourable trend during the study period. Analysis of the spread ratio and the burden ratio also indicated some deficiency in the fund

management within the bank. The reserves and surplus management of the bank thrown a light on the idle reserves indicating ineffective management. In nutshell, the management of spread, burden and profitability within the bank was not much effective and called for necessary steps to improve the bank's position.

E.V.K. Padmini and P.K. Lekha (1992) studied the financial performance of Shree Narayana Powerloom Industrial Co-operative Society, Nadathara in Kerala for the period from 1980-81 to 1987-88. The performance was evaluated with the help of the selected ratios namely turnover ratios, financial ratios and liquidity ratios. The relevant parameters used for the evaluation were: cost of goods sold, administrative expenses, sales, current assets, current liabilities and fixed assets. The study revealed that the cost of goods ratio was very high around 70 to 80 percent of the value of sales, administrative ratio more or less remained the same, current and liquidity ratios were found to be low from 1983-84 onwards. The study concluded that the financial performance of the society was not up to the level.

T. Paranjothi and A. Mayilmurugan (1994) studied the overall trading and financial operations of the Madurai District Pandian Consumers' Co-operative Wholesale Stores Ltd, Madurai. The study used the ratio analysis statistical tool to analyse the liquidity, profitability and

solvency aspects of the society for a period of 5 years from 1988-89 to 1992-93. The results of the analysis disclosed that the current and the liquidity ratios have not satisfactory. These ratios were even below the standard ratios. The debtors, and the creditors turnover ratios were found satisfactory and the store suffered a very high net loss during the period 1987-88 to 1989-90.

N.C. Pillai and Vasantha Kumari P. (1994) analysed the financial performance of women's industrial co-operative societies (WICS) in Thrissur district in Kerala for a period of 5 years from 1986-87 to 1990-91. The study used ratio analysis technique to evaluate the financial performance. The study disclosed that the profitability ratios represented a poor financial performance. The gross profit margin was very low and the net profit margin was almost negative. Both the current and acid test ratios failed to satisfy the standard norm of 2:1 and 1:1 respectively and inventory ratio was proved to be very low.

Bankim Chakraborty (1996) the author examined the performance of Maharashtra State Co-operative Bank for the period 1989-90 to 1992-93. The variables for the study were: working capital structure and composition, deposit mix, credit mix, credit-deposit ratio, loan outstanding, overdues and profitability. The findings of the study were: the working capital mix indicated a major share of deposits and

borrowings; deposits contributed 70 percent in working capital and among various deposits, the fixed deposits alone contributed 69 percent; the credit mix was rational; high degree of relationship between the credit and the deposits; excellent performance in recovery and an upward trend in profit.

C.V. Babu (1997) analysed the liquidity, profitability and business strength of three urban co-operative banks in Thrissur district of Kerala state for the period 1980-81 to 1989-90. For the purpose of analysis, the author used the various ratios viz. profitability performance ratios (developed by Varsha S. Varde and Sampat P.Singh) liquid assets to deposit ratio, cash asset to deposit ratio, credit-deposit ratio, owned fund to borrowed fund ratio and overdue - demand ratio.

A comparative analysis of three banks revealed that the Kodungallur Town co-operative Bank (KTCB) made a commandable profit during the study period as it had a very good spread ratio. The profitability of Guruvayur urban co-operative bank (GCUB) had come down due to the low interest income and high manpower and other expenses, and the Irijalakuda people's co-operative bank (ICPB) had no spread in most of the years and remained under loss. The liquidity performance of the banks shows that all the banks are keeping excess liquid assets and liquid cash over and above the minimum requirements. A comparative performance of the banks in relation to the credit deposit

ratio, owned fund to borrowed fund ratio and overdue and demand ratio shows that KTCB and GCUB were found satisfactory and the poor performance was witnessed in IPCB. The author suggested that the excess amount held in liquid assets and in cash assets must be reduced at the desired level and the excess fund kept idle could be utilised for profitable deployment.

Agarwal R.C. et al (1972) studied the growth of District Central Co-operative Bank in Uttar Pradesh. The variables considered for the study were: share capital, owned and working capital, borrowed capital, loans advanced and profits. The trend coefficients were found to be positive and significant except for profits. An increased expenses on management and the huge outstanding loans were the reasons for non-significant profit of the bank.

Devads Bhorali (1978) the author evaluated the progress of Nagaland State Co-operative Bank Ltd. for the period from 1972 to 1976. He considered the share capital, owned funds, working capital, investment, outstanding loans, advances and overdues for assessing the performance. Nevertheless, the assets and liability position was satisfactory, there was a need to build a strong base of self generated capital resources.

John D'Silva (1984) studied the working of Abhyudaya co-operative Bank Ltd. in Mumbai, for the period from 1964 to 1984. The variables chosen for the study were: membership, paid up share capital, deposits, advances, working capital and the number of branches. The study revealed an excellent growth in all its selected variables during the study period. The author remarked that the dedicated service rendered by the bank in its short span of life of two decades has earned a place of pride among the urban co-operative banks in the country especially in Maharashtra.

N. Subba Rao and M. Koteswara Rao (1984) analysed the progress and performance of the state as well as Primary Co-operative Housing Societies in India from 1960-61 to 1977-78. The variables selected for the study were: number of societies, membership, paid up share capital, working capital, fixed assets, borrowings and profitability.

The study exhibited a phenomenal increase in all the selected performance indicators of both the state and primary societies during the study period. On the contrary, an increasing trend of loans outstanding and overdues, a declining trend of owned funds to the working capital, around 62 percent of the societies running either under loss or without profit etc. were observed. Further, despite of an increase in the number of societies, the construction activities did not pace with this increase.

Subba Rao A.R. (1985) analysed the performance of Central Arecanut Marketing and Processing Co-operative Limited, Mangalore. The share capital, membership and the total assets were the main variables for the study. He employed both exponential and modified exponential form of growth functions as indicated below:

$y = ab^t$ - exponential function and he also used ratio analysis such as solvency ratio, liquidity ratio and profitability ratio.

$y = ab^t c^{t^2}$ - modified exponential function. He observed a considerable growth among the variables as paid up share capital, membership, total assets, working capital and purchases, while in the case of sales, the growth was higher in the beginning years and declined later.

John Winfred A. (1985) studied the growth of Land Development Banks for the period from 1969-70 to 1978-79. The variables for the study were: membership, Government support, investments, loan operations, overdues, cost of management, profits and the cost of credit disbursed to the weaker sections. He employed a compound growth rate formula:

$$Y_t = Y_0 (1+r/100)^t$$

where Y_0 = Base Year Value

Y_t = t^{th} year value

t = Number of years.

r = compound growth rate

He found that the banks with the limited loan transactions did not make any marked impact in the field of agricultural credit.

V. Kulandaiswamy and C. Nagarajan (1985) studied the growth of the urban co-operative banks in Coimbatore district in Tamil Nadu, for the period from 1967-68 to 1981-82. The variables selected for the study were: membership, share capital, deposits, loans outstanding and net profits. The authors used the linear growth equation to compute the growth rates.

The straight line trend equation presented as under:

$$Y = a + bx$$

where Y = adjusted index number of moving averages

x = time

b = linear growth rate per annum.

The results of the analysis indicated a very significant growth rates in respect of all the variables. Profit registered the highest growth rate (81.7). The coefficient of determination (R^2) indicated a very high value (.99) with regard to all the variables.

M.B. Patil (1985) analysed the growth of the urban co-operative banks in India and their advances to the various priority sectors

of the economy in accordance with the national plan priorities for the period from 1978 to 1982. The study revealed that the deposits grew by 25.5 percent per annum which was higher than the deposits grew in commercial banks during the same period. The loans and advances also registered more than threefold rise. Over 60 percent of their advances were made to priority sector and percentage of overdues to loans outstanding was below 9 percent.

He further pointed out the following: the statewide picture of the urban banks indicated too regional imbalance out of 1281 banks 996 were found in only 4 states, neglecting of small scale industries; a very conservative attitude towards advances and lack of planning.

G. Krishna Murthy and P. Parameshwar (1985), examined the trends in deposits of all the central co-operative banks in Andhra Pradesh. A period for the study was 12 years (1970-82). Exponential trend was used to examine the growth of deposits.

The results of the analysis disclosed that all the banks recorded 6 1/2 times growth in deposit mobilisation by all the banks during the study period. Further deposits per 100 population also increased over the years. On the contrary, poor and unattractive services, no effective efforts towards deposit mobilisation as all the registered primary

co-operative societies compulsorily have to deposit all their appropriations of profits with the DCC bank which was worked out around 60 percent of the DCC Banks' total deposits and lack of training for the managers etc. were noticed.

C.R. Reddy and V. Sreenivasulu (1986) evaluated the performance of Anantapur urban co-operative bank for a period of 15 years from 1970-71 to 1984-85. The variables considered for the study were: membership, share capital, deposits, reserve fund, loans outstanding and net profits. They employed the technique of 'Best Fit Line' for computing the growth rates. Symbolically the line equation is represented by

$$Y = a + bx$$

where Y = Index number of moving average
x = Time (years)
b = Linear growth rate per annum.

The study exhibited that the growth rate in respect of net profit is the highest followed by loans outstanding, deposits, reserve fund, share capital and membership. The authors further remarked that the urban co-operative bank has achieved brisk pace.

S.G. Hundekar (1986) the author evaluated the growth of the urban banks in India for the period from 1967 to 1979, soon after the

urban cooperative banks were brought under the purview of Banking Regulation Act as applicable to co-operative banks. The study indicated a considerable growth in the present in respect of the number of banks, membership, paid up share capital, reserve funds, deposits and advances as compared to the past. He highlighted the role of the staff members in improving the quality of service.

S.L. Tripathi (1986) studied the working of Adarsh Co-operative Marketing Society Ltd., Debalpur, Indore district in Madhya Pradesh for the period from 1981-82 to 1985-86. The membership, share capital and cash credit were the main variables for the study. The study disclosed a satisfactory growth in both the membership and the share capital and the society was running in losses up to 1982-83 started earning profit during the latter years of the study period.

S.G. Hundekar (1989) evaluated the performance of Nipani Urban Co-operative Credit Bank Ltd., Nipani in the Belgaum District of Karnataka State. The study period was 7 years from 1981-82 to 1987-88. The indicators selected for the study were membership, deposit mobilization, loans and advances, credit-deposit ratio, profit, manpower, share capital, reserves, branch expansion and the management. The study concluded that the bank registered a successful growth in all its performance indicators among all the urban co-operative

banks in Belgaum district.

B.V. Bhatt, R.L. Shiyani and N.M. Patel (1989) analysed the credit and deposit performance Junagarh District central co-operative bank (JDCCB) Ltd.in Gujarat. The study period was 1975-76 to 1986-87. The variables selected for the study were: deposits, total outstanding loan, net outstanding loan, apex bank loan, credit deposit ratio and effective C.D. ratio. They used regression technique to workout the growth rates.

The model fitted for the study was $Y = a + bx$

where Y = adjusted index number

x = independent variables (time)

b = estimated annual growth rate.

The study revealed that all the variables showed a significant growth during the study period. Further, the credit advanced depended on the total deposits received or generated share capital and other funds etc. The authors opined that the effective credit-deposit ratio (based on net outstanding) should be used for judging the performance efficiency in relation to the credit and deposit of banking sector.

Mettigatti R.M. (1990) studied the performance of Milk Producers Co-operative Societies and their impact on dairy farming in Dharwad District. The author selected a number of physical and financial

indicators to evaluate the performance. He opined that both the physical and financial indicators of the societies showed a significant growth in their values.

P. Raghu Ram et al (1990) evaluated the progress and performance of Primary Co-operative Agricultural Development Bank, Bapatla, Guntur district of Andhra Pradesh. The study period was 1966-67 to 1985-86. The performance indicators like membership, paid up share capital, borrowings, amount repaid and loans outstanding etc. were considered for the study.

The compound growth rates of the selected indicators were calculated using the following formula $Y = a + b^t$. An ultimate compound growth rates were obtained through $\text{Antilog } b - 1 \times 100$. The study revealed that the progress of PCADB has been encouraging over the past 20 years, barring 1 or 2 years of poor performance. The authors further opined that the bank was under losses in recent years. They suggested the bank to increase the efficiency of employees of the bank.

Sujata K.S. et al (1993) analysed the efficiency of Ernakulam District Central Co-operative Bank, with regard to the mobilisation, deployment of funds and profitability. A compound growth rates were calculated for the various indicators. The results indicated that

the deposits, advances and the reserves were increasing at 18 percent, 15 percent and 18 percent respectively. The spread, burden and profitability ratios were also found satisfactory.

M.M. Bhalerao and D.K. Shukla (1993) analysed the growth and performance of District Central Co-operative Banks in India for the period 1969 to 1988. The variables considered for the study were: number of the offices, membership, share capital deposits, loans and advances and outstanding overdues. The authors estimated linear and compound growth rates (LGR & CGR).

Following formula used for estimating the Linear and compound growth rates:

LGR

$$Y = a + bt$$

where $a = Y/n$ $b = yt/t^2$
 $r = (b/a) \times 100$
 $N = \text{Number of years.}$

CGR

$$Y = ab^t$$

$$\text{Log } Y = \text{Log } a + \text{Log } b$$

$$\text{Log } a = \frac{\text{Log } Y}{n} \quad \text{Log } b = \frac{\text{Log } yt}{t^2}$$

$$r = (b - 1) \times 100$$

$n = \text{Number of years}$
 $r = \text{The Growth Rate.}$

The study revealed a considerable increase in number of offices, share capital, deposits, loans advanced and outstandings. The growth rate of overdues during the study period was significantly high.

The authors suggested an effective measures need to be urgently taken by incentives and disincentives against the defaulting societies so as to bring down the overdue percentage.

R. Dayanandan and K. Sasikumar (1993) evaluated the performance of the Ccentral Co-operative Banks in Kerala for the period from 1981-82 to 1989-90. The variables viz., membership, share capital, deposits, reserve fund, total loan overdues and net profits were considered for the study. They employed the technique of 'Best Fit Line' to compute linear growth rates of the selected variables.

Symbolically the line equation is represented by:

$$Y = a + bx$$

where Y = Index number of moving average

x = Time (Years)

b = Linear growth rate per annum.

The study disclosed that the bank has achieved better performance in all its selected variables. Further they opined that the growth of the bank in latter years is affected because of the high overdues.

Reddy Indrasena (1994) assessed the working of Malkanoor Co-operative Rural Bank. The indicators selected for the study were share capital, reserves, deposits and borrowings for the period 1978-79 to

1992-93. The compound growth rate were calculated with the help of the Least Square Method of fitting an exponential function $Y = abx$. The study revealed that the growth rates were relatively higher for the deposits, reserves, investments, credit and non-credit services of the bank.

R.L. Hyderabad (1994) analysed the working of the Karnatak University Employees Co-operative Credit Society Ltd., Dharwad, Karnataka state for the period of 10 years from 1982-83 to 1992-93. The study employed both financial and non-financial indicators viz. membership, share capital, deposits, turnover of funds, credit sanctioned and credit collection.

The study revealed an excellent performance in all its indicators. Membership, share capital and fixed deposits showed an increase trend. The credit sanctioned was around 94 percent and credit collection stood around 90 percent during the study period indicating an effective and a sound credit collection policies and practices of the credit society.

B. Veeresh (1995) evaluated the performance of Mahila Co-operative Bank Ltd. in Bangalore city of Karnataka State, for the period of 14 years from 1979-80 to 1992-93. The variables selected for the study were membership, share capital, deposits, loans and profits. The

study indicated a successful operation of the bank during the 14 years period. All the variables registered an increasing growth over a period. Author suggested the bank to provide non-credit service to its members.

M.B. Patil (1995) analysed the performance of the Primary Co-operative Agriculture and Rrural Development Banks in Karnataka for the period 1976-77 to 1990-91. The author incorporated the parameters like membership, share capital, working capital, deposits, loans, overdues, cost of management, profit and loss account, etc. for analysis.

The study exhibited that almost all the parameters registered an increased growth during the study period except the management cost and overdues. The management cost showed a wide fluctuations and overdues increased steadily. The study further revealed that the PCARDB in Karnataka have become sick units. They are weak in terms of resources.

S.B. Hosmani (1995) analysed the performance and impact of Malaprabha Grameen Bank (RRB) in Karnataka for the period from 1976 to 1994. The author selected 11 physical and 20 financial variables for the study. He employed various analytical tools viz. ratio analysis technique, growth rates, principal component, cluster analysis and others to evaluate the performance of the bank.

The analysis revealed the followings: the bank had favourable liquidity ratio and sufficient solvency position, borrowings were well within the norm of 3 times of working funds, the profitability ratios were far from satisfaction, a substantial growth rate in the important variables and the officials, non-officials and borrowers expressed a favourable opinion about the bank's performance.

S.K. Anand (1984) studied the working of Bank Employees Credit Co-operative Society of State Bank of Indore covering all the 270 branches of the state bank of Indore all over the country. The variables considered for the study were: membership, share capital, management, loans and advances, deposits, reserve funds, profit and other special schemes.

The study disclosed that the society has made a remarkable progress on all fronts. The society functioning on its own resources and funds and not borrowed any funds from other institutions.

B.S. Ghuman and Anil Monga (1987) The authors analysed the financial as well as physical performance of Co-operative Sugar Factories in Punjab. The period of study was '15 years from 1969-70 to 1983-84. The indicators selected for the study were: capital structure,

profit and loss account, sugar cane crushed and sugar produced. They concluded that the co-operative mills were running into losses during the study period due to internal as well as external factors. The authors suggested that the political interference should be minimized and the mills should be located in the area having a sufficient quantity of sugar cane.

John D'Silva (1987) stressed the need to reexamine the management structure of the urban co-operative banks. He pointed out the existing system of managing committee features: the promoter members who sacrificed a lot for the society till its registration without any return is not given any status after the registration; the depositors who contribute the resources for the success of the bank do not get any benefit out of the profit and the non borrowing members do not contribute any thing to the bank but get all the privileges including participation in the management.

Considering the above, the author recommended the composition of the board of directors should consist of 1/4th promoter members, 1/4th borrowing members, 1/4th non-borrowing members and 1/4th depositors.

K. Asaithambi (1988) analysed the performance of Andaman and Nicobar State Co-operative Bank for the period from 1982-83 to 1985-86. The performance indicators selected for the study were

membership, share capital, working capital, deposits, loans outstanding and overdues. The results of the analysis showed that the bank has been maintaining high degree of efficiency in all the vital aspects of its operations.

Jaya S. Anand (1989) examined the operational efficiency of the State Co-operative Bank for the period 1975-76 to 1984-85. The study disclosed that the bank was efficient in mobilizing funds but not in disbursement of credit. The profitability position was found unstable and a higher level of liquid assets were maintained by the bank. The norms of the NABARD, Government and RBI were coming in the way of diversification of its activities.

K. Parameswara Rao (1989) evaluated the progress and prospects of Bhimavaram Co-operative Urban Bank Ltd in west Godavari District of Andhra Pradesh for the period 1930 to 1987. The variables selected for the study were: membership, deposits, advances and management of the bank. The study disclosed that the bank made a considerable progress in all its selected variables during the study period. Further, he remarked, that the staff members work with dedication and co-operative spirit.

B.Subburaj (1990), The author examined the sales perfor-

mance of the Regional office of Cooptex (Tamil Nadu Handloom Weavers' Co-operative Society Ltd.) Madurai in Tamil Nadu. The study revealed an impressive sales performance of all the sales depots during the study period. (1986 to 1988). Further cash sales was found to be less than 30 percent to total sales.

L.H. Gajare (1990), the author in his paper suggested certain steps to increase productivity and profitability in urban co-operative banks. He opined that the performance of the financial institutions is judged by its allocational and operational efficiencies. Operational efficiency refers to the difference between the rate at which the funds are raised and deployed. The following were the suggestions: cash and investment management; credit management; ancillary business; cost effectiveness and cost control; profit planning and budgeting and control.

K. Padmanabhan (1991), studied the performance efficiency of cane jaggery marketing and the scope for co-operative marketing in North Arcot district in Tamil Nadu. For the purpose of the study, the author selected 120 sample producers of jaggery and 50 traders consisted of wholesalers, commission agents and retailers from Tirupattur and Vellore markets with the help of a multistage random sampling. The variables namely pricing efficiency; operational efficiency and price

spread were considered for evaluating the performance. The results of the study indicated the following: the existing market is not in favour of the producer sellers, market margin was found high, most of the firms were not operationally efficient, a small quantity of jaggery sold through the regulated markets. The author suggested the establishment of co-operative marketing society to overcome all the shortcomings.

Vanaja Menon and Sanjeev C.V. (1993) considering the present trends and changes in banking industry and a stiff competition from the commercial banks, the authors emphasised an immediate need to upgrade the management information system (MIS) in urban co-operative banks by computerisation of its operation in order to facilitate a quick and speedy decision making and policy formulation so as to render an efficient service to the customers.

Satyanarayan K. (1994), analysed the capital adequacy position of all the public sector banks and a sample of 14 private sector banks. The results revealed that the public sector banks have achieved the capital adequacy norm of four percent one year earlier than the time prescribed by RBI. The private sector banks and SBI group did not achieve this norm though their profitability levels were higher.

Sinha et al, (1994), analysed the pattern of income, expenditure, profits or loss and a break even levels for deposits and loan business of the Central Cco-operative Bank and the Regional Rural Bank (RRB). The results revealed that the income and expenditure of co-operative bank were higher than the RRB, but the establishment expenses was higher in case of RRB due to the deputation of higher salaried staff from the sponsoring bank. The co-operative bank earned profits throughout the period where as RRB incurred losses during the corresponding period. Break-even-analysis indicated the co-operative bank was operating above the break-even-level where as RRB was operating below the break-even-level.

Sumitra Gowaikar (1994), the author suggested some major areas which essentially need a proper and systematic planning for the growth of an urban bank. She remarked that in this 20th century, the age of competition with the advancement of high technology, the concept of planning has been becoming more and more meaningful. The areas suggested for the effective planning were; share capital, deposit mobilisation, advances, recruitment of staff, profit/income,expenditure, recovery, investments etc.

N. Patro (1994), inquired into the performance of Kancheepuram Central Co-operative Bank, Chingleput MGR district in

Tamil Nadu and stressed the need of cost and performance audit for central co-operative banks. So as to measure the quantitative and qualitative accomplishment of all the performance of the bank set forth in performance budget with the actual achievements.

He worked out an average expenditure of Rs. 2.95 for lending Rs. 100/- and bank earned an average interest margin of Rs. 3.08 during 1991-92 and a net margin of only .13 paise per Rs. 100/- loan advanced which was found to be very low. Further staff salary accounted a vary i.e. 60.4 percent of the total expenditure of the bank and the position of owned fund was very low as compared to the borrowed fund.

M. Mahadeva (1994), evaluated the performance of the two Apex Housing Societies viz, Karnataka State Cooperative Housing Federation (KSCHF) and the Karnatak State Scheduled Caste/Tribe Co-operative Housing Corporation (HSSCSTCHC) in Karnatak state. The period of the study was 1950-51 to 1990-91. The variables considered for the study were; membership, share capital and advances.

The study revealed that nevertheless a rise in membership, share capital and advances in the initial years, both the apex societies failed to establish a co-ordination between the co-operative housing sector and other related housing agencies in the state. The lack of initiative on

the part of the primary societies further worsened the situation in the state.

R.S. Khot et al, (1996), in this paper the authors evaluated the performance of total 16 Sugar Factories in Northern Karnatak. The study period was from 1989-90 to 1993-94. The variables for the study were the total cane crushed, total sugar produced and recovery percentage. The study depicted that out of the total 16 sugar factories in Northern Karnatak, Belgaum district alone has 7 sugar factories encompassing 41 percent of the total state area and 35 percent of the total production; there was a fluctuation in the quantity of sugar cane crushed due to a shortage of rainfall and reduction in the sugar cane area, a similar observation was made in sugar production and an average recovery was around 10.73 percent. The authors suggested that the recovery percentage could be improved by growing a suitable varieties and proper management practices.

N. Narayana (1979), studied the performance and the problems of overdues of the Land Development Bank of Anantapur in Rayalsemma region of Andhra Pradesh for the period 1970-71 to 1977-78. The study exhibits that the collection and recovery performance of the bank is far from satisfactory and loans outstanding increased rapidly. The percentage of overdues to the demand has increased from 22 percent in 1970-71 to the peak level of 78 percent in 1976-77. The burden of

overdues can be attributed to the inability of the farmers to repay the loans due to frequent droughts besides the policies and procedures adopted by the bank.

L.D. Vaikunthe (1988), studied the existing loan recovery procedures as well as recovery performance of the District Central Co-operative Bank, Dharwad in Karnataka state for the period 1984-85. About 180 borrower households, belonging to a big (60), medium (60) and small (60), farmers both from the irrigated and non-irrigated villages of Navalgund taluka of the Dharwad district, were selected for the study.

The study reveals that the recovery procedure begins with a demand notice to the borrower loanee requesting him to repay the amount due for the co-operative year within the specified time. The percent of repayment is more in all the categories of farmers in the non-irrigated area (69.82 percent) where as in case of irrigated area it was only 57.80 percent. The amount sanctioned in the non-irrigated area is less than the irrigated area in all the three category of farmers. The reasons for the overdues are unsound lending policies, inadequate supervision, unsatisfactory management and a lack of right type of leadership.

Rama B.R. and J.V. Venkatram (1989), the authors evaluated the working performance of the Farmers Service Co-operative

Society (FSS) Ltd., Singanyakanahalli, Bangalore north taluk in Karnataka state, for a period from 1977 to 1982. They found the membership had increased two folds, the share capital increased about five fold, a considerable rise in short term and medium term loans for the different agricultural purposes, more than 50 percent recovery during all the years, as against the poor recovery performance in most of the societies in the country.

They opined that the society has not only served as a purveyor of credit but also as a distribution and guidance centre to meet the needs and requirements of its members, and the success is mainly attributed to the sincere efforts on the part of the management of the society.

Yogesh Gupta (1992), analysed the performance of Agricultural Credit Co-operative Societies in Shimla district of Himachal Pradesh for a period of seven years from 1979-80 to 1985-86. The main emphasis of the study was on the total loan advances, short term and medium term advances, cash and kind components of loan advances, loan advances to the different categories of farmers, recovery position and overdue of loans. The study revealed that there has been around 12 times increase in the total loans advances, more stress on the provision of short term cultivation finance, provided both short and medium term loans in

cash, higher share of large and medium farmers in total loans and the higher percentage of loans recovered in case of medium size farmers following large, marginal and small size farmers.

B.L. Patil and H.G. Shankara Murthy (1993) the authors evaluated the performance of Karnataka State Co-operative Milk Producers Federation Ltd., (KMF) for a period of 15 years from 1974-75 to 1988-89. They used a SWOT(P) management technique to examine the functioning of the KMF from the four different broad angles namely, strengths, weaknesses, opportunities and threats (problems). The results of the analysis revealed certain pros and cons of KMF. For instance, a wide coverage of membership and competent officials (S), planning implementation was dull and increased volume of liabilities (w), KMF has vast scope for registering new Dairy cooperatives (O) and under utilization of the installed dairy capacities (p).

Pradeep Kumar G.S. (1992) studied the performance of Horticultural Producers Co-operative Marketing and Processing Society Ltd., (HOPCOMS). He employed principal component analysis to develop a composite index of performance based on the 15 ratios considered to explain the performance of HOPCOMS. The results revealed that four dimensions associated with assets, profits, sales and activity were important to explain the performance of HOPCOMS.

V. Alagappan and V. Rengasamy (1989), analysed the factors influencing profitability in the Tamil Nadu State Co-operative Bank Ltd. The period for the study was 11 years from 1975 to 1985. The variables considered for the study were; interest rate spread, salary and other expenses. The author used Linear Multiple Regression statistical tool to achieve the objective of the study.

Linear Multiple Regression is computed by using the following formula:

$$Y = b_0 + b_1x_1 + b_2x_2 + b_3x_3$$

where Y= Net Profit

x₁= Interest Rate Spread

x₂= Salary

x₃= Other Expenses

b₀= Intercept

b₁ to b₃ are Regression Coefficients

The study revealed that the coefficient of interest rate spread is positively related to the annual net profit and the variables salary and other expenses are found to have a negative effect on the annual net profits. Further, interest rate spread, salary and other expenses jointly accounted around 99 percent of variations in its annual net profits.

2.2 Critical Appraisal of Existing Literature:

The review of literature on the performance evaluation of the urban co-operative banks in particular and other co-operative institutions in general presented above reveals the following broad conclusions:

1. Majority of the studies were noticed to be more or less of a descriptive or a narrative in nature. Just narrated over all picture of an organisation. There was hardly an attempt made to analyse in detail the performance with regard to one or a few performance indicators. As a result, no constructive suggestions or policy implications were observed. The studies highlighted more on achievements and a little emphasis was made on deficiencies in the working and performance.
2. The methodology adopted was not so scientific and it was given less importance which resulted in a less accurate findings. Similarly, the analytical tools and techniques were not made use abundantly in some of the studies.
3. The reviewed literature under the heading of Ratio analysis exhibited a poor financial performance of all the co-operative institutions and indicated a very low ratios. Most of the studies on the performance evaluation of urban co-operative banks focussed only on certain

selected parameters. For instance, current asset position in relation to current liabilities; liquid asset position in relation to liquid liabilities; debt equity position; profitability; working capital position; deposit mobilisation etc. The studies have scarcely covered other aspects which are more relevant and have a close association with the efficiency and performance of the urban co-operative banks. For example, percentage of liquid assets to total deposits, percentage of cash assets ^{to} total deposits, cost of deposits and its share in the total expenses and yield on advances and its share in the total income etc.

4. The growth analysis of the urban co-operative banks was carried on at macro level with the help of the selected performance indicators. The performance indicators broadly covered were membership, share capital, reserve funds, deposits, advances, working capital, overdues, profits etc. However, the studies did not analyse the growth at micro level like growth analysis of deposit mix, credit mix, working capital composition, overdues mix according to the long term, medium and short term loans, expenses mix, income mix and so on. Further, most of the studies revealed a satisfactory growth in all the selected performance indicators.
5. The capital adequacy of the urban co-operative banks was generally judged with the help of debt equity ratio in all the earlier studies.

However, based on the recommendations of Narasimham Committee on financial sector reforms, the Reserve Bank of India (RBI) introduced the internationally accepted capital to Risk Assets Ratio (CRAR) for Indian banks. This ratio has now become an important tool for evaluating the soundness and solvency of the banks. But no study has examined the capital adequacy of the banks as per the new capital adequacy norms.

6. Though there were studies on the performance evaluation of number of banks together, but hardly an attempt was made to compare the financial performance of one bank with another in order to identify the relative strengths and weaknesses in the working and performance of the urban banks.
7. Since 1991-92 when the recommendations on the financial sector reforms were introduced, the main focus of the reform process has been on the profitability and efficiency of the banks. The studies hitherto did not stress much on the profitability performance and the factors that are influencing the profitability of the banks.

Keeping in view the shortcomings of the earlier studies, the aspects which were not covered have been given more emphasis in the present investigation.

◇ CHAPTER III

METHODOLOGY

This chapter deals with the description of the study area, functioning of the urban cooperative banks in Goa, sampling procedure adopted, nature and source of data, analytical techniques employed to analyse the chosen performance indicators so as to achieve the objectives of the study, procedure adopted for ranking of the urban cooperative banks and the key terms and concepts used.

CHAPTER – III

METHODOLOGY

This chapter covers the description of the study area, salient features of the Urban Cooperative banks, sampling procedure adopted, the nature and source of data, the various tools and techniques employed in analysing the data and evaluation of the results, procedure adopted for ranking of urban cooperative banks and certain key terms and concepts explained to ensure a clear understanding about the present study.

The methodology is presented under the following major heads:

- 3.1 Description of the study area
- 3.2 Genesis of Urban Cooperative banks in Goa
- 3.3 Sampling procedure
- 3.4 Nature and source of data
- 3.5 Analytical techniques employed
- 3.6 Procedure adopted for ranking of urban cooperative banks.
- 3.7 Definition of key terms and concepts used.

3.1 Description of the Study Area:

Goa was liberated in 1961 and was part of an union territory comprising of Goa, Daman and Diu. Goa was elevated to the status of 25th state in the Indian union, on 30th May, 1987. The term 'Goa' appears to have been derived from 'Govarashtra' which is one of the seven divisions of Parasurama Kshetra. The operational area of the urban cooperative banks extended to the entire state of Goa particularly the urban and semi urban areas. The description of the study area gives an idea about the location, climate and rainfall condition, area and administrative divisions and the main economic activities of the state. The profile of the study area is presented in Table 3.1 and Figure 1 (Appended at the end of this chapter).

3.1.1 Location:

Goa lies in the Konkan littoral of India's western coast, about 375 kms South East of Mumbai, between 14°53' and 15°00' North latitude and between 73°45' and 74°24' East longitude. Its length (North to South) measures 105 kms. and width (East to West) measures 60 kms. The attitudes of landscape in the state range between 20 and 62 metres above the sea level. Goa is almost triangular in shape and is surrounded by

the Arabian Sea in the west, Maharashtra in the North and Karnatak in the east and South. It is bounded on the north by the Terekhol river, which separates it from Savantwadi in Maharashtra. On the east, it is cut off by the Western Ghats, known as the Sahyadri Mountains, which separate it from Belgaum district of Karnatak. To the South lies the Uttara Kannada district of Karnatak.

3.1.2 Climate and Rainfall:

Goa has a warm, humid, tropical climate. The temperature round the year varies between 21°C to 31°C. From October to May, the climate is warm and dry. From June to September, Goa gets the west monsoon which gives it an average rainfall of 305 cm. in a year.

3.1.3 Area and Administrative Divisions:

The geographical area of Goa is 3,702 sq. kms. Out of which 3,611 sq. km. area is land and the cultivated area is 138015 hectares (38%). Goa has two districts: North District comprising of Tiswadi, Bardez, Pernem, Bicholim, Sattari and Ponda Taluka, and South District

comprising of Sanguem, Canacona, Quepem, Salcete and Mormugao talukas. There are 31 towns and 430 revenue villages.

3.1.4 Economic Activities:

Tourism, industry, mining, agriculture, fishery, trade and commerce are the major occupations of the state. Goa is on the international tourist circuit and it has emerged as the second most preferred tourist destination in the country for foreign tourists. There are around 5278 small scale industrial units operating in the state. Agriculture is almost dependent on rains and natural facilities available for farming. The major crops grown are paddy, pulses, sugar cane, vegetables, coconut, cashew, arecanuts etc. The state has a well developed network of transport and communication system.

3.1.5 Banking Offices:

As on 31.3.1997, there are 396 bank branches functioning in the state of Goa. The number of banks operating in the study area is presented in Table 3.2. (Appended at the end of this chapter).

3.2 Genesis and Working of Urban Cooperative Banks in Goa:

The establishment of Goa Urban Cooperative Bank Ltd. on 7.10.1963 had marked the beginning of urban cooperative movement in Goa. It was followed by the Mapusa Urban Cooperative Bank registered on 19th Dec., 1965; the Madgaum Urban Cooperative Bank Ltd. registered on 31st August, 1972; the Women's Cooperative Bank Ltd. registered on 22nd December, 1972; the Citizen Cooperative Bank Ltd. registered on 5th March, 1984; the Bicholim Urban Cooperative Bank Ltd. registered on 1st May, 1986 and more recently the Goan People's Cooperative Bank Ltd. registered on 30.10.95. The urban cooperative banks have a concentration of 56 bank branches functioning in the entire state as on 31.3.1997. The Reserve Bank of India granted a scheduled status to two urban banks viz. The Goa Urban Cooperative Bank Ltd and the Mapusa Urban Cooperative Bank.

3.2.1 Objective of Urban Cooperative Banks:

The chief objective of the banks is to inculcate the habit of thrift and savings amongst the members and non members and provide finance to the urban middle class mainly for trade, commerce and industry.

3.2.2 Formation and registration:

The committee constituted by the Reserve Bank of India under the chairmanship of Shree S.S. Marathe has recommended certain entry point norms for forming an urban cooperative bank. To form an urban cooperative bank, the chief promoters are expected to seek an approval from the RBI, through the cooperative department by satisfying the entry point and the viability norms prescribed by the RBI. After the proposal for registration is cleared by the RBI, the cooperative department of the concerned state may grant in principle approval and proceed with the registration under the provisions of cooperative societies Act. Subsequently, the application for license to commence banking business under Section 22 of the Banking Regulation Act 1949 should be submitted within a maximum period of three months from the date of clearance of the proposal of registration.

3.2.3 Management:

The management of Urban Cooperative banks broadly includes the general body, the Board of Directors and the professional management i.e. chief executive or general manager and other managerial personnel. The general body of the members is the final and supreme

authority in any bank. The meetings of general body are of two types viz. Annual General Meeting and Special General Meeting. The general management of an Urban bank is vested in a board of directors elected at the general body meetings provided in the cooperative societies Act and rules and by laws. The board is generally in between 9 to 13 directors. The day to day management of the bank is the responsibility of the managerial staff headed by a chief executive or general manager.

3.2.4 Resources of Urban Cooperative Banks:

The resource of Urban Cooperative Banks for the purpose of lending comprise of share capital, reserves, deposits and borrowings.

3.2.5 Control and Supervision:

The provisions of three Acts are made applicable to urban cooperative banks: the provisions of Banking Regulation Act 1949 has been made applicable to urban cooperative banks from 1st March, 1966 and has vested the Reserve Bank with various statutory powers of control and supervision over the cooperative banks. The powers with regard to incorporation, management etc. of these banks continue to vest in the

Registrar of Cooperative Societies of the states concerned and the provisions of Reserve Bank of India Act 1934, with regard to the inclusion of urban cooperative banks in the second schedule of the RBI.

3.3 Sampling Procedure:

With a view to evaluating the objective of the study, all the urban cooperative banks operating in the state of Goa were purposively selected based on one criteria: the working and concentration of these banks unlike other banking institutions operating in the state is confined to the socio-economic development of the state.

3.4 Nature and Sources of Data:

The present study is related to 12 year period (1985-86 to 1996-97) based on secondary data. The required data relating to various aspects comprising of both physical and financial performance indicators of urban cooperative banks were collected from the various issues of annual reports and official records of all the urban cooperative banks. The necessary information were also obtained from the office of the Registrar of Cooperative Societies, Panaji, Goa and from the Lead Banks of both the

districts (North Goa and South Goa). Over and above, the information were gathered from the published sources of ICA (ROAP), NABARD, NCUI, RBI, NAFCUB, Goa Rajya Sahakari Sangh Maryadit, Goa etc.

3.4.1 *Identified Performance Indicators (variables) for the study:*

3.4.1.1 *Indicators used for Computing the Growth Rates*

Broadly, about 14 variables having a close association with the performance of the banks are identified for computing the growth rates. These were: Membership, Number of Branches, Number of Employees, Share Capital, Reserves and Surplus, Deposits and its Mix, Working Capital and its Composition, Borrowings, Advances and its Mix, Investments, Non-Performing Assets (NPA) and its Mix, Income and its Mix, Expenses and its Composition and Profitability.

3.4.1.2 *Variables Used for Calculating Various Ratios:*

The variables used for calculating the different ratios were: Liquid Assets, Total Assets, Total Deposits, Cash Assets, Owned Funds, Borrowed Funds, Total Advances, Non-Performing Assets, Non-Interest

Income, Total Income, Non-Interest Expenses, Cost of Deposits, Cost of Borrowings, Average Business, Number of Employees, Interest Earned, Interest Paid, Manpower Expenses, Other Operating Expenses, Volume of Business, Capital Funds and Risk Weighted Assets.

3.5 Analytical Techniques Employed:

To achieve the objective of the undertaken study, the data collected were analysed by using the following analytical techniques:

- 1) Tabular Analysis
- 2) Growth Rate Analysis
- 3) Ratio Analysis
- 4) Multiple Regression Analysis
- 5) Capital Adequacy Analysis
- 6) SWOT (P) Analysis.

3.5.1 Tabular Analysis:

The Tabular Analysis technique was used to represent the data relating to the performance indicators of the banks in the most lucid

and easily understandable fashion. Simple averages and percentages were worked out for the purpose of comparison. Further, diagrams and graphs were used to denote the general impression of the data and to have a comparison at a glance.

3.5.2 Growth Rate Analysis:

Growth rate analysis was employed to study the changes over a period in the selected performance indicators related to the urban cooperative banks. The growth rates of different indicators were computed by employing the following Exponential Function:

$$Y = AB^x$$

where Y = Dependent Variable (Performance Indicator)
A = Constant (Y intercept)
B = Slope Parameter (Growth Rate)
x = Time (No. of years)

In order to obtain the discrete or an effective growth of different variables, the computed continuous growth rates were further compounded over the appropriate period. The compound growth rates were worked out by using the following equation:

$$r = e^{\beta_1 t} - 1$$

where r = Compound Rates of Growth
e = Natural log
 β_1 = Slope Parameters (Linear Growth Rates)

3.5.3 *Ratio Analysis:*

The Balance Sheet and the Income Statement (Profit and Loss Account) are the key financial statements of every banking institution. These statements furnish a summarised view of the financial position and the operation of a bank. A careful examination of the financial statements can impart a lot about the performance. Ratio analysis is one of the most significant tools in the hands of the bankers for evaluating the performance of the banks. Some of the relevant financial ratios were employed to examine the liquidity, productivity and profitability performance of the urban cooperative banks.

3.5.3.1 *Liquidity Ratios:*

Liquidity ratios indicate the short term financial position as well as short term and long term solvency position of the banks. These ratios are used to measure the ability of a bank to possess adequate cash to meet immediate obligations.

The following liquidity ratios were employed:

3.5.3.1.1 *Liquid Assets to Total Assets Ratio (%)*:

$$\text{Formula} = \frac{\text{Liquid Assets}}{\text{Total Assets}} \times 100$$

Components: The liquid assets included cash-in-hand, cash balances with other banks, short term deposits and call deposits. Total assets included cash and balances with other banks, investments, advances, fixed assets and other assets.

3.5.3.1.2 *Liquid Assets to Total Deposits Ratio (%)*:

$$\text{Formula} = \frac{\text{Liquid Assets}}{\text{Total Deposits}} \times 100$$

Components: The liquid assets included were: cash-in-hand, cash balances with other banks, short term deposits and call deposits. Total deposits include all types of deposits accepted by the banks.

3.5.3.1.3 *Cash Assets to Total Deposits Ratio (%)*:

$$\text{Formula} = \frac{\text{Cash Assets}}{\text{Total Deposits}} \times 100$$

Components: Cash assets included cash balances with other banks. Total deposits included all types of deposits accepted by the banks.

3.5.3.1.4 *Owned Funds to Borrowed Funds (%)*:

$$\text{Formula} = \frac{\text{Owned Funds}}{\text{Borrowed Funds}} \times 100$$

Components: Owned Funds included share capital, profit and loss account credit balance, reserves and surplus and overdue interest reserves. Where as borrowed fund included all types of deposits, borrowings and other current liabilities and provisions.

3.5.3.2 *Productivity Ratios:*

These ratios are used to measure the efficiency in asset management, operating efficiency and ability to ensure adequate return to

its shareholders. The following ratios were employed to assess the productivity of the urban cooperative banks.

3.5.3.2.1 *Credit-Deposit Ratio (%)*:

This ratio of credit advanced to deposits mobilised is defined as a credit-deposit ratio. This ratio indicates the extent of utilisation of resources by the banks.

$$\text{Formula} = \frac{\text{Advances outstanding}}{\text{Deposits outstanding}} \times 100.$$

3.5.3.2.2 *Non-Performing Assets to Total Advances Ratio (%)*

$$\text{Formula} = \frac{\text{Non-Performing Assets}}{\text{Total Advances}} \times 100.$$

Components: The portion of the bad and doubtful assets (advances) as disclosed by the banks were taken as non-performing assets. Total advances included long term, medium and short term advances.

3.5.3.2.3 *Other Income Ratio (%)*:

$$\text{Formula} = \frac{\text{Other Income}}{\text{Total Income}} \times 100.$$

Components: Other income included commission and exchange and all other receipts. Total income included interest and other income.

3.5.3.2.4 *Expenses Ratio (%)*:

$$\text{Formula} = \frac{\text{Total Non-Interest Expenses}}{\text{Total Income}} \times 100.$$

Components: Total non-interest expenses included both manpower and other total establishment expenses. Total income included interest and other income.

3.5.3.2.5 *Cost of Deposits and Borrowings Ratio (%)*:

$$\text{Formula} = \frac{\text{Total Interest paid on Deposits and Borrowings}}{\text{Total Deposits and Borrowings}} \times 100.$$

Components: The items of expenses included in total interest paid on deposits and borrowings are interest paid on deposits, borrowings and commission paid to various deposits collecting agents.

3.5.3.2.6 *Yield on Advances Ratio (%)*:

$$\text{Formula} = \frac{\text{Total Interest received on Advances}}{\text{Total Advances}} \times 100.$$

3.5.3.2.7 *Average Business per Employee*:

$$\text{Formula} = \frac{\text{Average Total Business}}{\text{No. of Employees}} \times 100.$$

Components: Average total business included both average deposits and average advances. Average deposits and average advances are worked out considering previous year and current year figures of deposits and advances respectively. Total number of employees included total number of officers as well as all subordinate staff.

3.5.3.2.8 *Return on Total Assets (%)*:

$$\text{Formula} = \frac{\text{Net Profits}}{\text{Total Assets}} \times 100.$$

3.5.3.3 *Profitability Ratios*:

For analysing the profitability performance of the banks, the ratios developed in the analytical framework for profit management in the banks by Varsha S. Varda and Sampat P. Singh of National Institute of Bank Management were employed with necessary modification. These ratios were derived by relating various components of profit and loss account statement to a common denominator i.e. volume of business.

The formula for calculating the profitability ratios is presented as under:

$$\text{Profitability Ratio (P)} = (S - B)$$

where S = Spread Ratio
B = Burden Ratio

Further,

$$S = (r-k) \text{ and } B = (m+o-c)$$

where r = Interest earned ratio
 k = Interest paid ratio
 m = Manpower Expenses Ratio
 o = Total other expenses ratio
 c = Total non-interest income ratio

The list of key ratios selected for calculating the above ratios were as under:

$$1. \text{ Interest earned ratio (r)} = \frac{\text{Total interest earned}}{\text{Volume of Business}} \times 100$$

$$2. \text{ Interest paid ratio (k)} = \frac{\text{Total interest paid}}{\text{Volume of Business}} \times 100$$

$$3. \text{ Manpower Expenses Ratio (m)} = \frac{\text{Total Manpower Expenses}}{\text{Volume of Business}} \times 100$$

$$4. \text{ Other Expenses ratio (o)} = \frac{\text{Total Other expenses}}{\text{Volume of Business}} \times 100$$

$$5. \text{ Non-Interest Income Ratio(c)} = \frac{\text{Total Non-interest income}}{\text{Volume of Business}} \times 100$$

3.5.4 Multiple Regression Analysis:

Multiple regression analysis is used to analyse the effect of two or more independent variables on a dependent variable. Let y is a dependent variable and x_1, x_2, \dots, x_k are k independent variables. The general Multiple Regression Model (Linear Form) can be expressed as under:

$$Y = b_0 + b_1x_1 + b_2x_2 + \dots + b_kx_k$$

where b_0 = slope parameter.

b_1, b_2, \dots, b_k are regression estimates.

In the present study, the linear multiple regression model is employed to analyse the factors (x_1, x_2, \dots, x_k) influencing the profitability (y) of the urban cooperative banks. The interest rate spread, manpower expenses, other expenses, non-interest income and overdue interest and doubtful debt provisions were identified as the independent variables having a direct bearing on the profitability of the urban cooperative banks.

The model used is presented as under:

$$Y = b_0 + b_1x_1 + b_2x_2 + b_3x_3 + b_4x_4 + b_5x_5 + U_t$$

Where y = Net profits
 X_1 = Interest rate spread
 X_2 = Manpower Expenses
 X_3 = Other Expenses
 X_4 = Non-interest Income
 X_5 = Overdue interest and doubtful debt provisions
 b_0 = Intercept.
 B_1, b_2, b_3, b_4, b_5 are Regression Coefficients.
 U_t = Error Term [Residual].

3.5.5 Capital Adequacy Analysis:

The concept of capital adequacy standards as a measure of soundness and stability of a bank were first promulgated in July 1988 by a committee of bank supervisors (the Basle Committee) headed by Peter Cook of the Bank of England on the recommendations of the Narasimham Committee Report on economic reforms including reforms in banking sector, in 1992, the Reserve Bank of India (RBI) introduced the internationally accepted capital to Risk Assets Ratio (CRAR) as an instrument of effective supervision of banking system.

Accordingly, for Indian Banks, it has been made mandatory to have a CRAR of eight percent. The capital adequacy ratio is the ratio of capital funds to risk weighted assets expressed as a percentage. As per the definition, the working capital of the bank should be eight percent of the risk weighted assets.

$$\text{Capital Adequacy Ratio} = \frac{\text{Capital Funds}}{\text{Risk Weighted Assets}} \times 100$$

The Reserve Bank of India has prescribed the elements of capital funds and assigned risk weights to different categories of assets.

Capital Funds:

Capital fund for the purpose is comprised of Tier I and Tier II capital. Tier I or core capital funds of Indian banks are composed of paid-up capital less equity investment in subsidiaries and intangible assets and losses and reserves and surplus excluding revaluation reserves. Tier II or supplementary capital funds will consist of (a) undisclosed reserves; (b) revaluation reserves (considered at a discount of 55 percent); (c) General provisions and loss reserves (restricted to 1.25 percent of risk weighted assets); (d) Hybrid debt capital instrument which have a close similarities to equity; (e) subordinated debt (limited to 50 percent of Tier I capital). Such debt should be subordinate to the claims of all creditors.

Risk Weighted Assets:

Risk assets consist of funded risk assets which are on balance sheet items and non-funded and off balance sheet items.

Funded Risk Assets:

Funded risk assets comprise all the assets appearing on the balance sheet excluding equity investment in subsidiaries and intangible assets and losses.

Non-funded and Off Balance Sheet Items:

These consist of contingent credit exposures, foreign exchange and interest rate related contracts which are generally disclosed as contingent liabilities (such as guarantees, letter of credit, forward exchange contracts etc.). These have to be first multiplied by the prescribed credit conversion factors and then the risk weightage allotted to the relevant counter party as shown in risk weights should be applied.

Though the capital adequacy ratio has not yet been made mandatory on the part of the urban cooperative banks, yet this analysis was

attempted to know the real capital strength of urban banks and accordingly make a suitable policy suggestions to strengthen the capital base of banks. The capital adequacy ratio of all the banks was worked out for the period from 1994-1997. The precise risk weights assigned to various categories of assets for the computation purpose is provided in Table 3.3. (Appended at the end of this Chapter).

3.5.6 *SWOT (P) Analysis [Management Technique]:*

It is obvious that every organisation or an institution has its own inherent strengths and weaknesses in its structure, organisation, operation, management etc. and the urban cooperative banks are no exception to those strengths and weaknesses. Thus, an institution needs to identify the weaknesses to be taken care of; exploring the new opportunities so as to strengthen its position; anticipating the problems that may arise in future and equipping itself to meet the future challenges etc.

Keeping these things in view, the SWOT(P) management technique was employed to examine the strengths as well as weaknesses of the urban cooperative banks in their operation and explore new opportunities which would help in combating the unforeseen problems or

threats that may crop up from time to time. The technique has been explained as under:

SWOT(P) Management Technique:

Where S = Strengths
W = Weaknesses
O = Opportunities
T = Threats or P = Problems

3.6 Procedure adopted for Ranking of Urban Cooperative Banks:

Based on the achievements made by each bank in the different areas viz., the financial parameters, liquidity status, productivity, capital adequacy and in the profitability an attempt is made to rank the each bank. For this purpose, there are about 25 parameters with which the performance of each of the urban cooperative banks was already evaluated were considered and conveniently grouped them into five segments. Each of the parameters was assigned an equitable weightage on the basis of its significance in the bank's total performance.

The parameters that have been considered and the weightages assigned to each parameter were provided as under:

<u>Segment</u>	<u>Name of the Parameters</u>	<u>Assigned Weightages</u>	
I	<u>Financial Parameters (4)</u>		
	1 Average Deposits (Rs in Lakhs)	10	
	2 Average Advances (Rs in Lakhs)	10	
	3 Average Net Profits (Rs in Lakhs)	10	
	4 Average Operating Profits (Rs in Lakhs)	<u>10</u>	40
	(Each parameter was averaged over a period of 12 years)		
II	<u>Liquidity Parameters (Ratios %) (4)</u>		
	1 Liquid Assets/Total Assets Ratio	06	
	2 Liquid Assets/Total Deposits Ratio	08	
	3 Cash Assets/Total Deposits Ratio	08	
	4 Owned Funds/Borrowed Funds Ratio	<u>10</u>	32
	(Each parameter's yearly ratio was averaged over a period of 12 years)		
III	<u>Productivity Parameters (Ratios %) (8)</u>		
	1 Total Credit/Total Deposit (C/D Ratio)	08	
	2 NPAs/Total Advances Ratio	10	
	3 Non-Interest Income/Total Income Ratio	05	
	4 Non-Interest Expenses/Total Income Ratio	05	
	5 Cost of Deposits and Borrowings Ratio	08	
	(Interest paid on deposits and borrowings/Total deposits and borrowings)		
	6 Yield on Advances Ratio (Interest received/Total advances)	08	
	7 Average Business per Employee (Total average business/No. of employees) (Rs. in lakhs)	05	
	8 Return on Total Assets Ratio (Net Profits/Total Assets)	<u>05</u>	54
	(Each yearly ratios of all the parameters was averaged over a period of 12 years).		
IV	<u>Capital Adequacy Parameter (Ratio %) (1)</u>		
	1 Capital Fund/Risk Weighted Assets Ratio (CFRWAR)	<u>10</u>	10
	(Each yearly ratio was averaged over a period of 4 years).		
V	<u>Profitability Parameters (Ratios %)(8)</u>		
	1 Interest Earned Ratio (r)	05	
	2 Interest Paid Ratio (k)	05	
	3 Spread Ratio (r-k)	10	

4	Manpower Expenses Ratio (m)	05	
5	Other Operating Expenses Ratio (o)	05	
6	Non-Interest Income Ratio (c)	10	
7	Burden Ratio (m+o-c)	10	
8	Profitability ratio (Spread Ratio-Burden Ratio)	<u>10</u>	60

3.6.1 Justification of Weightages Assigned:

The different weightages assigned to the different parameters is explained with the help of a few parameters. For instance, the financial parameters like a higher deposit mobilisation, more credit deployment, higher net profits and higher operating profits are considered to be more important in enabling the bank stronger and financially more viable. Thus, the weightages assigned are 10 to each of the parameters. Similarly, the lower percentage of NPAs in relation to the total advances, a broad equity base in relation to the borrowed funds, the higher spread ratio, lower cost of raising the deposits and borrowings and higher yield on advances are also considered to be equally significant in ensuring better results for the banks. Therefore, each of these parameters is also assigned 10 weightages. On the other hand, a reasonable liquid asset in relation to the total assets, a higher credit-deposit ratio and a reasonable return on the total assets are also considered to be important but not as important as the parameters cited earlier. It means, these parameters either with a higher percentage or with a lower percentage may not have any visible impact on the performance of the banks. So, these parameters are assigned a lower weightages and on the same criteria, the weightages are assigned to the

remaining parameters. The weightages assigned to each parameter is uniform for all the banks.

3.6.2 Computation of the Total Score and the Final Ranking:

A multi-stage technique was employed to arrive the total score of each bank on which a final ranking was made. At the first stage, each of the 25 parameters was allocated a rank viz, first, second and so on till the sixth rank as there were six banks under study, based on its significance in comparison with the same parameter of other banks. For instance, the Goa Urban Bank secured first rank in case of average deposit parameter as it has mobilised the highest deposits followed by Mapusa, Madgaum, Bicholim Citizen and Women Cooperative Bank as second, third, fourth, fifth and sixth respectively. Similarly, in case of profitability ratio (spread ratio – burden ratio), the Women Cooperative Bank secured first rank as it has posted the highest percentage of profits followed by Citizen, Madgaum, Bicholim, Goa and Mapusa Urban Cooperative Bank as second, third, fourth, fifth and sixth respectively. At the second stage, each of the rank (parameter) was assigned a score in the descending manner: first rank was allotted a score of 6; second rank was allotted a score of 5; third rank a score of 4; fourth rank a score of 3; fifth rank a score of 2; and sixth rank a score of 1. At the third stage, the allotted score of each parameter was multiplied by the weightage assigned to that parameter. Thereafter, the total score of each segment of each bank was arrived and the final ranking of each bank was made on the basis of the total score of all the five segments.

3.7 Definition of the Key Terms and Concepts Used:

1. Reserves and Surplus:

The components included in reserves and surpluses were statutory reserves, general reserves, dividend equalization fund, investment fluctuation fund, bad and doubtful debt reserve and other reserves excluding overdue interest reserves.

2. Deposits and its mix:

This included fixed, savings and other deposits viz., current, security, recurring, matured, nidhi, home saving, credit balance in cash credit limit, etc.

3. Advances and its mix:

This comprised of long term, medium and short term advances.

4. Non-Performing Assets(NPA):

As per the prudential norms introduced by the RBI with regard to the classification of the assets, the portion of the bad and doubtful assets (advances) as disclosed by the banks in their annual reports were taken as non-performing assets.

5. Interest Income/Interest Earned:

This represented the total interest received on loans and advances as well as on investments.

6. Non-Interest Income:

This included commission and exchange, transfer fees and all other receipts.

7. Interest Paid Expenses:

This component included interest paid on deposits and borrowings.

8. Manpower Expenses:

The components included in manpower expenses were salaries and wages, pension and gratuity, ex-gratia, contribution to the staff provident fund, bonus, group gratuity, life insurance premium, medical allowances, provisions made for salaries, bonus, gratuity and other related items of expenses.

9. Other Operating Expenses:

The main items included in this components were rent, rates and taxes, postage, telephone and telegraphy, stationery and printing, commission and exchange paid, sitting fees and allowance of the Directors, provision for bad and doubtful debts, provision for overdue interest and all other expenses.

10. Volume of Business:

The total of the balance sheet less contra items is considered as the volume of business.

11. Interest Rate Spread:

The difference between the interest earned and interest paid is taken as interest rate spread.

12. Other Expenses:

This component included the total operating expenses as cited above excluding the items viz. Overdue interest reserve and bad and doubtful debt provisions.

13. Overdue Interest and Doubtful Debt Provisions:

This component included all the provisions made with regard to the overdue interest and doubtful debt.

14. Capital Fund:

The components included in the capital fund were Tier-I Capital (paid-up capital less equity investment in subsidiaries and reserves and surplus less reserve for bad and doubtful debt) and Tier-II Capital (Bad and doubtful debt reserve restricted to 1.25 percent of Risk Weighted Assets).

15. Risk Weighted Assets:

Risk Weighted Assets were comprised of 100 percent funded risk assets (Investments excluding investments in Government securities, other trustee securities and in fixed deposits plus advances excluding guaranteed by government, advances to staff, against deposits, life policies etc. plus fixed assets plus all other assets) and 50 percent of non-funded assets and off balance sheet items such as contingent liabilities like guarantees issued to third parties on behalf constituents, etc.

16. Total Income:

Total income included both interest income and non-interest income.

17. Non-Interest Total Expenses:

This expenses included both manpower and other total establishment expenses.

Table 3.1

Profile of the Study Area

Particulars	Units	
1) <u>Administrative Structure:</u>		
i) Geographical Area	Sq. Km.	3702
ii) Districts	No.	2
iii) Talukas	No.	11
iv) Number of Villages	No.	430
2) <u>Population (1991 Census)</u>		
i) Male	Lakhs	5.95
ii) Female	"	5.75
iii) Total	"	11.70
iv) Urban Population	%	41
v) Density of Population	Persons per Sq.Km.	316
3) <u>Literacy Rate (1991 Census)</u>		
i) Male	%	83.6
ii) Female	"	67.1
iii) Total	"	75.5
4) <u>Sex Ratio</u>		
	Females per '000 males	967
5) i) Number of Bank Branches		
ii) Average population per bank branch	No. "	390 3378
6) <u>Cultivated Land</u>		
	%	38

Source: Office of the Directorate of Planning, Statistics and Evaluation,
Govt. of Goa, Panaji.

Table 3.2

**Number of Bank Offices Operating in the State of Goa
(1996-97)**

Sr. No.	Bank Offices	North Goa District						South Goa District					
		Tiswadi	Bardez	Pernem	Bicholim	Sattari	Ponda	Sanguem	Canacona	Quepem	Salcete	Mormuga	Total
1	State Bank Group	8	8	3	3	6	5	2	4	2	5	3	49
2	Public Sector Banks	43	52	5	9	1	17	9	2	6	4	63	211
3	Regional Rural Banks	--	--	--	--	--	--	--	--	--	--	--	--
4	Agricultural Development Branches	--	2	--	--	--	--	--	--	--	--	--	2
5	Goa State Cooperative Banks	6	7	5	4	4	9	3	3	2	4	8	55
6	Land Development Banks	--	--	--	--	--	--	--	--	--	--	--	--
7	Urban Cooperative Banks	16	11	1	4	--	4	2	2	3	11	4	58
8	Others	2	1	--	--	--	--	1	--	--	13	4	21
	Total:	75	81	14	20	11	35	17	11	13	37	82	396

Source: Annual Credit Plan 1998-99, State Bank of India (Lead Bank Department) Local Head Office, Mumbai.

Table 3.3

Risk Weights Assigned to Various Categories of Assets

Sl.No.	Description of Assets	Risk Weights (%)
1.	Cash-in-hand and with other banks	0
2.	Balance with RBI	0
3.	All claims on Banks	20
4.	Investments:	
	a) Investment in Govt. and Govt. Guaranteed Securities	0
	b) Investment in bonds/debentures of public financial institutions (PFI)	20
	c) All other investment	100
5.	Advances:	
	a) Advances Guaranteed by Govt.	0
	b) Advances to Staff	0
	c) Advances against Deposits	0
d)	Advances against life policies, Indira Vikas Patras	0
	e) Advances to banks/guaranteed by banks	50
	f) Advances guaranteed by DICGC/ECGC	50
	g) All other advances	100
6.	Fixed Assets (Premises, Furniture & Fixtures)	100
7.	Other Assets:	
	a) Tax deducted at source	0
	b) Interest accrued on Govt. securities	0
	c) Claims on RBI	0
	d) All other Assets	100

Source: Prudential Norms for Urban Cooperative Banks, NAFCUB, New Delhi.

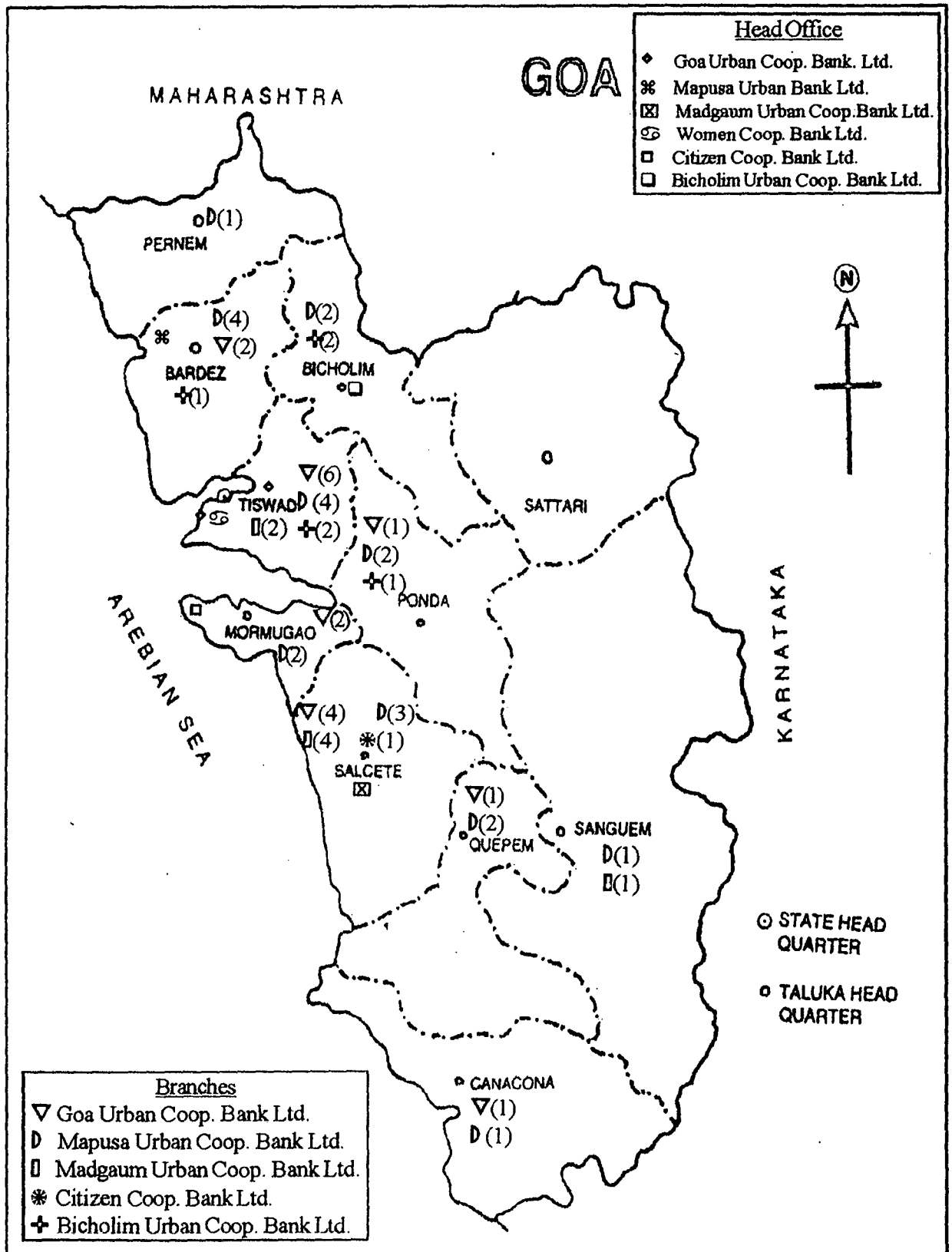


Figure 3.1: Map of Goa showing the Study Area.

CHAPTER IV

PHYSICAL AND FINANCIAL PERFORMANCE EVALUATION OF URBAN COOPERATIVE BANKS THROUGH GROWTH ANALYSIS

This chapter is focussed on the performance evaluation of the urban cooperative banks in terms of the selected physical as well as financial parameters by using the growth rate analysis.

CHAPTER - IV

PHYSICAL AND FINANCIAL PERFORMANCE EVALUATION OF URBAN COOPERATIVE BANKS THROUGH GROWTH ANALYSIS

The growth and expansion in terms of the volume of business is considered to be one of the important indicators which speaks about the performance of any banking institution. In order to measure the performance of the urban cooperative banks, in all 14 indicators comprising of both physical and financial were identified and the growth rates of those indicators were computed for each bank. The computed growth rates of each bank were analysed and discussed as under:

4.1 GOA URBAN CO-OPERATIVE BANK LTD.

The worked out compound growth rates of important performance indicators of Goa Urban Co-operative Bank can be discerned from the Table 4.1 (Appended at the end of this Chapter). It is evident from the table that the

variables viz. Membership, Number of Branches and Number of Employees have registered 3.77 percent, 1.11 percent and 2.02 percent compound growth rate over the years, indicating a very weak growth during the study period. The members are considered to be the real owners and the users of the varied services extended by the bank. A broad based membership strength for the bank is indeed felt sine quo non-for the survival and success of every co-operative form of organisation as they are voluntary organisation of the people by the people and for the people. One of the key reasons for this poor growth in membership could be due to a rapid expansion of branches of commercial banks, private banks, Non Banking Finance Companies (NBFC), credit co-operative societies and other financial institutions started providing similar services as the urban banks provide. As a consequence, no significant growth was observed with regard to the membership, number of branches and the number of employees.

The share capital as one of the prime components of owned funds in the composition of working capital, has registered 10.19 percent compound growth rate over the years revealing an unpleasing growth which could be attributed to the meagre membership base confined to a minimum contribution towards equity fund. The reserves and surplus on the other hand, is an another equally significant elements of the owned funds has recorded 16.18 percent

compound growth over the years which is considered to be satisfactory. However, the augmentation of reserves and surplus is dependent upon the size of the annual net profits. The deposits comprising of fixed, savings and other deposits and each of the fixed, saving and other deposits have registered 17.12 percent, 18.89 percent, 13.43 percent and 15.16 percent compound growth rates respectively over the years witnessing a reasonably satisfactory growth and, it was further observed that the bank has made an impressive achievement in the area of fixed deposits as compared to other and savings deposits.

With regard to the working capital, an adequate amount of working capital is of paramount importance for the urban banks as the growth and expansion of urban banks is pre-eminence by the amount of working capital. The working capital composed of owned funds and borrowed funds recorded 15.72 percent compound growth rate over the years, while, the owned funds and borrowed funds registered 12.64 percent and 16.30 percent compound growth rate respectively. The expansion in the working capital is considered to the agreeable size. Similarly, the bank has made a notable growth in its credit disbursement during the study period. The total advances consisted of short, medium and long term, has registered 16.53 percent compound growth rate, while, each of the term advances viz., short, medium and long term have registered 19.00 percent, 15 percent and 12.64 percent compound growth rates

respectively. Of these three types of advances, the enlargement in short term advances was observed to be really an excellent and leading with a wide margin over the medium and long term advances. This clearly speaks that the bank has fulfilled its prime objective of meeting the credit needs of small men with a limited means. The bank has recorded 13.20 percent compound growth rate over the years in its investments which is considered to be satisfactory as there were many restrictions hitherto, on the urban banks as far as the diversified investments were concerned.

The Non-Performing Assets (NPA) comprehended of short, medium and long term has registered 36.75 percent compound growth rate over the years which is observed to be extremely disadvantageous to the bank. A similar observation with regard to each of the short, medium and long term NPAs was made for the corresponding period. Among three type of NPAs the short term NPA was noticed to have moved very sharply as compared to the medium and long term NPAs. This has thrown a light on the total inefficiency and a poor supervision over the mounting NPAs. The total income including interest and non interest income has made 13.09 percent compound growth rate while, each of the interest and non-interest have income have recorded 12.98 percent and 23.61 percent compound growth rates respectively over the years. The growth in non-interest income was observed to be faster than the growth in the interest

income. Further, no variation in the growth rate was observed with regard to the total income and interest income. On the other hand the total expenses and each of those interest paid expenses, manpower expenses and other total operating expenses have made 13.09 percent, 10.63 percent , 18.53 percent and 22.26 percent compound growth rate respectively over the years. No significant growth was noticed with regard to the total expenses and interest paid expenses but, growing at the same pace, whereas the manpower expenses and other operating expenses were observed to be accelerating trend. Between those two expenses, other operating expenses was noticed to be augmenting at a faster pace as compared to the manpower expenses. Lastly, the bank has registered 13.31 percent compound growth rate in its annual net profits which is considered to be not so impressive. The reason for lean growth in its profit could be due to the increasing non-performing assets as well as rising trend of manpower and other operating expenses.

4.2 MAPUSA URBAN CO-OPERATIVE BANK LTD.:

The estimated compound growth rates of the various selected key parameters having a close nexus with the performance of the bank were presented in the Table 4.2 (Appended at the end of this Chapter). It can be

witnessed from the table that the physical variables viz. Membership, number of branches and number of employees have registered 8.98 percent, 8.44 percent and 5.97 percent compound growth rate respectively. The growth rates were observed to be significant focussing on a continuous positive efforts of the bank in expanding its operational coverage so as to benefit more and more people of a weaker section of the society as the bank has made a considerable progress in the areas of membership coverage, branch expansion and an employment generation though there is an open competition from its counter parts in the banking sector. The share capital and reserves and surplus which are considered as the most important components of owned funds have recorded 16.30 percent and 25.23 percent compound growth rates over a period highlighting a good contribution from the members towards the equity fund on the one hand and a liberal addition to its reserves and surplus on the other which narrates about the widening equity base of the bank.

The total deposits as one of the major elements of the borrowed funds registered 22.14 percent compound growth rate and each of the fixed, saving and other deposits have recorded 23.99 percent, 18.77 percent and 19 percent compound growth rate respectively. The growth rate of all types of deposits were noticed to be very significant. The analysis of deposit mix of the bank disclosed that all the deposits in the mix grew almost at the same pace over a

period focussing on the prudent planning towards the combination of various deposits by maintaining a reasonable balance between the deposits of fixed nature and other types of deposits so as to minimise the fixed liability of a higher interest on fixed deposits. The working capital and each of the owned and borrowed funds as the components of working capital have registered 22.75 percent, 26.62 percent and 22.26 percent significant compound growth rate over a period respectively. It is interesting to note that the equity capital in the total working capital composition was observed to be growing at a faster pace as compared to the borrowed funds. On the other hand, the borrowings as one of the elements of working capital has registered 108.76 percent compound growth rate showing a sharp rise in the borrowings of the bank over a period.

The total advances comprehended of short, medium and long term disbursements and each of the short, medium and long term advances have recorded 25.48 percent, 25.86 percent, 25.11 percent and 37.99 percent compound growth rates respectively witnessing an efficient disbursement of the mobilised resources in a different form of advances for the various economic activities. It was further revealed that there was an extensive hike in the long term advances as compared to the medium and short term advances which is indeed not in favour of the bank as it would weaken the ability of recycling of

funds of the bank. So far as investment is concerned, the bank has registered 18.77 percent satisfactory compound growth though the investment is not the main activity of the bank. The total 'Non Performing Assets (NPA)' including short, medium and long term and each of the short, medium and long term NPAs have registered 20.92 percent, 26.11 percent, 19.36 percent and 57.62 percent compound growth rate over a period respectively. The 'NPAs' mix revealed that the NPAs which is associated with the long term NPAs was found to be hiked very unfavourably as compared to the NPAs relating to the short and medium term NPAs. This clearly pointed out that the bank's poor efforts towards monitoring and recovering the long term advances that had resulted in a mounting NPAs leading to a cessation of income generation on the one hand and limiting the lending activity of the bank on the other. Nevertheless, the bank's endeavour in controlling the size of NPAs concerned to the short and medium term advances needs a special mention.

The total income comprising of both interest and non-interest income has registered a significant compound growth i.e. 24.98 percent over a period, while each of the interest and non-interest income has recorded 24.98 percent and 27.63 percent compound growth rate signifying a satisfactory augmentation in both the elements of income. Further, the growth of non-interest income was observed to be a little higher than the interest income. The total expenses

composed of interest paid, manpower and other operating expenses has recorded 25.23 percent compound growth, while each of the interest paid, manpower and other total operating expenses have registered 25.23 percent, 20.08 percent and 29.82 percent respectively. The other operating expenses was noticed to be growing at a faster pace in comparison with the interest paid and manpower expenses which calls an attention of the management to supervise scrupulously the total operating expenses so as to bring an economy in its operation. On the other hand, the bank has made 18.65 percent compound growth in its profitability, which is considered to be reasonably good. The slow growth in profitability could be attributed to a rise in the total expenses without an impressive enlargement in the total income of the bank.

4.3 MADGAUM URBAN CO-OPERATIVE BANK LTD.:

The computed compound growth rates of selected performance indicators of Madgaum Urban Co-operative Bank are displayed in Table 4.3 (Appended at the end of this Chapter). It can be viewed from the table that the membership has registered 8.22 percent compound growth rate over the years. The members are considered to be the real beneficiaries and the risk absorbers of the bank. The broad based membership strength is felt essential for

two main reasons: one is to fulfil the bank's basic objective of extending benefits to more and more middle and low income group of the society and the second one is to strengthen the risk absorbing ability of the bank. Though there was no marked growth in membership yet it was considered to be satisfactory. The bank has recorded 2.84 percent compound growth in the number of employees over the period and the low growth rate in employment generation could be mainly attributed to the non-expansion of its business activity. The share capital which is an exclusive contribution by the members towards the equity funds has registered 14.45 percent compound growth rate representing a low growth in members contribution. This meagre growth in share capital could be due to a weak membership strength as well as a poor contribution confined to a nominal membership share from the existing members. On the other hand, the reserves and surplus that was created out of the revenue profits made by the bank has recorded 18.29 percent compound growth rate signifying a significant accumulation of equity funds in the form of reserves and surplus.

The total deposits consisting of fixed, savings and other deposits as one of the major components of borrowed funds and each of the fixed, saving and other deposits have registered 18.77 percent, 21.05 percent, 13.88 percent and 18.77 percent compound growth rate respectively. The growth in deposit

mobilisation intoto was found to be remarkable. And, the bank's efficient planning towards encouraging savings and other deposits bearing a lower interest burden so as to compensate fixed interest liability was really a noteworthy. The working capital constituting both the owned and borrowed funds and each of the owned and borrowed funds have registered 17.59 percent, 18.65 percent and 17.35 percent compound growth rate respectively. The owned funds in the total working capital composition was observed to be enlarging at a faster rate as compared to the growth trend of the borrowed funds which speaks about an accelerating inner strengths of the bank. The borrowings from the apex banking institutions which is one of the elements of borrowed funds interalia has registered an unfavourable 43.62 percent compound growth over the years implying a substantial hike in the borrowings resulting in a fixed interest payment obligation for the bank.

On the other hand, the total credit disbursement comprising of short and medium term advances and each of the short and medium term advances have posted 14.47 percent, 17.35 percent and 17.59 percent compound growth rate respectively. The deployment of the mobilised deposits to the different economic activities so as to earn an equitable income is the main business activity of the urban bank. Despite of a continuous declining trend in the credit growth as experienced by the commercial banks, the bank has witnessed a

satisfactory growth in the credit disbursement. It was further observed that both the short and medium term advances grew at the same pace over the years which speaks that an equal importance was given to the men of small means while meeting the credit needs as the urban banks are generally designated as the banks of a common people. The bank has posted a significant compound growth rate in its investment i.e. 17.94 percent. Though the investment is the secondary activity yet the bank made some provision out of the collected resources for investing in other financial instruments including shares of the apex financing institutions in order to supplement its income receipts. The total Non-Performing Assets (NPA) and each of the short and medium term NPAs have recorded 3.25 percent, 1.41 percent and 3.87 percent compound growth rate throwing a light on the bank's careful supervision over the deployed advances on the one hand and a prompt and honest payment of instalments on the part of the borrowers on the other as the rise in NPAs was observed to be totally negligible which in turn enabled the bank to speed up its lending activity. However, in-between the NPAs associated with the short and medium term advances revealed a rising trend of default with a medium terms advances as compared to the short term advances.

The total income including interest and non-interest income and each of the interest and non-interest income have registered 17.70 percent, 17.59

percent and 21.53 percent compound growth which is considered to be reasonably satisfactory. It is worthwhile to note the bank's effort in expanding its size of non-interest income in the total income as the growth in the non-interest income was found to be higher than the growth in the interest income denoting a rising trend of day today business transactions like collection of cheques, discounting of bills, issue of demand draft, payment of electricity bills on behalf of the customers, other service charges, etc. The total expenses comprising of interest paid, manpower and the other total operating expenses and each of the interest paid, manpower and the operating expenses have recorded 17.23 percent, 17.59 percent, 17.94 percent and 14.64 percent compound growth rate respectively. The expenses mix manifested that the interest paid and the manpower expenses were almost grown at the same pace over the years. Notwithstanding, the bank has achieved an economy in its operation by efficient managing its operating expenses which posted the lowest growth in the total expenses. It is felt more desirable for the bank to manage more efficiently the two important activity viz., mobilising the deposits and advancing the credit so as to result in a reasonable margin as the interest income and the interest expenses were observed to be growing at the same rate. As a result, the bank has registered 16.42 percent compound growth rate in its profits which is not so affordable but considered to be satisfactory.

4.4 WOMEN CO-OPERATIVE BANK LTD.

The computed compound growth rates of an important performance indicators of the Women Co-operative Bank were exhibited in the Table 4.4 (Appended at the end of this Chapter). It can be seen from the table that the bank has recorded an excellent compound growth rate in women membership as well as in providing employment to the women community i.e. 18.18 percent and 8.44 percent respectively. The women co-operative bank has emerged as a lonely bank promoted and well managed by the women for the exclusive benefit and economic well being of the women community in the state. The bank has really done a commendable achievement in the areas of spreading an awareness about the values and benefits of co-operative form of organisation as well as inculcating the organising spirit among the women member. It is further important to note that the bank has also extended the membership status even to the men only for availing the services of the bank. A sufficient amount of paid-up share capital as apart of owned funds speaks about an internal financial soundness of any organisation and the urban banks are no exception to it. It is evident from the table that the paid-up share capital has posted 17.00 percent compound growth rate over the years denoting a good contribution from the members. One of the reason for this impressive growth in the share capital could be attributed to a feeling of getting an ownership status in the bank by

holding the shares through the contribution towards the ownership stake. On the other hand, the reserves and surplus as one of the significant components of equity funds has registered a spectacular compound growth rate over the years signifying a marked inner resource strength of the bank.

The total deposits constituting all types and each of the fixed, saving and other deposits have posted a phenomenal compound growth rate over the years i.e. 24.11 percent, 25.36 percent, 20.44 percent and 33.11 percent respectively. The size of credit lending activity of the bank by and large influenced by the quantum of deposits mobilised. Towards this end, it is really worth mentioning that inspite of a stiff competition from the other banking institutions in raising the deposits, the bank has made exceptionally good performance in the areas of deposits collection. One of the key reasons for this exemplary deposit mobilisation could be due to the lonely bank for the women as well as the committed saving attitude of the women. Further, the deposit mix revealed that the other deposits were found to be grown at a higher rate followed by the fixed and saving deposits indicating a planned deposit mix as the bank has taken care of the fixed interest payment burden. The working capital including both the owned and borrowed funds and each of the owned and the borrowed funds have recorded 22.99 percent, 19 percent, and 24.23 percent respectively expressing a sound working fund base. The bank could manage to have this

strong working capital base only because of an excellent hike in the components of working capital viz., deposits, reserves and surplus and equity contribution.

The borrowing's either from the open financing agencies or from any other financing institutions is an another important source that augments the working capital resources whereby the credit requirements of the needy people can be timely met. The bank has registered 25.61 percent compound growth rate in its borrowings which was observed to be increased sharply over the years. On the other hand, the total credit disbursement including short, medium and long term advances and each of the short, medium and long term credit advanced have recorded 31.26 percent, 36.34 percent, 30.73 percent and 32.31 percent compound growth rate respectively, speaking a remarkable growth in all types of its credit deployment. This impressive growth in the credit expansion could be ascribed to a notable hike in almost all the elements of its working capital on the one hand, and the affection of the women borrowers towards the Women Co-operative Bank on the other. It was further noticed from the advance mix that the short term, credit was accelerated extra ordinarily followed by the long and medium term advances which signifies that on the one hand, the credit needs of a weaker section particularly the women community was met adequately, and the recycling of funds of the bank was speeded up on the other. The bank has also made a satisfactory expansion in its investments by

recording 19.72 percent compound growth rate which provides an assured income receipt for the bank.

The total earnings embodying interest and non interest income and each of the interest and non-interest income have posted 20.68 percent, 20.44 percent and 28.66 percent spectacular compound growth rate respectively over the years focussing on the judicious efforts of the management towards an efficient and a planned resources management. It is further worthwhile to note that the bank has really made a good achievement in the arena of non-interest income receipts. An excellent growth in the non-interest income as compared to the interest income could be ascribed to an increasing number of day to day business transactions like collection of bills, cheques, dividend warrants, issuing demand drafts as well as other non banking services like payment of insurance premium, telephone bills, electricity bills etc. On the other hand, the total expenditure comprising of the interest paid, manpower and other operating expenses and each of the interest paid, manpower and other operating expenses have posted 21.05 percent, 25.86 percent, 25.36 percent and 11.85 percent compound growth rate respectively over the years. It is evident from the growth rates of the various components of expenses that they were increased sharply except the operating expenses wherein the bank exercised a close supervision over the operating expenses. In contrast, the bank has posted a

very uncomfortable annual compound growth rate in its profits i.e. 12.75 percent. One of the main reasons for this poor growth in its profits could be due to an enlarged size of various expenses.

4.5 CITIZEN CO-OPERATIVE BANK LTD.:

The computed compound growth rates of the selected parameters which are identified as closely associated with the performance of the Citizen Co-operative Bank were demonstrated in the Table 4.5 (Appended at the end of this Chapter). It can be viewed from the table that the bank has registered 8.55 percent and 12.30 percent annual compound growth rate in its membership strength and in personnel respectively hinting a satisfactory expansion in the ownership strength as well as in employment generation. The share capital is one of the vital elements of equity funds has recorded a compound growth rate of 18.06 percent over the years disclosing a meaningful contribution. A feeling of becoming the members of their own local based bank managed by their own people as well as the credit disbursement is linked with the contribution of share capital could have augmented the size of share capital. On the other hand, the bank has made an excellent progress in its reserves and surplus by recording 59.84 percent compound growth over the years which emphasises on the

bank's cautiousness about strengthening its inner resource strength so as to enable the bank to meet any kind of risk and uncertainties.

The total deposits which is considered to be a part and parcel of the borrowed debt and each of the components of total deposit mix viz. Fixed, saving and other deposits have registered 28.27 percent, 31.18 percent, 25.86 percent and 18.41 percent compound growth rate respectively indicating a noteworthy hike in the deposit mobilisation. The deposit mix has further revealed that the saving and other deposits were also increased almost at the pace closer to the fixed deposits throwing a light on the balanced deposit composition whereby the higher fixed interest burden can be compensated with the lower interest burden deposits. The working capital constituting the equity and the debt funds and each of the owned and the borrowed funds have registered 28.66 percent, 30.47 percent and 28.40 percent compound growth rate respectively representing a comfortable size of working funds which is a must for a healthy functioning of the bank. This considerable volume of working capital could be attributed to an impressive hike in the share capital, reserves and surplus and deposit mix. The borrowings from the other banking institutions as one of the source of working capital has also registered 34.04 percent compound growth which was noticed to have gone up sharply. No

doubt, the borrowings is inevitable for the bank to widen the working capital but it should be a smaller proportion in the total working capital composition.

The total advances comprehended of short, medium and long term credit disbursements and each of the short, medium and long term advances have posted 25.99 percent, 35.93 percent, 19.48 percent and 46.96 percent compound growth rate respectively over the years denoting a significant deployment of the mobilised resources in order to meet the financial needs of a weaker section of the society. This sizeable release of the funds could be made possible only because of an adequate working capital raised by the bank. It is further observed from the advance mix that the bank has really given an equal consideration to the small, medium and the high income classes while disbursing the credit. With regard to an investment in the form of shares of an apex financing agencies and in other securities, the bank has made a good expansion by registering 34.99 percent compound growth rate over the years. The total 'Non Performing Assets (NPA) and each of the NPAs associated with the short, medium and long term advances have recorded 28.40 percent, 7.36 percent, 30.60 percent and 13.43 percent compound growth rate respectively revealing an upward trend in default on the part of the borrowers on the one hand, and a lack of close supervision towards the recovery of loans on the other. The NPAs mix has further disclosed that the dues accompanying the

medium term loan was found to have moved very sharply followed by the NPAs related to the long and short term advances.

The total receipts consisting of the interest and non-interest receipts and each of the interest and non-interest receipts have posted an excellent compound growth rate i.e. 30.34 percent, 30.34 percent and 30.21 percent respectively. It is interesting to note that the interest as well as the non-interest receipts were observed to be grown at the same pace emphasising on the bank's concentration towards expanding the size of non-interest receipts in the total income composition. On the other side, the total expenses comprising of interest paid, manpower and other operating expenses and each of the interest paid, manpower and the operating expenses have registered 31.65 percent, 32.98 percent, 27.12 percent and 30.87 percent compound growth rate respectively showing an increasing trend in all the elements of expenses and the expenses mix further emphasised that the expenses relating to the personnel grew rather at a lower rate as compared to the interest paid and other operating expenses. With regard to the profitability, the bank has made a better achievement by registering 27.51 percent compound growth rate and the bank could manage to have this impressive progress in its profits only because of an affluent expansion in its total income.

4.6 BICHOLIM URBAN CO-OPERATIVE BANK LTD.:

The worked out compound growth rates of the chosen variables closely accompanying the performance of the Bicholim Urban Co-operative Bank were illustrated in the Table 4.6 (Appended at the end of this Chapter). It can be contemplated from the table that the bank has made exceptionally good betterment in the physical variables viz. Membership strength, branch expansion and employment generation by registering a notable compound growth rates i.e. 23.61 percent, 26.49 percent and 35.26 percent respectively over the years. The bank successfully managed to have an extra ordinary growth in almost all its performance indicators due to the fact that the bank was noticed to be under a development stage and the period considered for the study was initial period. The share capital and the reserves and surplus are essentially the two main components of inner resources have registered 32.98 percent and 183.20 percent compound growth rate respectively signifying a very exemplary and an active contribution from the members towards the ownership funds and on the other hand, the bank has really accelerated its reserves and surplus to a greater extent which could be possible due to a commendable hike in the profits of the bank.

The total deposits representing a lion's share in the borrowed funds and each of the fixed, saving and other deposits have recorded 49.03 percent, 52.50 percent, 38.96 percent and 51.74 percent compound growth rate respectively. The deposit mix revealed that all the three components in the total deposits were found to have grown very significantly. It is worthy to note that the bank during its initial years itself has made an excellent achievement in its deposit mobilisation. The working capital constituting the owned and the borrowed funds and each of the owned and borrowed funds have registered 44.77 percent, 59.20 percent and 43.76 percent compound growth rate respectively indicating a sound working capital base. It was further important to note that the equity fund component was observed to have augmented at a faster pace as compared to the debt funds focussing on the abundant inner resource strength. The borrowings from the other agencies to supplement its working capital so as to meet the credit requirements of the needy people has posted 16.53 percent compound growth rate showing a reasonable amount of borrowings carrying a higher rate of interest obligation. The total advances embodying a short, medium and long term disbursements and each of the short, medium and long term advances have recorded 44.92 percent, 32.18 percent, 69.05 percent and 105.85 percent compound growth respectively revealing a remarkable expansion in all types of advances. It is further evident from the advance mix that the long term credit deployment was accelerated at a faster rate followed by

the medium and short term advances. One of the main reasons for this extraordinary hike in the total credit disbursement could be obviously ascribed to an excellent growth in deposit mobilisation. With regard to the investment in other financial instruments yielding a fixed amount of return, the bank has registered a satisfactory compound growth rate i.e. 53.57 percent over the years.

The total income including interest and non-interest receipts and each of the interest and non interest receipts have posted 112.97 percent, 112.12 percent and 44.63 percent compound growth rate respectively hinting an admirable augmentation in both the elements of income. It was further observed that the growth in the non-interest income was very negligible as compared to the growth in the interest income emphasizing a poor attention of the bank towards improving the size of non-interest income in the total composition of income. On the other hand, the expenses comprising of interest paid, manpower and other operating expenses and each of the interest paid, manpower and other operating expenses have registered 109.59 percent, 106.68 percent, 78.78 percent and 89.27 percent compound growth rate respectively. The expenses mix manifested that all the elements of expenses grew at a higher pace almost closer to the growth rate of income focussing on a poor vigilance over the resource utilisation. As far as the profitability is

concerned, the bank has made a significant achievement by registering 43.62 percent compound growth rate which could be due to an impressive growth in the total income.

The growth rates of all the selected variables of all the banks have been found to be very significant and the coefficient of determination (R^2) is also very high value with regard to almost all the variables of all the banks barring a few variables. The Deposit Mix and the Advances Mix analysis of all the urban cooperative banks is shown in Figure 4.1 and 4.2 respectively.

Table 4.1

Computed Compound Growth Rates of Selected Performance Indicators of
Goa Urban Cooperative Bank Ltd. for the period from 1985-86 to 1996-97

Sl. No	Variable (Y)	Constant (a)	Coefficient (b)	R ²	T-Value	CGR (%)
1.	Membership	10.81	0.037	0.99	40.39	3.77*
2.	No. of Branches	2.67	0.011	0.57	3.61	1.11*
3.	No. of employees	5.88	0.020	0.75	5.51	2.02*
4.	Share Capital	4.86	0.097	0.99	72.52	10.19*
5.	Reserves and Surplus	5.73	0.150	0.99	38.98	16.18*
6.	Deposits	7.86	0.158	0.99	83.66	17.12*
	a) Fixed Deposit	7.32	0.173	0.99	59.59	18.89*
	b) Saving Deposit	6.77	0.126	0.99	73.05	13.43*
	c) Other Deposit	5.48	0.145	0.99	34.59	15.60*
7.	Working Capital	8.22	0.146	0.99	79.42	15.72*
	a) Owned Funds	6.39	0.119	0.96	16.31	12.64*
	b) Borrowed Funds	8.04	0.151	0.99	80.57	16.30*
8.	Advances	7.50	0.153	0.99	28.99	16.53*
	a) Short term	6.21	0.174	0.94	12.23	19.00*
	b) Medium term	7.09	0.146	0.96	15.51	15.72*
	c) Long term	4.40	0.119	0.62	4.01	12.64*
9.	Investments	7.47	0.124	0.95	13.22	13.20*
10.	NPAs	3.43	0.313	0.19	1.54	36.75*
	a) Short term	1.74	0.337	0.37	2.43	40.07**
	b) Medium term	3.40	0.289	0.18	1.46	33.51*
	c) Long term	0.19	0.241	0.44	2.80	27.25**
11.	Income	6.36	0.123	0.90	9.75	13.09*
	a) Interest income	6.36	0.122	0.89	9.25	12.98*
	b) Non-interest income	1.56	0.212	0.94	12.25	23.61*
12.	Expenses	6.31	0.123	0.90	9.33	13.09*
	(a) Interest paid expenses	6.06	0.101	0.79	6.10	10.63*
	(b) Manpower expenses	4.40	0.170	0.96	16.14	18.53*
	(c) Other total operating expenses	3.57	0.201	0.71	4.97	22.26*
13.	Profits	3.21	0.125	0.70	4.87	13.31*

Note: 1. * and ** represent significant at 1 percent and at 5 percent level.
2. T-Value explains about the significance of B value (trend or growth rate).

Source: Yearly Annual Reports of the Bank for the period from 1985-86 to 1996-97.

Table 4.2

Computed Compound Growth Rates of Selected Performance Indicators of Mapusa Urban Cooperative Bank Ltd. for the period from 1985-86 to 1996-97

Sl. No	Variable (Y)	Constant (a)	Coefficient (b)	R ²	T-Value	CGR (%)
1.	Membership	10.12	0.086	0.98	24.26	8.98*
2.	No. of Branches	2.01	0.081	0.67	4.55	8.44*
3.	No. of employees	5.21	0.058	0.91	9.99	5.97*
4.	Share Capital	4.04	0.151	0.99	36.99	16.30*
5.	Reserves and Surplus	3.91	0.225	0.93	11.58	25.23*
6.	Deposits	7.18	0.200	0.99	36.73	22.14*
	a) Fixed Deposit	6.65	0.215	0.99	33.48	23.99*
	b) Saving Deposit	5.97	0.172	0.99	43.07	18.77*
	c) Other Deposit	5.05	0.174	0.98	22.36	19.01*
7.	Working Capital	7.33	0.205	0.99	39.98	22.75*
	a) Owned Funds	4.90	0.236	0.98	20.91	26.62*
	b) Borrowed Funds	7.24	0.201	0.99	31.08	22.26*
8.	Borrowings	-0.62	0.736	0.71	4.95	108.76*
9.	Advances	6.73	0.227	0.99	26.14	25.48*
	a) Short term	5.46	0.230	0.97	16.93	25.86*
	b) Medium term	6.38	0.224	0.99	29.66	25.11*
	c) Long term	2.14	0.322	0.76	5.69	37.99*
10.	Investments	6.03	0.172	0.96	14.92	18.77*
11.	NPAs	5.19	0.190	0.99	26.23	20.92*
	a) Short term	3.42	0.232	0.93	11.35	26.11*
	b) Medium term	5.01	0.177	0.98	24.26	19.36*
	c) Long term	-3.32	0.455	0.90	9.77	57.62*
12.	Income	5.14	0.223	0.99	25.68	24.98*
	a) Interest income	5.12	0.223	0.98	25.58	24.98*
	b) Non-interest income	0.79	0.244	0.93	11.52	27.63*
13.	Expenses	5.07	0.225	0.98	20.16	25.23*
	(a) Interest paid expenses	4.56	0.225	0.99	26.83	25.23*
	(b) Manpower expenses	3.70	0.183	0.98	24.32	20.08*
	(c) Other total operating expenses	3.14	0.261	0.81	6.53	29.82*
14.	Profits	2.38	0.171	0.69	4.70	18.65*

Note: 1. * denotes significant at 1 percent level.

2. T-Value explains about the significance of B value (trend or growth rate).

Source: Yearly Annual Reports of the Bank for the period from 1985-86 to 1996-97.

Table 4.3

Computed Compound Growth Rates of Selected Performance Indicators of Madgaum Urban Cooperative Bank Ltd. for the period from 1985-86 to 1996-97

Sl. No	Variable (Y)	Constant (a)	Coefficient (b)	R ²	T-Value	CGR (%)
1.	Membership	9.33	0.079	0.98	23.44	8.22*
1.	No. of Branches	4.53	0.028	0.76	5.65	2.84*
2.	Share Capital	3.42	0.135	0.99	41.61	14.45*
3.	Reserves and Surplus	4.11	0.168	0.96	14.86	18.29*
4.	Deposits	6.57	0.172	0.99	31.17	18.77*
	a) Fixed Deposit	5.92	0.191	0.99	28.53	21.05*
	b) Saving Deposit	5.52	0.130	0.99	29.88	13.88*
	c) Other Deposit	4.59	0.172	0.98	20.88	18.77*
5.	Working Capital	6.91	0.162	0.99	30.52	17.59*
	a) Owned Funds	4.98	0.171	0.99	29.16	18.65*
	b) Borrowed Funds	6.76	0.160	0.98	23.61	17.35*
6.	Borrowings	-1.01	0.362	0.56	3.54	43.62*
7.	Advances	6.31	0.161	0.97	17.87	17.47*
	a) Short term	5.04	0.160	0.96	16.18	17.35*
	b) Medium term	5.97	0.162	0.97	17.46	17.59*
8.	Investments	5.79	0.165	0.95	14.65	17.94*
9.	NPAs	4.14	0.032	1.94	0.14	3.25*
	a) Short term	2.31	0.014	8.41	0.09	1.41*
	b) Medium term	4.02	0.038	2.81	0.17	3.87*
10.	Income	4.80	0.163	0.95	14.33	17.70*
	a) Interest income	4.78	0.162	0.95	14.12	17.59
	b) Non-interest income	0.28	0.195	0.86	7.99	21.53*
11.	Expenses	4.72	0.159	0.93	11.82	17.23*
	(a) Interest paid expenses	4.20	0.162	0.94	12.92	17.59*
	(b) Manpower expenses	3.03	0.165	0.99	32.78	17.94*
	(c) Other total operating expenses	3.20	0.137	0.57	3.61	14.68*
12.	Profits	2.29	0.152	0.43	2.75	16.42**

Note: 1. * and ** denotes significant at 1 percent and at 5 percent level.
2. T-Value explains about the significance of B value (trend or growth rate).

Source: Yearly Annual Reports of the Bank for the period from 1985-86 to 1996-97.

Table 4.4

Computed Compound Growth Rates of Selected Performance Indicators of Women Cooperative Bank Ltd. for the period from 1985-86 to 1996-97

Sl. No	Variable (Y)	Constant (a)	Coefficient (b)	R ²	T-Value	CGR (%)
1.	Membership	7.09	0.167	0.89	9.25	18.18*
2.	No. of employees	2.11	0.081	0.94	12.31	8.44*
3.	Share Capital	1.22	0.157	0.98	23.82	17.00*
4.	Reserves and Surplus	2.06	0.188	0.97	19.66	20.68*
5.	Deposits	3.58	0.216	0.97	17.47	24.11*
	a) Fixed Deposit	2.87	0.226	0.96	15.70	25.36*
	b) Saving Deposit	2.79	0.186	0.96	15.44	20.44*
	c) Other Deposit	0.75	0.286	0.94	12.13	33.11*
6.	Working Capital	4.02	0.207	0.99	27.66	22.99*
	a) Owned Funds	2.73	0.174	0.99	36.41	19.00*
	b) Borrowed Funds	3.69	0.217	0.99	20.88	24.23*
7.	Borrowings	-0.38	0.228	0.32	2.19	25.61*
8.	Advances	2.78	0.272	0.97	17.97	31.26*
	a) Short term	0.32	0.310	0.79	6.11	36.34*
	b) Medium term	2.57	0.268	0.99	32.49	30.73*
	c) Long term	0.19	0.280	0.68	4.66	32.31*
9.	Investments	3.12	0.180	0.79	6.12	19.72*
10.	Income	2.12	0.188	0.98	24.60	20.68*
	a) Interest income	2.10	0.186	0.99	26.02	20.44*
	b) Non-interest income	-1.97	0.252	0.85	7.40	28.66*
11.	Expenses	1.92	0.191	0.97	18.65	21.05*
	(a) Interest paid expenses	1.00	0.230	0.99	28.83	25.86*
	(b) Manpower expenses	-0.40	0.226	0.96	15.52	25.36*
	(c) Other total operating expenses	1.35	0.112	0.57	3.63	11.85*
12.	Profits	0.40	0.120	0.16	1.39	12.75*

Note: 1. * denotes significant at 1 percent level.
2. T-Value explains about the significance of B value (trend or growth rate).

Source: Yearly Annual Reports of the Bank for the period from 1985-86 to 1996-97.

Table 4.5

Computed Compound Growth Rates of Selected Performance Indicators of
Citizen Cooperative Bank Ltd. for the period from 1985-86 to 1996-97

Sl. No	Variable (Y)	Constant (a)	Coefficient (b)	R ²	T-Value	CGR (%)
1.	Membership	7.78	0.082	0.95	13.25	8.55*
2.	No. of employees	1.94	0.116	0.91	9.92	12.30*
3.	Share Capital	1.46	0.166	0.98	28.55	18.06*
4.	Reserves and Surplus	-1.29	0.469	0.86	7.95	59.84*
5.	Deposits	3.63	0.249	0.99	30.87	28.27*
	a) Fixed Deposit	2.98	0.276	0.97	18.75	31.78*
	b) Saving Deposit	2.23	0.230	0.96	15.86	25.86*
	c) Other Deposit	2.24	0.169	0.97	17.89	18.41*
6.	Working Capital	3.79	0.252	0.99	38.48	28.66*
	a) Owned Funds	1.58	0.266	0.98	20.43	30.47*
	b) Borrowed Funds	3.67	0.250	0.99	34.73	28.40*
7.	Borrowings	-0.75	0.293	0.32	2.18	34.04****
8.	Advances	3.50	0.231	0.98	22.70	25.99*
	a) Short term	1.77	0.307	0.99	25.78	35.93*
	b) Medium term	3.42	0.178	0.95	14.32	19.48*
	c) Long term	-1.52	0.385	0.55	3.49	46.96*
9.	Investments	2.02	0.300	0.95	14.23	34.99*
10.	NPAs	0.33	0.250	0.85	7.57	28.40*
	a) Short term	-0.33	0.071	0.09	0.98	7.36*
	b) Medium term	-0.05	0.267	0.94	12.39	30.60*
	c) Long term	-0.52	0.126	0.42	2.71	13.43**
11.	Income	1.60	0.265	0.98	25.23	30.34*
	a) Interest income	1.56	0.265	0.98	24.45	30.34*
	b) Non-interest income	-1.47	0.264	0.97	18.252	30.21*
12.	Expenses	1.36	0.275	0.98	25.15	31.65*
	(a) Interest paid expenses	0.87	0.285	0.98	22.83	32.98*
	(b) Manpower expenses	0.00	0.240	0.99	27.35	27.12*
	(c) Other total operating expenses	-0.60	0.269	0.85	7.47	30.87*
13.	Profits	-0.28	0.243	0.75	5.42	27.51*

Note: 1. *, ** and *** denotes significant at 1 percent, at 5 percent and at 10 percent level.

2. T-Value explains about the significance of B value (trend or growth rate).

Source: Yearly Annual Reports of the Bank for the period from 1985-86 to 1996-97.

Table 4.6

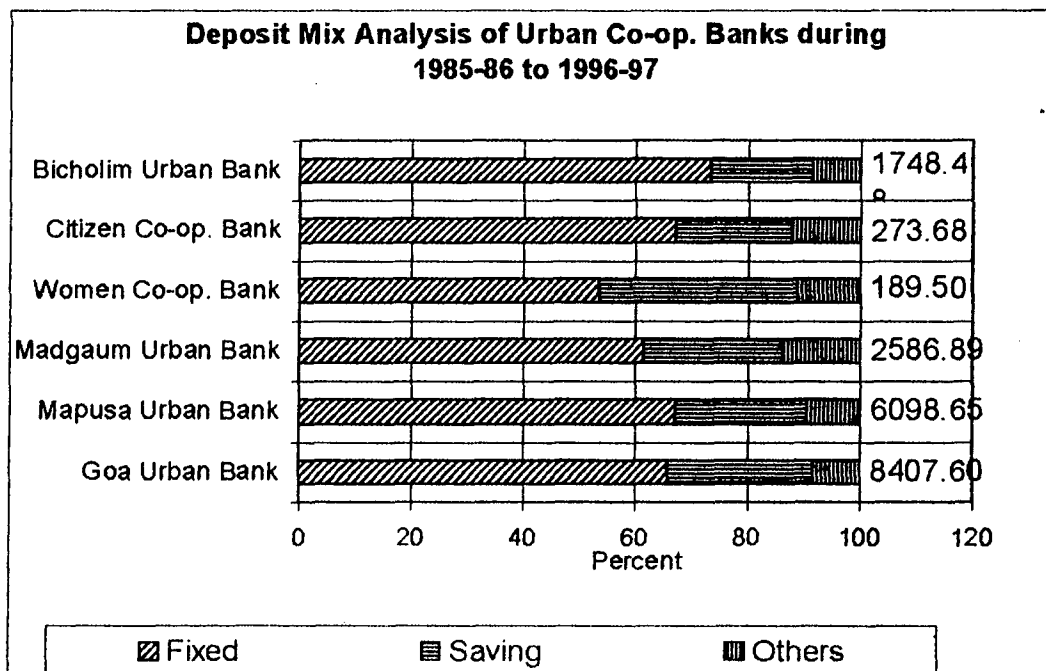
Computed Compound Growth Rates of Selected Performance Indicators of Bicholim Urban Cooperative Bank Ltd. for the period from 1987-88 to 1996-97

Sl. No	Variable (Y)	Constant (a)	Coefficient (b)	R ²	T-Value	CGR (%)
1.	Membership	8.01	0.212	0.93	10.39	23.61*
2.	No. of Branches	-0.44	0.235	0.92	9.67	26.49*
3.	No. of employees	2.58	0.302	0.89	7.90	35.26*
4.	Share Capital	2.03	0.285	0.93	10.65	32.98*
5.	Reserves and Surplus	-3.94	1.041	0.90	8.50	183.20*
6.	Deposits	4.76	0.399	0.92	9.32	49.03*
	a) Fixed Deposit	4.27	0.422	0.91	8.84	52.50*
	b) Saving Deposit	3.59	0.329	0.92	9.54	38.96*
	c) Other Deposit	2.14	0.417	0.91	8.76	51.74*
7.	Working Capital	5.17	0.370	0.92	9.74	44.77*
	a) Owned Funds	1.86	0.465	0.97	16.27	59.20*
	b) Borrowed Funds	5.15	0.363	0.92	9.30	43.76*
8.	Borrowings	2.63	0.153	0.05	0.68	16.53*
9.	Advances	4.79	0.371	0.94	10.90	44.92*
	a) Short term	4.65	0.279	0.94	11.29	32.18*
	b) Medium term	2.99	0.525	0.83	6.24	69.05*
	c) Long term	-2.02	0.722	0.75	4.94	105.85*
10.	Investments	3.16	0.429	0.88	7.62	53.57*
11.	Income	0.07	0.756	0.71	4.39	112.97*
	a) Interest income	0.05	0.758	0.71	4.42	112.12*
	b) Non-interest income	-1.18	0.369	0.89	7.84	44.63
12.	Expenses	0.15	0.740	0.70	4.31	109.59*
	(a) Interest paid expenses	-0.10	0.726	0.73	4.67	106.68*
	(b) Manpower expenses	-0.64	0.581	0.85	6.76	78.78*
	(c) Other total operating expenses	-0.67	0.638	0.80	5.66	89.27*
13.	Profits	0.31	0.362	0.94	11.18	43.62*

Note: 1. * denotes significant at 1 percent level.

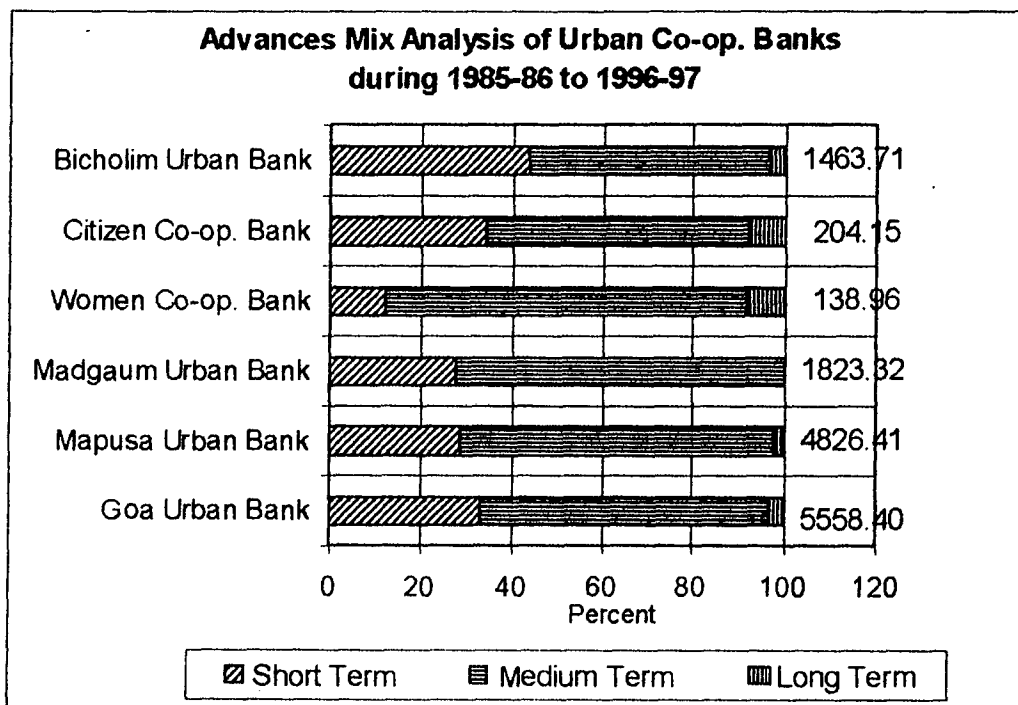
2. T-Value explains about the significance of B value (trend or growth rate).

Source: Yearly Annual Reports of the Bank for the period from 1987-88 to 1996-97.



Figures are Rs. in Lakhs and averaged over a period of 12 years.

Fig. 4.1



Figures are Rs. in Lakhs and averaged over a period of 12 years.

Fig. 4.2

CHAPTER V

FINANCIAL AND CAPITAL ADEQUACY PERFORMANCE EVALUATION OF URBAN COOPERATIVE BANKS THROUGH RATIO ANALYSIS

This chapter makes an attempt to evaluate the financial and capital adequacy performance of the urban cooperative banks in terms of liquidity, productivity, profitability and capital adequacy through ratio analysis.

CHAPTER – V

FINANCIAL AND CAPITAL ADEQUACY PERFORMANCE EVALUATION OF URBAN COOPERATIVE BANKS THROUGH RATIO ANALYSIS

The performance of the urban cooperative banks is evaluated through financial and capital adequacy analysis. The financial strengths and weaknesses of the banks were identified with the help of ratio analysis tool.

5.1 LIQUIDITY, PRODUCTIVITY AND PROFITABILITY PERFORMANCE EVALUATION:

The various financial ratios were worked out to examine the liquidity, productivity and the profitability performance of the urban cooperative banks. The worked out ratios for each bank were analysed and discussed as below:

5.1.1 GOA URBAN COOPERATIVE BANK LTD.:

The Table 5.1 (Appended at the end of this Chapter) displayed the liquidity and productivity performance of Goa Urban Co-operative Bank Ltd. as follows: the bank held on an average around more than 18 percent of its total assets in the form of liquid assets during the whole period; around more than 24 percent of its total deposits were kept in the form of liquid assets and on an average around 4 percent of its total deposits retained in cash assets; about more than 15 percent of its total borrowings figured as its owned funds; around 67 percent of its total deposits were disbursed during the study period; around 14 percent of its total advances stood as non performing assets; less than 2 percent of its total income formed as other income; the expenses of the bank figured around more than 30 percent of its total income; around 12 percent of deposits including borrowings formed as cost of raising deposits and borrowings; bank has earned an income nearly more than Rs. 21 per hundred rupee advances; an average business per employee of the bank stood at around Rs. 31 lakhs during the whole period and bank made an average return of Rs. 0.60 per hundred rupee assets of the bank.

On the other hand, the profitability performance of the bank can be viewed from the Table 5.2 (Appended at the end of this Chapter). The bank has made a profit of Rs. 0.62 per hundred-rupee volume of business.

The bank has registered on an average 4.52 percent and 3.90 percent as the spread and burden ratios respectively during the whole period.

It is clear from the analysis that the bank held steadily around 18 to 20 percent of its total assets in the form of liquid assets which is considered to be sufficient to meet its immediate liabilities. The liquid assets to total deposits of the bank showed that more than 35 percent of its total deposits was kept in the form of liquid assets in the year 1985-86, and aggravated upto 40 percent in 1987-88 and from 1987-88 onwards this ratio was noticed to be decelerating trend by registering as low as around 18 percent of its total deposits in 1996-97. As per the Banking Regulation Act (As applicable to the co-operative banks) which had come into force from 1st March 1966, the urban co-operative banks shall have to maintain only 25 percent of their Time and Demand Liabilities (TDL) in the form of liquid assets. Towards this end, the bank held during the former years the excess liquid assets over the prescribed limit focussing on an imbalanced resource management. However, a turnaround was noticed with regard to this ratio during the latter years. The bank has successfully managed to maintain on an average 3 to 4 percent of its deposits in the form of cash assets quenching the cash reserve requirements under Sec. 18 of the BRA. The proportion of owned funds comprising of paid up share capital, reserves and surplus, overdue interest reserve and undistributed profits, in relation to the borrowed funds is regarded to be enough to preserve the

confidence of the depositors.

The credit to deposit ratio indicated that the mobilised resources of the bank were not judiciously utilised as around 32 percent of its resources were just kept in the liquid assets. The percentage of NPAs to total outstanding advances was observed to be around 14 percent during the study period and the bank's concerted efforts towards bringing down the NPAs percentage from 20 percent in 1987-88 to 11 percent in 1996-97, was to be noted. The other income was observed to be even less than 2 percent of the total income showing a very negligible share of other income in the total income on the one hand and no efforts on the part of the bank to augment its other income share in the total income. The expenses to total income ratio was observed to be under check during the study period. The bank showed its competency in raising its resources at a cheaper cost as the bank manifested on an average 12 percent of its total deposits and borrowings as cost of raising, and the percentage of cost was observed to be decreasing trend over a period. The yield to total advances ratio of the bank evinced an impressive average yearly interest income of Rs. 22 per hundred rupee advances which is considered to be satisfactory so as to cover up its various expenses. The average business per employee had increased from Rs. 14 lakhs in 1985-86 to Rs. 61.91 lakhs in 1996-97 by recording more than threefold hike in total business during the whole period. On the other side, it is worthless to note that the return on total

assets ratio exhibited a very insignificant yearly average return on its total assets i.e. Rs. 0.60 per hundred-rupee asset during the study period.

The profitability ratio of the bank depicted a very poor performance just by recording an average yearly profits of Rs. 0.62 per hundred rupee volume of business during the whole period and the ratio had come down to Rs. 0.47 in 1996-97 from Rs. 0.81 in 1985-86. This considerable fall in the profitability ratio was due to a gradual hike in burden ratio over the years which had gone up from 2.75 percent in 1985-86 to 4.15 percent in 1996-97, without a corresponding rise but a fluctuating trend in spread ratio during the study period. The Spread and Burden Analysis is shown in Figure 5.1.

5.1.2 MAPUSA URBAN COOPERATIVE BANK LTD.:

It can be observed from the Table 5.3 (Appended at the end of this Chapter) about the liquidity and productivity performance of Mapusa Urban Co-operative Bank: The liquid assets to total assets ratio revealed that on an average around more than 5 percent of its total assets were held in the form of liquid assets; around 6 per cent of its total deposits were kept in the form of liquid assets; on an average more than 4 percent of its total deposits were maintained in the form of cash assets; owned funds to

borrowed funds ratio of the bank depicted that the owned funds constituted on an average around more than 12 percent of its borrowed funds during the whole period; the credit to deposit ratio of the bank demonstrated that around more than 76 percent of its total deposits were disbursed during the study period; the non-performing assets to total advances ratio recorded more than 17 percent of its total advances as non performing assets; the other income to total income ratio showed on an average less than 2 percent of total income of the bank; the expenses ratio displayed more than 37 percent of bank's total income; the bank registered more than 8 percent of its total deposits and borrowings as cost of deposits and borrowings; the bank has earned on an average around Rs. 15 as an interest income per hundred rupee advances during the study period; the bank has recorded more than Rs. 33 lakhs as an average business per employee and an average yearly return of Rs. 0.61 per hundred rupee assets of the bank during the study period.

It can be witnessed from the Table 5.4 (Appended at the end of this Chapter) about the profitability performance of the bank. The bank has registered an average yearly profits of Rs. 0.47 per hundred-rupee volume of business during the whole period. The spread and burden ratios of the bank for the corresponding period were observed to be Rs. 4.97 and Rs. 4.50 respectively per hundred-rupee volume of business. The interest earned and interest paid ratios of the bank were found to be Rs. 12.04 and

Rs. 7.06 respectively per hundred rupee volume of business during the whole period.

It was observed from the analysis that the bank maintained only 5 percent of its total assets in the form of liquid assets indicating a weak liquidity position of the bank as 5 percent liquid assets to total assets is considered to be obviously inadequate to meet its immediate liabilities. Similarly, the bank did not comply with the requirements of under Banking Regulatory Act, with regard to maintaining liquid assets as the bank kept only 6 percent of its total deposits in the form of liquid assets. As against this, the bank has managed to maintain on an average 4 percent of its total deposits in the form of cash assets which is closer to the cash reserve requirements for the Urban banks under Section 18 of the BRA Act, accordingly, the bank shall have to maintain 3 percent of its Time and Demand Liabilities in the form of cash assets. The proportion of owned funds in relation to the borrowed funds was noticed to be only 12 percent of the borrowed funds revealing a weak equity base in the total capital structure of the bank. However the percentage of owned funds was found to be upward trend over the years.

The credit to deposit ratio manifested the bank's efficiency in channalising its mobilised resources for the various economic activities as around 76 percent of its total deposits were disbursed during the period.

Similarly, though the bank registered more than 17 percent of its total advances as NPAs over a period yet its efforts in bringing down its NPAs percentage from as high as more than 25 percent in 1985-86 to around 15 percent in 1996-97 was really notable. The proportion of other income other than the interest income in the total income of the bank was found to be very insignificant and the bank's endeavour towards this end was almost negligible. The total non-interest expenses to total income ratio was observed to be under control and the ratio was noticed to be almost declining trend over the years. The bank's prudent exertion in generating its resources at a very reasonable cost is really noteworthy as the cost of deposits and borrowings was found to be around 8 to 9 percent of the total deposits and borrowings during the whole period. The interest income earned by the bank was noticed to be not so satisfactory as the bank managed to earn an yearly average income of Rs. 15 per hundred rupee advanced which would be certainly insufficient to cover up all the expenses of the bank as well as to provide a small amount of return on the capital contributed by the members of the bank. This low pace of yield on advances could be attributed to the frequent changes in the interest rate structure in view of the on going reforms in the banking sector. The bank has made a good progress with regard to the average business including deposits and advances, per employee as the business has increased from Rs. 10.60 lakhs in 1985-86 to Rs. 58.82 lakhs in 1996-97 by recording around five fold hike in the total business during the period. It is painful to

note that the bank exhibited a very unfavourable average yearly pace of return on its total assets which was almost a half rupee per hundred rupee asset stressing on uneconomical use of its resources over a period. Further, the rate of return on total assets was noticed to be downward trend over the years.

On the other hand, the bank revealed a very inauspicious performance in its profits just by recording on average yearly profits of Rs. 0.47 per hundred-rupee volume of business. This poor profitability performance is obviously due to the low spread ratio and the high burden ratio over the period. There was virtually no variation noticed between the spread and the burden ratios. The spread ratio was observed to be moved almost on par with the burden ratio throughout the study period. The Spread and Burden Analysis is presented in Figure 5.2. A totally insignificant non-interest income ratio registering an yearly average non-interest income of Rs. 0.18 per hundred rupee volume of business and a marginally rising other expenses ratios have further weakened the profitability ratio of the bank

5.1.3 MADGAUM URBAN COOPERATIVE BANK LTD.:

The liquidity and productivity status of Madgaum Urban Co-operative Bank can be witnessed from the Table 5.5 (Appended at the end of this Chapter) as under: about on an average more than 23 percent of its total assets were maintained in liquid assets during the study period; on an average more than 31 percent of its total deposits were figured in the form of liquid assets; around more than 5 percent of its total deposits were held in the form of cash assets; owned funds represented about more than 18 percent of its total borrowings over a period; more than 71 percent of its total deposits were advanced to various productive purposes; on an average more than 22 percent of its advances were figured as non-performing assets during the study period; less than 2 percent of its total income represented as other income; more than 35 percent of its total income moulded as the total expenses excluding interest paid expenses; about less than 10 percent of its deposits and borrowings termed as the cost of raising the deposits including borrowings; on an average the bank has earned an yearly income on its lending business about more than Rs. 15 per hundred rupee advances made during the study period; an yearly average business per employee of the bank was stood at about Rs. 35.30 lakhs and the bank made an average yearly return of Rs. 1.09 per hundred rupee assets.

The Table 5.6 (Appended at the end of this Chapter) exhibited the profitability performance of the bank. It is observed from the table that the bank has recorded an yearly average profits of Rs. 1.17 per hundred-rupee volume of business during the study period. The average spread and the burden ratios were observed to be 5.33 percent and 4.16 percent respectively. The interest earned and interest paid ratios were noticed to be 12.02 percent and 6.68 percent respectively for the corresponding period.

The liquidity position in relation to the total assets of the bank is considered to be satisfactory but, the bank needs to take necessary measures in a long run to bring down the proportion of liquid assets as the liquid assets ratio was observed to be an upward trend during the latter years of the study period. The liquid assets to total deposits ratio hinted about the excess funds held than the required in the form of liquid assets except the first two years of the study period, and it was noticed to be hiked at a faster pace during the latter years. This kind of imbalanced position of the liquid assets in relation to the deposits could be perhaps due to a restrictive availability of investment avenues on the one hand and an increased number of banking institutions providing similar services on the other. The cash assets to total deposits ratio was almost observed to be within the reasonable limit barring in some years wherein the ratio was in between 7 to 9 percent, but bank succeeded in bringing down below 4

percent in 1996-97. The percentage of owned funds to the borrowed funds was not found to be pleasing and it was not even close to the accepted ideal proportion. In the last two years, a sign of improvement in the owned funds was noticed. One of the key reasons for this weak share of owned funds could be attributed to the changing attitude of the members to become a member just by buying the entry share capital so as to avail the facilities.

The percentage of credit disbursement in relation to the mobilised deposits was observed to be sluggishing trend in the latter years as compared to the former years wherein the bank showed a good performance in its credit deployment. An unfavourable credit-deposit ratio in the latter years could be ascribed to the mounting NPAs in the former years of the study period. The percentage of non-performing assets to total advances was observed to be very unfavourable during the first half of the study period as compared to the second half of the study period wherein the bank's sincere efforts in bringing down the NPAs percentage as below as 16 percent of its total advances was in truth, extra-ordinary. The size of other income in relation to the total income was noticed to be insignificant which would be due to the confined nature of functioning of the urban co-operative banks. The other expenses ratio (comprising of manpower and other operating expenses) in relation to the total income indicated no effective control exercised over the various items of expenses

as the ratio was observed to be as high as 44 percent of its total income. The bank's committed efforts towards generating the resources at an economical rate on the one hand, and making a reasonable earnings on its advances on the other was notable during the study period. The bank recorded a marked average business per employee which has increased from Rs. 14.27 lakhs in 1985-86 to Rs. 67.27 lakhs in 1996-97 revealing more than threefold hike during the whole period. A proportion of return in relation to the total assets disclosed a very uncomfortable pace of return as well as a deviation trend during the whole period. This low rate of return might be imputed to the resources blocked in insignificant and unutilised assets.

The profitability ratio on the other hand, displayed almost a poor state of affair throughout the study period and even in some years the profits made per hundred rupee volume of business was noticed to be too low. One of the main reasons interalia for an unsatisfactory profits of the bank might be due to a very low margin between the spread and burden ratio during the study period. The Spread and Burden Analysis is shown in Figure 5.3. Secondly, a very negligible size of non-interest income which was less than Rs. 0.25 per hundred rupee volume of business led to an increased burden ration resulting in a lesser amount of profits for the bank and thirdly there was no affordable margin was found between the interest earned and interest paid ratios due to a fluctuation in the ratios as a

result of changes in the interest rate structure from time to time.

5.1.4 WOMEN COOPERATIVE BANK LTD.:

The Table 5.7 (Appended at the end of this Chapter) demonstrated the worked out liquidity and productivity ratios of the Women Co-operative Bank as under: about more than 15 percent of its total assets were held in the form of liquid assets; around more than 21 percent of its total deposits were moulded in liquid assets; on an average more than 12 percent of its total deposits were kept in the form of cash assets; around an average 30 percent of its total borrowings was figured as owned funds; about 67 percent of its total deposits was formed as advances during the study period; close to 3 percent of its total income was shaped as other income; more than 41 percent of its total income represented as total non-interest expenses; on an average more than 8 percent of its deposits and borrowings was formed as cost of deposits and borrowings; bank earned more than Rs. 20 per hundred rupee advances as an interest income; an average business per employee was noticed to be Rs. 18 lakhs during the whole period and bank earned around Rs. 2 an average yearly return on per hundred rupee assets during the study period.

The Table 5.8 (Appended at the end of this Chapter) illustrated about the profitability performance of the bank. The bank has gained an yearly average profits of Rs. 2 per hundred-rupee volume of business. The bank has posted 7.20 percent and 5.14 percent as spread and burden ratios during the study period. The interest earned and the interest paid ratios of the bank for the corresponding period were 12.92 percent and 5.72 percent respectively.

The analysis has elucidated that the liquid assets to the total assets ratio was observed to be almost downward trend particularly during the latter years showing a weak liquidity status of the bank. Similarly, the liquid assets to total deposits ratio was found to be unstable and not satisfactory which could be accredited to a wide deviation in the liquid ratio throughout the study period. The ratio was noticed as high as 52 percent during 1989-90 and it has come down as low as to 4.53 percent during 1996-97. Further, the bank also could not comply with the provision of Banking Regulation Act with regard to the Statutory Liquidity Ratio (SLR) the cash assets to total deposits ratio was evidenced that an excess amount than the required held in the form of cash assets. Further, this ratio was perceived to be a quite high during the former years of the study period. However, the bank managed to keep the ratio within the expected level. Keeping more funds in the form of cash assets would certainly shorten the income size of the bank. The proportion of the

owned funds in relation to the borrowed funds was noticed to be reasonably adequate and the pace of owned funds was almost stable during the whole period barring first three years of the study, highlighting a good share of owned funds in the total working capital.

The credit to deposit ratio evinced an inefficient resource utilisation during the former years, only around 50 to 60 percent of its mobilised deposits were advanced for productive purpose and the remaining 40 percent of the collected deposits were just held in the assets yielding a very less return. Nevertheless, the bank has showed an impressive achievement in the arean of credit disbursement during the latter years as the ratio was observed to be an upward trend. The other income ratio emphasized on a negative attempt of the bank towards improving non-interest income so as to strengthen the size of the total income. The total non-interest expenses ratio revealed an uneconomic use of various resources as the ratio was found to be very high throughout the study period. It is evident that the bank did not make any endeavour to monitor the total non-interest expenses so as to supplement its total income. Bank's achievement in keeping the cost of deposits and borrowings under a single digit was indeed a remarkable. On the other hand, bank managed to produce an excellent pace of earning on its advances especially during the initial years and the earning percentages was noticed to be marginally declining trend during the latter years which

was in fact due to a fluctuating Prime Lending Rate (PLR) in the wake of reforms initiated in the banking sector. The average business per employee was observed to be an increasing pace that has registered a fourfold hike during the study period. The return on total assets ratio was observed to be agreeable except 3 to 4 years wherein the return on the total assets was negligible.

The profitability ratio of the bank enlightened overall a distinguished performance during the study period excluding some years where the ratio was found to be very poor. This lean performance in the profits during those years could be attributed to the spread and burden ratios which were almost moved at the same pace. The Spread and Burden analysis is presented in Figure 5.4. Furthermore, the interest earned ratio was noticed to be decreasing over the years, while the interest paid ratio was observed to be remained constant with a slight rise during the study period. Bank's constant efforts in achieving productivity was really notable as its expenses viz. manpower and other expenses were continuously under supervision and particularly the manpower expenses was known to be under a single digit during all the years. With regard to the non-interest income, no any turnaround was noticed during the study period.

5.1.5 CITIZEN COOPERATIVE BANK LTD:

Table 5.9 (Appended at the end of this Chapter) manifested the liquidity and productivity status of the Citizen Co-operative Bank Ltd. as below: the bank held on an average around 10 percent of its total assets in the form of liquid assets; about more than 11 percent of its total deposits were kept in liquid assets; on an average about more than 7 percent of its total deposits were figured as cash assets; about 14 percent of its borrowed funds represented as owned funds during the whole period; the percentage of total credit deployment in relation to the total deposits was noticed on an average around 76 percent; the proportion of non performing assets to the total advances was found to be on an average as low as 5 percent during the period; less than 5 percent of its total income termed as non-interest income; around 30 percent of its total income denoted as expenses comprising of manpower and other operating expenses; on an average around less than 8 percent of its total deposits and borrowings was termed as an yearly cost of raising deposits including borrowings; bank gained about more than Rs. 14 as an yearly earnings per hundred rupee advances; Rs. 22.58 lakhs average business per employee was made by the bank and Rs. 1.77 has been earned as an yearly average return per hundred rupee assets.

The profitability performance of the bank can be viewed from the Table 5.10 (Appended at the end of this Chapter). The bank has registered an average yearly profits of Rs. 1.90 per hundred rupee volume of business during the study period. The spread and burden ratios of the bank were noticed to be 4.93 percent and 3.02 percent respectively for the corresponding period. Similarly, the interest earned and the interest paid ratios were 11.65 percent and 6.72 percent respectively during the study period.

The liquidity status in relation to the total assets of the bank during throughout the study period was observed to be insufficient which was ranged between 3 to 15 percent of its total assets. And, this weak liquidity position would certainly cause an inconvenience to the bank in case of meeting an immediate liabilities. The pace of liquid assets to the total deposits was found to be far below than the laid down under BRA Act. Accordingly, even the urban banks shall have to maintain not less than 25 percent of their deposits in the form of liquid assets. In fact, the idea behind introducing this statutory obligation on the part of the urban banks is to safeguard the interest of the deposit holders. The cash assets to deposits ratio demonstrated that the excess funds than the required was kept in the form of cash assets which was ranged between 3 to 13 percent of the total deposits during the study period. This kind of imbalanced proportion of cash assets highlighted about the unplanned resource

management of the bank and in turn, it would shorten the size of the income of the bank. The percentage of owned funds to the borrowed funds was observed to be very small and far below to the agreeable size of owned funds. It was ranged between 10 to 19 percent during the study period. This poor pace of owned funds could be due to the diversified investment avenues that are available and as a result, the investors/members get attracted more towards new avenues rather than investing in shares. Notwithstanding the percentage of owned funds in relation to the borrowed funds was noticed to be an upward trend during the study period.

The credit to deposit ratio displayed a very good performance in credit disbursement particularly during the former years as compared to the latter years of the study period. In the latter years, it was observed to be a marginally decelerating trend which might be accredited to the emergence of many lending institutions like credit co-operative societies, increased number of public sector banks and branches, private banks, non-banking finance companies (NBFC) etc. taken away the finance opportunities on the one hand, and declining demand for the credit due to a slow down of industrial growth especially during the latter years on the other. The non-performing assets to total advances ratio displayed a phenomenal achievement of the bank as the bank has successfully managed to keep the percentage of NPAs to total outstanding advances

under a single digit throughout the study period. It was ranged between 1 to 7 percent of its total advances which pointed out the management's continuous judicious monitoring over the non-performing assets of the bank. The proportion of other income in the total income was observed to be satisfactory and reasonable which was ranged between 3 to 6 percent of its total income and the bank's sincere attempt was to be notable in this context. The pace of other expenses covering the manpower and other operating expenses in relation to the total income was noticed to be economical during the study period and the diligent efforts of the bank is emphasized towards pulling down the share of other expenses in the total income over the years. The percentage of cost of generating the deposits and borrowings in relation to the total deposits and borrowings was denoted to be very cheaper which was ranged between 6 to 10 percent of the total deposits and borrowings and focused on a prudent planning of the bank towards mobilising the resources. The average yearly yield per hundred rupee advances though not so affordable but considered to be satisfactory during the study period. The accomplishment of the bank in the arean of average business per employee was observed to be stupendous as the average business has gone up from Rs. 10.88 lakhs in 1985-86 to Rs. 49.88 lakhs in 1996-97 by recording around a four fold hike in the average business. On the other hand, an average yearly return per hundred-rupee value of assets was observed to be reasonable which was ranged between 1 to 3 percent of its total assets. However, the return was

considered to be small which could be perhaps due to the resources blocked in unimportant and unused assets.

The profitability ratio of the bank evinced a better performance as the ratio was ranged between 1 to 3 percent of its total volume of business. Importantly, the manpower and the other expenses ratios were observed to be either constant or a downward trend during the study period showing the bank's continuous concentration on optimum utilisation of its various resources. Similarly, the non-interest income ratio was also observed to be towards an improving stretch. In spite of that, there was no wide margin noticed between the spread and burden ratios during the study period which could be due to the no sign of improvement in the interest earned ratio which was ranged between 11 to 14 percent during the whole period. The Spread and Burden Analysis is presented in Figure 5.5.

5.1.6 BICHOLIM URBAN COOPERATIVE BANK LTD.:

It can be seen from the Table 5.11 (Appended at the end of this Chapter) about the liquidity and productivity performance of the Bicholim Urban Co-operative Bank as follows: the bank held on an average about more than 5 percent of its total assets in the form of liquid assets; about more than 7 percent of its total deposits were figured as liquid assets and

the same percentage of its total deposits were denoted as cash assets during the study period; on an average around more than 6 percent of its total borrowings termed as owned funds; the credit to deposit ratio disclosed about more than 89 percent of its total deposits were disbursed during the study period; about less than 2 percent of its total income was termed as other income; about more than 41 percent of its total income represented as its total expenses excluding interest paid expenses; about on an average 10 percent of its total deposits and borrowings was moulded as cost of mobilising its deposits and borrowings; bank gained about more than Rs. 14 as an yearly average yield per hundred rupee which was composed of advances and investments; an average business per employee was found to be Rs. 25.80 lakhs during the whole period and an yearly average pace of return per hundred rupee assets was observed to be Rs. 0.72 during the study period.

The Table 5.12 (Appended at the end of this Chapter) elucidated about the profitability performance of the bank. The table revealed that the bank made on an average Rs. 0.72 as an yearly profits per hundred-rupee volume of business during the study period. The spread and burden ratios of the bank for the corresponding period were 5.47 percent and 4.75 percent respectively. The interest earned and the interest paid ratios were 15.66 percent and 10.19 percent respectively. The Spread and Burden Analysis is shown in Figure 5.6.

The proportion of liquid assets in relation to the total assets was observed to be very meagre which was ranged between 3 to 13 percent of its total assets indicating an extremely weak liquidity position of the bank. The liquid assets to total deposits ratio was also found to be far below than the prescribed under the Banking Regulation Act (BRA), and further, it was observed to be declined sharply during the study period. An another surprising feature was to be noted that the Statutory Liquidity Ratio (SLR) was found to be moved on par with the Cash Reserve Ratio (CRR) during the whole period, and no deviation was noticed between liquid assets to total deposits and cash assets to the total deposits ratios. This kind of financial status clearly reflected on the unplanned and inefficient resources management of the bank. The proportion of owned funds in relation to the borrowed funds was also found to be very scanty which was ranged between 4 to 11 percent of its total borrowings and this negligible share of owned funds would certainly shake the confidence of deposit holders as well as creditors of the bank.

The credit deployed in relation to the total deposits was observed to be utmost good during the study period as almost more than 90 percent of its deposits were deployed for productive purpose. The percentage of other income in the composition of total income was noticed to be a smaller size except in one year. The total expenses ratio (excluding

interest paid expenses) in relation to the total income was observed to be reasonable but no efforts were noticed to minimise the cost during the study period. The cost of collecting the deposits and borrowings was found to be an agreeable size and it was upward stretch during the latter years of the study. An yearly earnings on its advances was noticed to be satisfactory during the latter years as compared to the former years wherein the yield was not so impressive. An average business per employee of the bank has been increased from Rs. 15.24 lakhs in 1987-88 to Rs. 40.37 lakhs in 1996-97, by recording more than one fold hike in its average business during the study period. The pace of return on its total assets was observed to be very poor which was ranged between Rs. 0.25 to Rs. 1.18 per hundred-rupee value of assets during the study period.

The profitability ratio of the bank depicted a very indigent performance which was ranged between 0.42 to 1.20 percent of its volume of business. There was no affordable margin found between the spread and burden ratios during the study period. The manpower expenses ratio was noticed to be increasing trend hinting a poor supervision over the expenses during the study period. The size of non interest income in relation to the total volume of business was also observed to be very lean.

5.2 CAPITAL ADEQUACY PERFORMANCE EVALUATION:

In order to evaluate the real capital strength and stability of the urban cooperative banks, the internationally accepted Capital to Risk Assets Ratios (CRAR) were worked out. The worked out Capital Adequacy Ratios as per the guidelines prescribed by the Reserve Bank of India (RBI) based on the recommendations of the Narasimham Committee (conceived by the Basle Committee in 1988) for all the Urban Co-operative Banks for the period from 31.3.1994 to 31.3.1997, were displayed in the Table 5.13 (Appended at the end of this Chapter). It can be observed from the table that the capital fund of Goa Urban Co-operative Bank that was arrived as per the norms prescribed has waxed to Rs. 1768.87 lakhs as on 31.3.1997 from Rs.1206.80 lakhs in 31.3.1994, registering the growth at the speed of 147 percent over the period. On the other side, the risk weighted assets of the bank calculated as per the norms have accelerated from Rs. 7697.09 lakhs in 1994 to Rs. 12612.06 in 1997, growing at the pace of 164 percent during the said period. The capital adequacy ratios were found to be 15.67 percent in 1994, 15.60 percent in 1996 and 14.02 percent in 1997 respectively. The capital fund of Mapusa Urban Co-operative Bank went up to Rs. 847.80 lakhs in 1997 from Rs. 548.75 lakhs in 1994 by recording a jump at the rate of 155 percent during the whole period. The risk weighted assets had gone up to Rs. 12995.07 lakhs in 1997 from Rs. 7109.42 lakhs in 1994, grew at the pace of 183

percent for the corresponding period. The Capital adequacy ratios of the bank were 7.71 percent in 1994, 6.33 percent in 1996 and 6.52 percent in 1997 respectively. The capital fund of the Madgaum Urban Co-operative Bank has increased from Rs. 316.58 lakhs in 1994 to Rs. 501.75 lakhs in 1997, grown at the pace of 158 percent during the whole period, and the risk weighted assets have gone up to Rs. 4281.00 lakhs in 1997 from Rs. 2956.72 lakhs in 1994 recording a hike at the proportion of 145 percent for the corresponding period. The capital adequacy ratios registered 10.70 percent in 1994, 11.25 percent in 1996 and 11.72 percent in 1997 respectively.

The capital fund of the Citizen Co-operative Bank has augmented to Rs. 81.91 lakhs in 1997 from Rs. 37.10 lakhs in 1994 registering a growth at the rate of 221 percent during the whole period. And, the risk weighted assets had expanded to Rs. 634.03 lakhs in 1997 from Rs. 241.27 lakhs in 1994 grew at the speed of 263 percent for the corresponding period. The capital adequacy ratios were observed to be 15.37 percent in 1994, 11.63 percent in 1996 and 12.91 percent in 1997 respectively. The capital fund of the Women Co-operative Bank on the other hand, was observed to be moved to Rs. 66.64 lakhs in 1997 from Rs. 46.31 lakhs in 1994, raised at the pace of 144 percent during the study period. Similarly, the risk weighted assets had swelled to Rs. 398.46 lakhs in 1997 from 229.22 lakhs in 1994, enlarged at the speed of 174 percent for the said

period. The capital adequacy ratios were noticed to be 20.20 percent in 1994, 18.20 percent in 1996 and 16.72 percent in 1997 respectively. The capital funds of the Bicholim Urban Co-operative Bank had progressed from Rs. 100.81 lakhs in 1994 to Rs. 227.28 lakhs in 1997, multiplied at the speed of 225 percent during the period. And, the risk weighted assets had gone up to Rs. 3778.33 lakhs in 1997 from Rs. 2112.22 lakhs in 1994, grown at the pace of 179 percent for the corresponding period and, the capital adequacy ratios were perceived to be 4.77 percent in 1994, 5.33 percent in 1996 and 6.01 percent in 1997 respectively.

In the wake of extensive reforms, as a part of economic reforms initiated since 1991-92, in the banking sector, the Indian banks are exposed to global competition and internationally accepted prudential norms. As a result, international banks started insisting on all the banks involving in export and import trade and the banks having foreign branches should have achieved equal prudential norms before transacting with them. One of the norms is Capital Adequacy Ratio.

The capital adequacy ratio is considered to be one of the significant yardsticks to measure the financial soundness and the loss absorbing capacity of the banking institution by relating its owned funds (mainly comprising of equity capital and accumulated free reserves) to its Risk Weighted Assets (Arrived based on the assigned weights to various

categories of assets) provided in the Table 3.3 (Appended at the end of Chapter-III). Keeping this in view, the Reserve Bank of India (RBI) introduced the internationally accepted Capital to Risk Assets Ratio (CRAR) as a capital adequacy measure to be achieved in a phased manner by the banks operating in India. Accordingly, Indian banks with branches abroad were required to be achieved a CRAR of 8 percent by March 31st, 1994 and for other Indian banks the deadline was March 31st, 1996.

Nevertheless, considering the distinctive features and functioning of the Urban Co-operative Banks as well as the peculiarity of share capital and reserve structure of the urban co-operative banks, this capital adequacy norm has not yet been made mandatory for the urban co-operative banks. Though it is not compulsory, yet it is felt more desirable to study the financial stability and the internal strength (equity base) of urban co-operative banks.

The proportion of capital fund in relation to the risk weighted assets of Goa Urban Co-operative Bank was observed to be exceptionally good during all the four years, ranged between 14 to 15 percent of risk weighted assets. And, the bank has achieved a capital adequacy norm much earlier as well as much higher than the bank was required to have achieved by 31.3.1996 (i.e. 8 percent), revealing a very strong equity capital base and a good loss absorbing capacity of the bank. Further, the

bank has also achieved well in advance the expected hike in the statutory CRAR in a phased manner from the present 8 percent to 10 percent and further to a high of 12 percent as the RBI is contemplating in this direction. On the other hand, the percentage of owned funds in relation to the risk weighted assets of Mapusa Urban Co-operative Bank was observed to be not up to the prescribed requirement as the capital adequacy ratio ranged around between 6 to 7 percent of the risk weighted assets during the last four years accentuating a weak equity capital base which could be attributed to an increasing risk weighted assets particularly rise in non performing assets yielding nothing but blocking the capital.

The capital fund in relation to the risk weighted assets of the Madgaum Urban Co-operative Bank was noticed to be satisfactory and the bank accomplished its capital adequacy more than the required as the capital adequacy ratio ranged between 10 to 11 percent of its risk weighted assets during all the four years. Further, the bank revealed a sturdy risk bearing capacity which in turn helped the bank to retain the confidence of the investing community as well as the other banking institutions. The Citizen Co-operative Bank exhibited really an exemplary capital adequacy ratio ranged between 11 to 15 percent of its risk weighted assets during the study period cynosuring on its loss sustaining capability in case if any portion of the assets (advances) goes into bad, and the bank also reached in advance the anticipated hike in the capital adequacy norm in a phased

manner in the years to come. The percentage of capital fund in relation to the risk weighted assets of the Women Co-operative Bank was observed to be phenomenal during the study period as the capital adequacy ratio was ranged between 16 to 20 percent of its risk weighted assets highlighting a worthy operational efficiency, strengthened equity base and a judicious management of the risk weighted assets. The Bicholim Urban Co-operative Bank demonstrated a weak capital adequacy ratio which was ranged between 4 to 6 percent of its risk weighted assets during the last four years and, the bank has not attained even the prescribed capital adequacy norm indicating instable and unsound equity capital strength which inturn shortened the risk upholding ability of the bank. This poor equity capital base could be due to the imbalanced credit portfolio, an increased amount of risk weighted assets, low profitability and an inefficient internal control system of the bank.

Table – 5.1

Liquidity and Productivity Ratios of Goa Urban Co-operative Bank Ltd. for the period from 1985-86 to 1996-97

Year	Liquidity Ratios				Productivity Ratios							
	Liquid Assets to Total Assets	Liquid Assets to total deposits	Cash Assets to total deposits	Owned Funds to Borrowed Funds	Credit To Deposit	NPA to Total Advances	Other Income	Expenses to total income	Cost of Deposit & Borrowings	Yield on Advances	Average Business Per Employee	Return on Total Assets
1985-86	25.03	35.19	1.74	20.46	72.61	N.A.	0.70	19.95	15.10	27.42	14.06	0.80
1986-87	27.13	38.50	2.02	21.02	70.10	18.64	1.21	19.72	14.81	27.66	15.64	0.80
1987-88	28.81 (27.00)	39.24 (37.64)	3.60 (2.45)	16.14 (19.20)	62.81 (68.50)	20.15 (19.39)	1.09 (1.00)	25.02 (21.56)	15.26 (15.05)	33.11 (29.39)	16.97 (15.55)	0.50 (0.70)
1988-89	21.04	28.69	4.90	15.52	61.01	15.75	0.83	29.58	15.70	37.32	17.98	0.46
1989-90	18.69	25.03	7.01	15.01	66.56	12.33	0.94	28.28	16.88	36.12	21.74	0.52
1990-91	16.84 (18.85)	22.35 (25.35)	3.63 (5.18)	14.81 (15.11)	70.88 (66.15)	10.81 (12.96)	1.89 (1.22)	32.50 (30.12)	9.72 (14.10)	12.94 (28.80)	26.56 (22.09)	0.55 (0.51)
1991-92	15.59	20.39	4.56	14.89	74.53	N.A.	3.00	40.72	7.65	11.85	28.62	0.38
1992-93	21.72	28.42	3.75	14.49	69.11	13.40	1.66	37.85	9.75	17.18	32.07	1.04
1993-94	7.66 (15.00)	9.87 (19.56)	4.13 (4.14)	12.98 (14.12)	65.08 (70.00)	14.37 (13.88)	2.36 (2.34)	33.60 (37.40)	9.53 (8.97)	12.68 (13.90)	38.01 (32.90)	0.70 (0.70)
1994-95	8.87	11.06	2.57	14.34	62.18	11.78	2.00	33.00	9.42	14.10	44.98	0.50
1995-96	12.29	15.27	2.61	14.21	60.45	11.47	1.69	34.49	9.88	14.81	53.02	0.50
1996-97	14.40 (11.85)	17.88 (14.73)	9.10 (4.76)	14.74 (14.43)	67.67 (63.43)	11.02 (11.42)	1.88 (1.85)	34.95 (34.14)	9.64 (9.64)	14.08 (14.33)	61.91 (53.30)	0.47 (0.49)
Grand Mean	18.17	24.32	4.13	15.71	67.07	14.40	1.60	30.80	11.94	21.60	30.96	0.60

- Note:
1. All the ratios are expressed in percentage.
 2. Figures in parenthesis represent ratios over a period of three years.
 3. Average business per employee is expressed in Rs. in lakhs.

Source: Yearly Annual Reports of the bank for the period from 1985-86 to 1996-97.

Table – 5.2

Profitability Ratios of Goa Urban Co-operative Bank for the period from 1985-86 to 1996-97

Year	Interest Earned Ratio (r)	Interest Expenses Ratio (k)	Spread Ratio (r-k)	Manpower Expenses Ratio (m)	Other Expenses Ratio (o)	Non-Inte- rest income Ratio (c)	Burden Ratio (M+O-C)	Profitability Ratio (S-B)
1985-86	14.16	10.60	3.56	2.31	0.53	0.09	2.75	0.81
1986-87	13.66	10.12	3.54	2.20	0.52	0.16	2.56	0.98
1987-88	15.27 (14.36)	11.07 (10.60)	4.20 (3.76)	2.28 (2.26)	1.57 (0.87)	0.16 (0.14)	3.69 (3.00)	0.51 (0.76)
1988-89	16.70	11.39	5.31	2.36	2.61	0.14	4.83	0.48
1989-90	17.96	12.48	5.48	2.83	2.29	0.17	4.95	0.53
1990-91	11.28 (15.31)	7.20 (10.35)	4.08 (4.95)	2.68 (2.62)	1.05 (1.98)	0.21 (0.17)	3.52 (4.43)	0.56 (0.52)
1991-92	10.05	5.75	4.30	2.03	2.18	0.31	3.90	0.40
1992-93	13.27	7.34	5.93	3.23	1.88	0.22	4.89	1.04
1993-94	11.75 (11.69)	7.29 (6.80)	4.46 (4.90)	2.61 (2.62)	1.43 (1.83)	0.28 (0.27)	3.76 (4.18)	0.70 (0.71)
1994-95	11.66	7.46	4.20	2.65	1.27	0.23	3.69	0.51
1995-96	12.56	7.87	4.69	2.99	1.41	0.21	4.19	0.50
1996-97	12.30 (12.17)	7.68 (7.67)	4.62 (4.50)	2.89 (2.84)	1.49 (1.40)	0.23 0.22	4.15 (4.01)	0.47 (0.49)
Grand Mean	13.38	8.85	4.52	2.58	1.52	0.20	3.90	0.62

- Note: 1. All the ratios are expressed in percentage.
2. Figures in parenthesis represent ratios over a period of three years.

Source: Yearly Annual Reports of the bank for the period from 1985-86 to 1996-97.

Table 5.3
Liquidity and Productivity Ratios of Mapusa Urban Co-operative Bank Ltd. for the period from 1985-86 to 1996-97

Year	Liquidity Ratios				Productivity Ratios							
	Liquid Assets to Total Assets	Liquid Assets to total deposits	Cash Assets to total deposits	Owned Funds to Borrowed Funds	Credit to Deposit	NPA to Total Advances	Other Income	Expenses to total income	Cost of Deposit & Borrowings	Yield on Advances	Average Business Per Employee	Return on Total Assets
1985-86	6.48	7.51	5.39	13.93	58.54	25.29	0.81	48.19	7.77	22.00	10.60	0.68
1986-87	7.60	8.63	5.94	11.27	57.48	20.64	1.64	40.15	7.88	16.97	13.48	0.50
1987-88	5.41 (6.50)	6.09 (7.41)	4.85 (5.40)	10.49 (11.90)	70.00 (62.00)	16.47 (20.80)	1.68 (1.37)	35.40 (41.24)	8.14 (7.93)	13.53 (17.50)	17.81 (13.96)	0.41 (0.53)
1988-89	5.29	6.12	4.45	9.50	76.79	17.47	1.56	32.11	8.13	13.82	19.97	0.63
1989-90	5.04	5.69	4.85	10.30	75.32	16.17	1.68	34.77	8.47	14.50	24.70	0.60
1990-91	3.51 (4.61)	4.15 (5.32)	3.52 (4.27)	9.96 (9.92)	80.39 (77.50)	16.72 (16.78)	1.66 (1.63)	31.52 (32.80)	7.77 (8.12)	12.97 (13.76)	29.92 (24.86)	0.90 (0.71)
1991-92	5.81	7.83	3.35	10.67	90.86	18.80	1.15	32.82	6.59	12.79	34.61	1.49
1992-93	5.15	7.05	4.06	13.91	88.84	14.86	1.64	29.84	9.13	14.44	32.14	0.64
1993-94	3.77 (4.91)	4.73 (6.53)	3.95 (3.78)	12.37 (12.31)	82.46 (87.38)	14.41 (16.02)	1.47 (1.42)	34.97 (32.54)	9.21 (8.31)	15.39 (14.20)	40.66 (35.80)	0.36 (0.83)
1994-95	5.10	6.42	3.91	12.18	80.67	14.97	1.67	39.67	8.09	15.05	50.00	0.32
1995-96	3.74	4.77	3.16	13.71	82.11	14.88	2.20	42.18	8.70	17.01	64.25	0.51
1996-97	5.53 (4.80)	6.89 (6.02)	4.48 (3.85)	17.43 (14.44)	73.83 (78.87)	14.86 (14.90)	1.19 (1.68)	46.03 (42.62)	9.95 (8.91)	21.20 (17.75)	58.82 (57.70)	0.32 (0.38)
Grand Mean	5.20	6.00	4.32	12.14	76.43	17.12	1.52	37.30	8.31	15.80	33.08	0.61

- Note:
1. All the ratios are expressed in percentage.
 2. Figures in parenthesis represent ratios over a period of three years.
 3. Average business per employee is expressed in Rs. in lakhs.

Source: Yearly Annual Reports of the bank for the period 1985-86 to 1996-97.

Table 5.4

Profitability Ratios of Mapusa Urban Co-operative Bank for the period of 1985-86 to 1996-97

Year	Interest Earned Ratio	Interest Expenses Ratio	Spread(S) Ratio	Manpower Expenses Ratio	Other Expenses Ratio	Non-Interest Income Ratio	Burden(B) Ratio	Profitability Ratio
	(r)	(k)	(r-k)	(m)	(o)	(c)	(m+o-c)	(S-B)
1985-86	13.83	6.54	7.29	2.63	4.09	0.11	6.61	0.68
1986-87	11.96	6.77	5.19	2.89	2.00	0.20	4.69	0.50
1987-88	11.34 (12.37)	7.04 (6.78)	4.30 (5.60)	2.51 (2.67)	1.56 (2.55)	0.19 (0.16)	3.88 (5.06)	0.42 (0.53)
1988-89	11.19	7.08	4.11	2.33	1.31	0.17	3.47	0.64
1989-90	11.99	7.36	4.63	2.34	1.89	0.20	4.03	0.60
1990-91	11.01 (11.40)	6.76 (7.06)	4.25 (4.33)	2.17 (2.28)	1.35 (1.51)	0.18 (0.18)	3.34 (3.61)	0.91 (0.71)
1991-92	8.78	5.55	8.23	1.87	1.55	0.12	3.30	-0.07
1992-93	11.59	7.62	3.97	2.38	1.33	0.19	3.52	0.45
1993-94	12.36 (10.91)	7.79 (6.98)	4.57 (3.92)	2.26 (2.17)	2.12 (1.66)	0.18 (0.16)	4.20 (3.67)	0.37 (0.25)
1994-95	11.79	6.90	4.89	1.92	2.83	0.20	4.54	0.34
1995-96	13.25	7.32	5.93	1.88	3.83	0.29	5.42	0.51
1996-97	15.48 (13.50)	8.12 (7.40)	7.36 (6.06)	2.07 (1.95)	5.12 (3.93)	0.18 (0.22)	7.02 (5.66)	0.32 (0.40)
Grand Mean	12.04	7.06	4.97	2.26	2.41	0.18	4.50	0.47

Note: 1. All the ratios are expressed in percentage.
 2. Figures in parenthesis represent ratios over a period of three years.

Source: Yearwise reports of the banks for the period 1985-86 to 1996-97.

Table 5.5
Liquidity and Productivity Ratios of Madgaum Urban Co-operative Bank Ltd. for the period from 1985-86 to 1996-97

Year	Liquidity Ratios				Productivity Ratios							
	Liquid Assets to Total Assets	Liquid Assets to total deposits	Cash Assets to total deposits	Owned Funds to Borrowed Funds	Credit to Deposit	NPA to Total Advances	Other Income	Expenses to total income	Cost of Deposit & Borrowings	Yield on Advances	Average Business Per Employee	Return on Total Assets
1985-86	10.21	13.64	4.96	17.83	81.16	26.22	0.73	32.86	12.20	20.94	14.27	1.64
1986-87	17.04	23.04	7.94	17.56	74.31	28.23	0.83	38.62	8.48	16.06	17.32	1.13
1987-88	19.25 (15.50)	26.50 (21.06)	9.79 (7.56)	18.18 (17.85)	71.89 (75.78)	23.40 (25.95)	1.42 (0.99)	36.29 (35.92)	9.16 (9.94)	15.87 (17.62)	20.29 (17.29)	1.24 (1.33)
1988-89	15.31	21.15	4.27	18.87	79.59	N.A.	1.91	39.39	9.27	14.65	23.20	0.75
1989-90	24.84	34.80	6.43	19.16	64.43	32.71	1.25	38.45	9.91	17.19	23.19	0.64
1990-91	25.56 (21.90)	34.84 (30.26)	3.40 (4.70)	17.57 (18.53)	65.46 (70.00)	28.04 (30.37)	1.54 (1.56)	36.75 (38.19)	9.06 (9.41)	13.85 (15.23)	23.50 (23.30)	0.56 (0.65)
1991-92	25.30	33.26	4.59	15.61	72.14	N.A.	2.06	29.36	6.47	10.49	30.30	1.45
1992-93	29.28	40.47	4.53	15.92	78.48	16.82	1.74	38.80	10.15	16.12	40.04	0.60
1993-94	31.94 (28.84)	38.58 (37.43)	3.83 (4.31)	14.22 (15.25)	67.83 (72.81)	18.04 (17.43)	2.08 (1.96)	26.54 (31.56)	9.03 (8.55)	13.15 (13.25)	48.63 (40.00)	0.25 (0.76)
1994-95	28.49	34.95	4.56	19.58	68.03	N.A.	1.47	44.35	8.86	17.58	55.07	0.51
1995-96	32.02	40.14	4.06	22.00	66.36	16.13	1.41	29.54	8.75	15.98	59.41	2.66
1996-97	26.69 (29.06)	33.53 (36.20)	3.46 (4.02)	22.91 (21.50)	70.94 (68.44)	16.58 (16.35)	1.21 (1.36)	34.56 (36.15)	9.29 (8.96)	15.73 (16.43)	67.27 (60.58)	1.79 (1.63)
Grand Mean	23.82	31.23	5.14	18.28	71.75	22.52	1.46	35.45	9.21	15.63	35.30	1.09

- Note:
1. All the ratios are expressed in percentage.
 2. Figures in parenthesis represent ratios over a period of three years.
 3. Average business per employee is expressed in Rs. in lakhs.

Source: Yearly Annual Reports of the bank for the period 1985-86 to 1996-97.

Table 5.6

Profitability Ratios of Madgaum Urban Co-operative Bank for the period of 1985-86 to 1996-97

Year	Interest Earned Ratio	Interest Expenses Ratio	Spread(S) Ratio	Manpower Expenses Ratio	Other Expenses Ratio	Non-Interest Income Ratio	Burden(B) Ratio	Profitability Ratio
	(r)	(k)	(r-k)	(m)	(o)	(c)	(m+o-c)	(S-B)
1985-86	15.56	8.83	6.73	2.22	2.92	-0.11	5.03	1.70
1986-87	11.50	5.98	5.52	2.02	2.45	0.09	4.38	1.14
1987-88	11.80 (12.95)	6.39 (7.06)	5.41 (5.88)	2.12 (2.12)	2.22 (2.53)	0.17 (0.12)	4.17 (4.52)	1.24 (1.36)
1988-89	11.58	6.40	5.18	2.13	2.51	0.22	4.42	0.76
1989-90	11.45	6.49	4.96	2.08	2.37	0.14	4.31	0.65
1990-91	10.63 (11.22)	6.26 (6.38)	4.37 (4.83)	2.14 (2.11)	1.82 (2.23)	0.16 (0.17)	3.80 (4.17)	0.57 (0.66)
1991-92	8.43	4.62	3.81	1.75	0.77	0.17	2.35	1.46
1992-93	12.70	7.30	5.40	2.03	2.98	0.22	4.79	0.61
1993-94	10.82 (10.65)	7.13 (6.35)	3.69 (4.30)	1.96 (1.91)	0.96 (1.57)	0.23 (0.20)	2.69 (3.27)	1.00 (1.02)
1994-95	13.19	6.94	6.25	2.08	3.86	0.19	5.75	0.50
1995-96	13.17	6.74	6.43	2.12	1.81	0.18	3.75	2.68
1996-97	13.43 (13.26)	7.15 (6.94)	6.28 (6.32)	2.53 (2.24)	2.17 (2.61)	0.16 (0.17)	4.54 (4.68)	1.74 (1.64)
Grand Mean	12.02	6.68	5.33	2.09	2.23	0.16	4.16	1.17

Note: 1. All the ratios are expressed in percentage.
 2. Figures in parenthesis represent ratios over a period of three years.

Source: Yearly Annual Reports of the bank for the period 1985-86 to 1996-97.

Table 5.7
Liquidity and Productivity Ratios of Women Co-operative Bank Ltd. for the period from 1985-86 to 1996-97

Year	Liquidity Ratios				Productivity Ratios						
	Liquid Assets to Total Assets	Liquid Assets to total deposits	Cash Assets to total deposits	Owned Funds to Borrowed Funds	Credit To Deposit	Other Income	Expenses to total income	Cost of Deposit & Borrowings	Yield on Advances	Average Business Per Employee	Return On Total Assets
1985-86	13.45	21.77	21.77	46.54	52.39	2.14	52.14	8.48	31.46	6.68	2.26
1986-87	26.89	42.53	42.53	40.78	43.35	1.76	46.08	7.89	35.19	6.59	3.23
1987-88	6.14 (15.50)	9.29 (24.53)	9.29 (24.53)	36.82 (41.38)	46.66 (47.46)	1.47 (1.79)	52.44 (50.22)	8.75 (8.37)	27.02 (31.22)	8.05 (7.10)	1.30 (2.26)
1988-89	36.19	47.75	18.33	25.85	53.69	1.83	42.88	6.76	18.98	11.19	2.31
1989-90	38.83	52.02	8.19	22.97	58.77	2.81	37.30	7.66	18.77	13.37	2.40
1990-91	32.68 (35.90)	44.50 (48.09)	7.03 (11.18)	25.19 (24.67)	64.20 (58.88)	2.54 (2.40)	30.83 (37.00)	8.01 (7.47)	19.00 (18.91)	17.05 (13.87)	3.80 (2.83)
1991-92	4.82	7.54	7.54	27.71	88.10	2.51	31.15	7.95	14.18	17.78	2.82
1992-93	5.25	8.57	8.57	25.88	86.61	2.48	53.89	8.19	16.52	21.85	0.15
1993-94	4.18 (4.75)	6.23 (7.44)	6.23 (7.44)	27.25 (26.94)	84.37 (86.36)	7.74 (4.24)	41.88 (42.30)	9.89 (8.67)	18.80 (16.50)	23.63 (21.08)	1.64 (1.53)
1994-95	5.59	7.61	7.61	25.50	74.46	2.60	51.09	8.09	16.23	28.42	0.25
1995-96	5.88	7.81	7.81	25.35	72.55	3.21	32.06	8.60	13.48	29.71	1.34
1996-97	3.27 (4.91)	4.53 (6.65)	4.53 (6.65)	26.49 (25.78)	78.41 (75.14)	2.60 (2.80)	21.20 (34.78)	9.53 (8.74)	15.78 (15.16)	31.40 (30.00)	3.60 (1.73)
Grand Mean	15.26	21.67	12.45	30.00	66.96	2.80	41.07	8.31	20.44	18.00	2.08

- Note:
1. All the ratios are expressed in percentage.
 2. Figures in parenthesis represent ratios over a period of three years.
 3. Average business per employee is expressed in Rs. in lakhs.

Source: Yearly Annual Reports of the bank for the period 1985-86 to 1996-97.

Table 5.8

Profitability Ratios of Women Co-operative Bank for the period of 1985-86 to 1996-97

Year	Interest Earned Ratio	Interest Expenses Ratio	Spread(S) Ratio	Manpower Expenses Ratio	Other Expenses Ratio	Non-Interest Income Ratio	Burden(B) Ratio	Profitability Ratio
	(r)	(k)	(r-k)	(m)	(o)	(c)	(m+o-c)	(S-B)
1985-86	15.00	5.17	9.83	1.03	6.96	0.32	7.67	2.16
1986-87	14.76	4.93	9.83	1.13	5.79	0.26	6.66	3.17
1987-88	14.43 (14.73)	5.69 (5.26)	8.74 (9.46)	1.51 (1.22)	6.16 (6.30)	0.21 (0.26)	7.46 (7.26)	1.28 (2.20)
1988-89	12.20	4.78	7.42	1.41	3.92	0.22	5.11	2.31
1989-90	12.34	5.56	6.78	1.42	3.31	0.35	4.38	2.40
1990-91	13.38 (12.34)	5.70 (5.34)	7.68 (7.30)	1.51 (1.44)	2.71 (3.31)	0.34 (0.30)	3.88 (4.45)	3.80 (2.83)
1991-92	11.68	5.44	6.24	1.18	2.54	0.30	3.42	2.82
1992-93	12.91	5.96	6.95	1.55	5.58	0.32	6.81	0.14
1993-94	13.59 (12.72)	6.91 (6.10)	6.68 (6.62)	1.56 (1.43)	4.60 (4.24)	1.14 (0.58)	5.02 (5.08)	1.66 (1.54)
1994-95	11.72	5.64	6.08	1.45	4.69	0.31	5.83	0.25
1995-96	10.43	6.20	4.23	1.30	2.15	0.34	3.11	1.12
1996-97	12.73 (11.62)	6.72 (6.18)	6.02 (5.44)	1.48 (1.41)	1.28 (2.70)	0.35 (0.33)	2.41 (3.78)	3.61 (1.66)
Grand Mean	12.92	5.72	7.20	1.37	4.13	0.36	5.14	2.05

Note: 1. All the ratios are expressed in percentage.
 2. Figures in parenthesis represent ratios over a period of three years.

Source: Yearwise reports of the banks for the period 1985-86 to 1996-97.

Table 5.9
Liquidity and Productivity Ratios of Citizen Co-operative Bank Ltd. for the period from 1985-86 to 1996-97

Year	Liquidity Ratios				Productivity Ratios							
	Liquid Assets to Total Assets	Liquid Assets to total deposits	Cash Assets to total deposits	Owned Funds to Borrowed Funds	Credit to Deposit	NPA to Total Advances	Other Income	Expenses to total income	Cost of Deposit & Borrowings	Yield on Advances	Average Business Per Employee	Return on Total Assets
1985-86	7.21	8.48	8.48	10.40	81.15	1.93	5.36	34.04	6.20	13.96	10.88	0.82
1986-87	6.04	6.86	6.86	11.38	75.63	7.23	5.26	31.47	6.50	12.67	13.47	1.77
1987-88	8.36 (7.20)	9.68 (8.34)	9.68 (8.34)	13.99 (11.92)	82.42 (79.73)	7.02 (5.40)	3.56 (4.72)	28.25 (31.25)	8.35 (7.01)	16.17 (14.26)	12.45 (12.26)	2.34 (1.64)
1988-89	11.72	13.74	13.74	15.23	82.64	3.53	4.51	28.65	6.10	13.20	12.92	3.19
1989-90	8.54	10.48	10.48	15.84	77.54	4.41	4.03	29.38	6.74	15.06	16.02	2.50
1990-91	3.68 (7.98)	4.64 (9.62)	4.64 (9.62)	15.20 (15.42)	70.16 (76.78)	7.69 (5.21)	4.19 (4.24)	30.77 (29.60)	6.94 (6.60)	16.94 (15.06)	15.61 (14.85)	2.05 (2.58)
1991-92	3.78	4.70	4.70	16.60	83.92	4.33	4.59	28.96	7.05	12.46	18.63	1.56
1992-93	11.20	13.80	4.76	12.23	76.44	3.96	4.96	25.60	10.18	15.22	23.37	0.62
1993-94	21.23 (12.07)	25.06 (14.52)	7.36 (5.60)	11.45 (13.42)	61.08 (73.81)	5.50 (4.60)	4.87 (4.80)	26.69 (27.08)	8.79 (8.67)	15.40 (14.36)	25.02 (22.34)	1.07 (1.08)
1994-95	12.79	14.90	7.74	12.27	69.17	3.21	6.05	26.70	8.86	13.75	29.62	1.17
1995-96	15.48	18.17	5.26	13.01	69.82	5.71	4.75	29.59	8.12	13.69	43.16	1.97
1996-97	8.20 (12.15)	9.92 (14.33)	3.38 (5.46)	19.05 (14.77)	79.68 (72.89)	6.50 (5.14)	3.71 (4.83)	32.62 (30.00)	9.61 (8.86)	16.38 (14.60)	49.88 (40.88)	2.30 (1.80)
Grand Mean	9.85	11.70	7.25	13.88	75.80	5.08	4.64	29.48	7.78	14.57	22.58	1.77

- Note:
1. All the ratios are expressed in percentage.
 2. Figures in parenthesis represent ratios over a period of three years.
 3. Average business per employee is expressed in Rs. in lakhs.

Source: Yearly Annual Reports of the bank for the period 1985-86 to 1996-97.

Table 5.10

Profitability Ratios of Citizen Co-operative Bank for the period of 1985-86 to 1996-97

Year	Interest Earned Ratio	Interest Expenses Ratio	Spread(S) Ratio	Manpower Expenses Ratio	Other Expenses Ratio	Non-Interest Income Ratio	Burden(B) Ratio	Profitability Ratio
	(r)	(k)	(r-k)	(m)	(o)	(c)	(m+o-c)	(S-B)
1985-86	11.26	5.58	5.68	1.99	2.06	0.63	3.42	2.26
1986-87	10.38	5.72	4.66	1.82	1.62	0.57	2.87	1.79
1987-88	12.85 (11.49)	7.22 (6.17)	5.63 (5.32)	2.42 (2.07)	1.33 (1.67)	0.47 (0.55)	3.28 (3.19)	2.35 (2.13)
1988-89	11.24	5.20	6.04	2.15	1.22	0.53	2.84	3.20
1989-90	11.25	5.76	5.49	2.26	1.17	0.47	2.96	2.53
1990-91	11.09 (11.19)	5.96 (5.64)	5.13 (5.55)	2.45 (2.28)	1.10 (1.16)	0.48 (0.49)	3.07 (2.95)	2.06 (2.60)
1991-92	10.09	5.97	4.12	2.16	0.90	0.49	2.57	1.55
1992-93	12.16	8.89	3.27	2.37	0.91	0.63	2.65	0.62
1993-94	11.43 (11.22)	7.74 (7.53)	3.69 (3.70)	2.15 (2.22)	1.04 (0.95)	0.58 (0.56)	2.61 (2.61)	1.08 (1.08)
1994-95	11.33	7.66	3.67	1.94	1.27	0.72	2.49	1.18
1995-96	12.13	6.99	5.14	1.71	2.05	0.60	3.16	1.98
1996-97	14.73 (12.73)	8.01 (7.55)	6.72 (5.17)	1.78 (1.81)	3.20 (2.17)	0.56 (0.62)	4.42 (3.35)	2.30 (1.82)
Grand Mean	11.65	6.72	4.93	2.09	1.48	0.55	3.02	1.90

Note: 1. All the ratios are expressed in percentage.
 2. Figures in parenthesis represent ratios over a period of three years.

Source: Yearwise reports of the banks for the period 1985-86 to 1996-97.

Table 5.11
Liquidity and Productivity Ratios of Bicholim Urban Co-operative Bank Ltd. for the period from 1987-88 to 1996-97

Year	Liquidity Ratios				Productivity Ratios						
	Liquid Assets to Total Assets	Liquid Assets to total Deposits	Cash Assets to total deposits	Owned Funds to Borrowed Funds	Credit to Deposit	Other Income	Expenses to total income	Cost of Deposit & Borrowings	Yield on Advances and investments	Average Business Per Employee	Return on Total Assets
1987-88	13.16	21.38	21.38	5.09	119.51	4.36	59.82	2.75	4.23	15.24	1.00
1988-89	8.21	10.79	10.79	4.10	94.02	N.A.	N.A.	5.79	9.02	12.16	0.78
1989-90	6.02	8.18	8.18	6.04	100.11	1.90	19.76	9.75	12.85	23.97	1.04
1990-91	5.33	6.94	6.94	4.55	76.72	N.A.	N.A.	8.68	11.87	26.54	0.57
1991-92	3.70 (7.28)	4.89 (10.43)	4.89 (10.43)	5.13 (4.98)	80.52 (94.17)	1.87 (2.71)	22.74 (51.16)	8.37 (7.06)	10.57 (9.70)	25.81 (20.74)	0.58 (0.79)
1992-93	2.20	3.12	3.12	7.56	89.19	1.49	38.34	11.45	16.77	34.58	0.44
1993-94	3.19	3.54	3.54	7.07	78.83	1.27	31.32	10.81	16.04	21.19	0.25
1994-95	3.82	4.50	4.50	8.22	85.73	0.89	33.50	13.91	20.86	23.65	0.60
1995-96	3.21	3.92	3.92	10.23	90.22	0.80	32.61	14.43	21.66	34.53	1.18
1996-97	3.25 (3.13)	3.69 (3.75)	3.69 (3.75)	11.33 (8.88)	77.75 (84.34)	1.02 (1.09)	24.66 (32.08)	13.71 (12.86)	18.59 (18.78)	40.37 (30.86)	0.84 (0.66)
Grand Mean	5.20	7.09	7.09	6.93	89.25	1.90	41.62	9.96	14.24	25.80	0.72

- Note:
1. All the ratios are expressed in percentage.
 2. Figures in parenthesis represent ratios over a period of five years.
 3. Average business per employee is expressed in Rs. in lakhs.

Source: Yearly Annual Reports of the bank for the period 1987-88 to 1996-97.

Table 5.12

Profitability Ratios of Bicholim Urban Co-operative Bank for the period from 1991-92 to 1996-97

Year	Interest Earned Ratio	Interest Expenses Ratio	Spread(S) Ratio	Manpower Expenses Ratio	Other Expenses Ratio	Non-Interest Income Ratio	Burden(B) Ratio	Profitability Ratio
	(r)	(k)	(r-k)	(m)	(o)	(c)	(m+o-c)	(S-B)
1991-92	8.54	6.14	2.40	1.18	0.79	0.16	1.81	0.59
1992-93	13.61	8.06	5.55	1.24	4.09	0.20	5.13	0.42
1993-94	15.03	9.79	5.24	1.48	3.28	0.19	4.57	0.67
1994-95	19.50	12.48	7.02	2.06	4.52	0.17	6.41	0.61
1995-96	20.47	12.71	7.76	2.14	4.58	0.16	6.56	1.20
1996-97	16.83	11.96	4.87	2.41	1.78	0.17	4.02	0.85
Grand Mean	15.66	10.19	5.47	1.75	3.17	0.17	4.75	0.72

Note: 1. All the ratios are expressed in percentage.

Source: Yearly Annual Reports of the bank for the period 1991-92 to 1996-97.

Table 5.13

Capital Adequacy Ratios of Urban Cooperative Banks for the period from 1994-1997

Rs. in Lakhs

Sr. No.	Name of the Bank	31/3/1994		31/3/1995		31/3/1996		31/3/1997		Capital Adequacy Ratios			
		Capital Fund (Rs.)	Risk Weighted Assets (Rs.)	Capital Fund (Rs.)	Risk Weighted Assets (Rs.)	Capital Fund (Rs.)	Risk Weighted Assets (Rs.)	Capital Fund (Rs.)	Risk Weighted Assets (Rs.)	31/3/94 %	31/3/95 %	31/3/96 %	31/3/97 %
1	Goa Urban Co-op Bank	1206.80	7697.09	1366.62	9116.47	1602.61	10278.42	1768.87	12612.06	15.67	14.99	15.60	14.02
2	Mapusa Urban Co-op Bank	548.75	7109.42	644.19	9214.77	747.20	11792.60	847.80	12995.09	7.71	7.00	6.33	6.52
3	Madgaum Urban Co-op Bank	316.58	2956.72	346.63	3254.01	390.48	3468.95	501.75	4281.00	10.70	10.65	11.25	11.72
4	Women Co-op Bank	46.31	229.22	53.69	273.94	62.09	341.01	66.64	398.46	20.20	19.59	18.20	16.72
5	Citizen Co-op Bank	37.10	241.27	45.97	341.53	56.17	482.60	81.91	634.03	15.37	13.46	11.63	12.91
6	Bicholim Urban Co-op Bank	100.81	2112.22	129.79	2775.53	168.44	3158.19	227.28	3778.33	4.77	4.67	5.33	6.01

Source: Yearwise Annual Reports of the Banks for the period from 1993-94 to 1996-97.

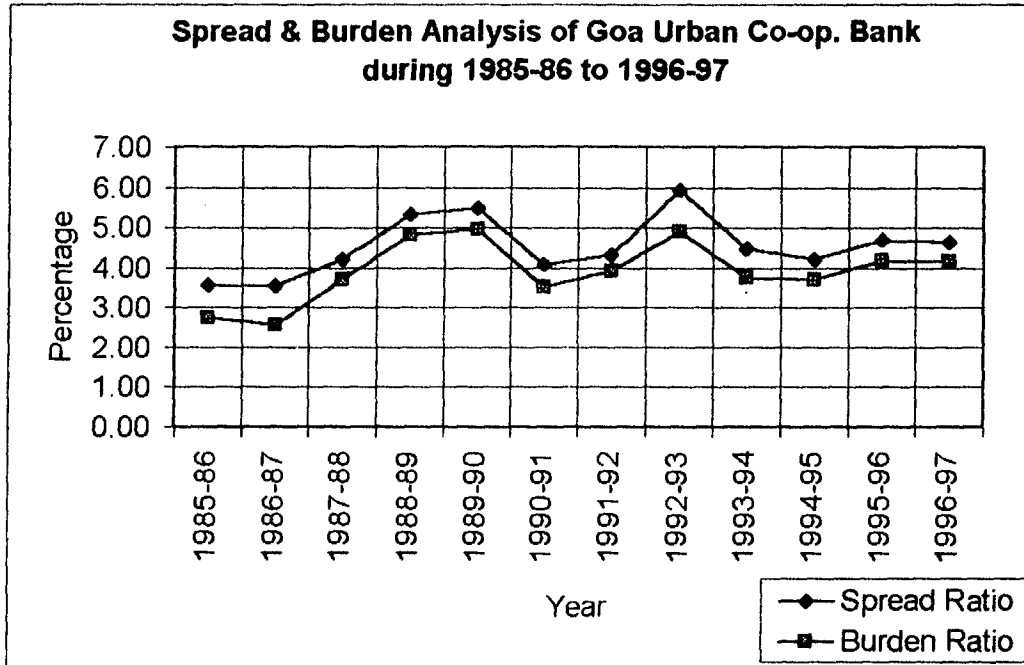


Fig. 5.1

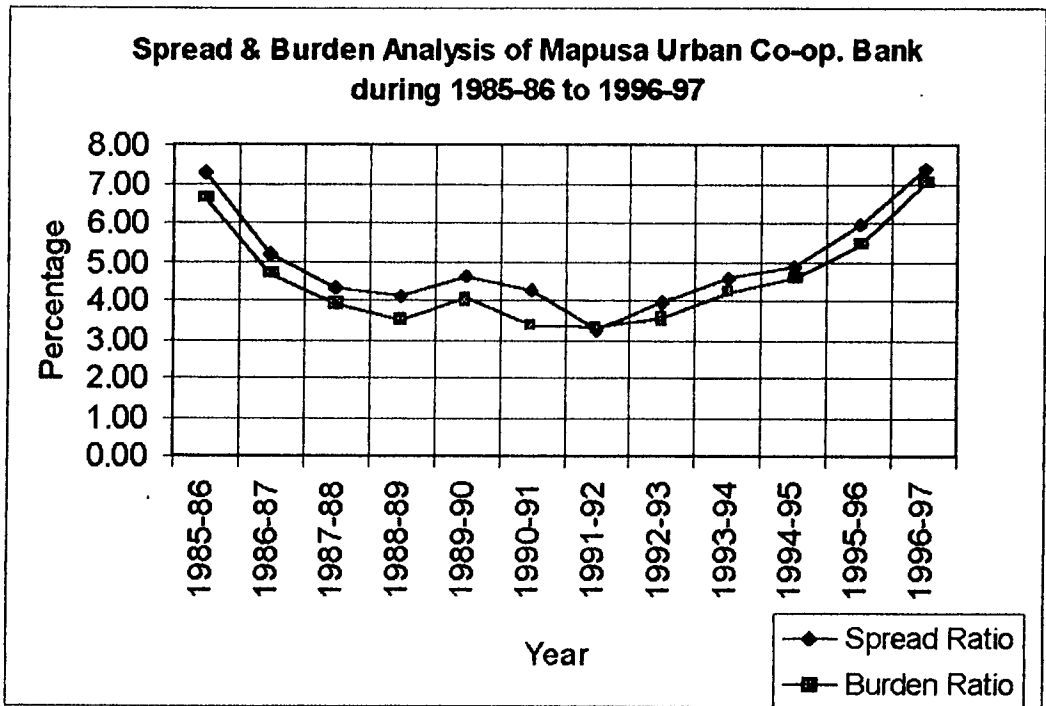


Fig. 5.2

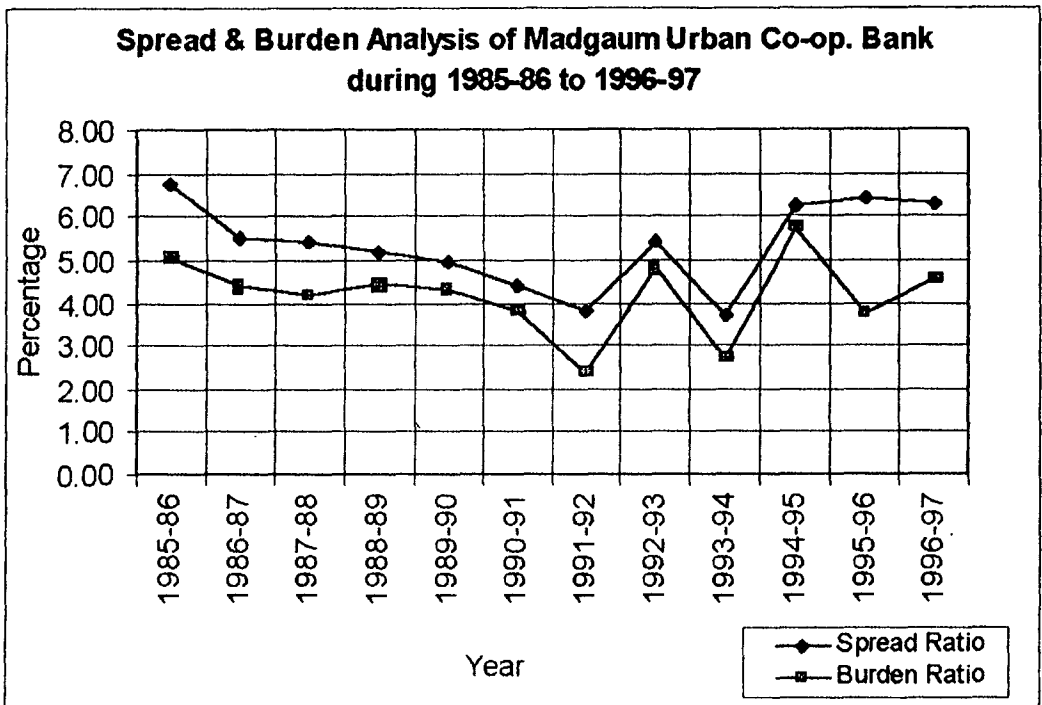


Fig. 5.3

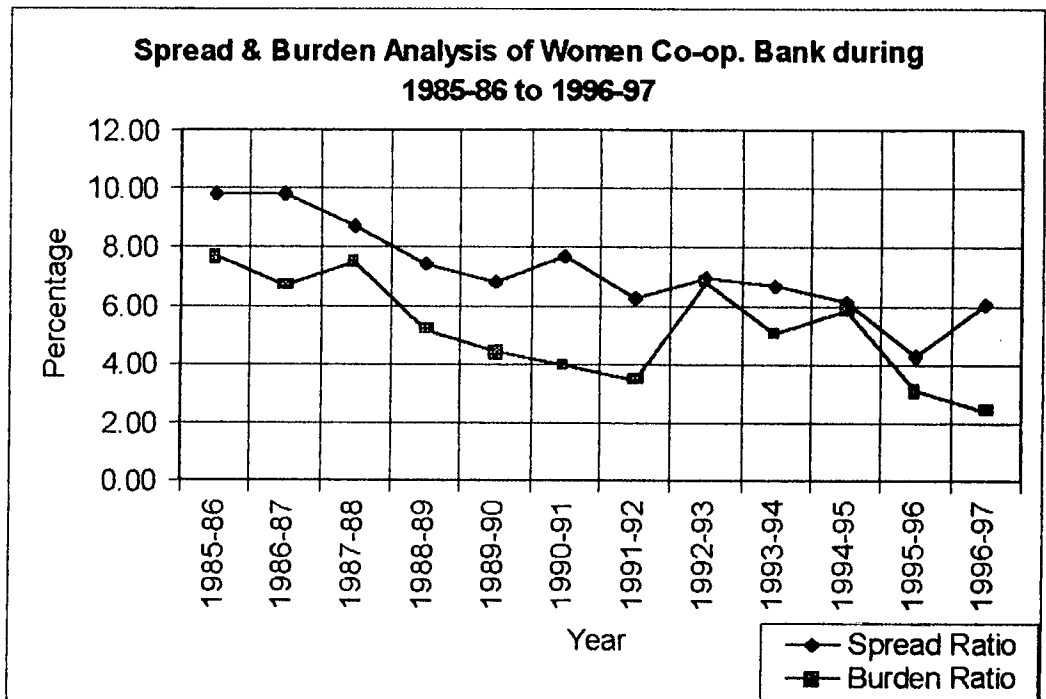


Fig. 5.4

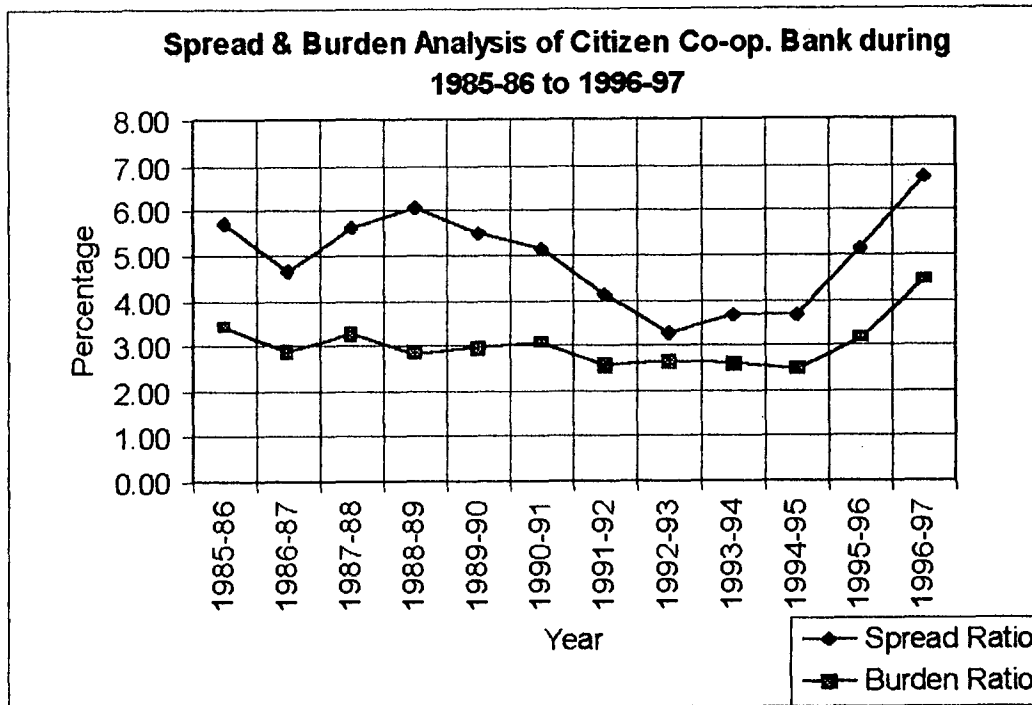


Fig. 5.5

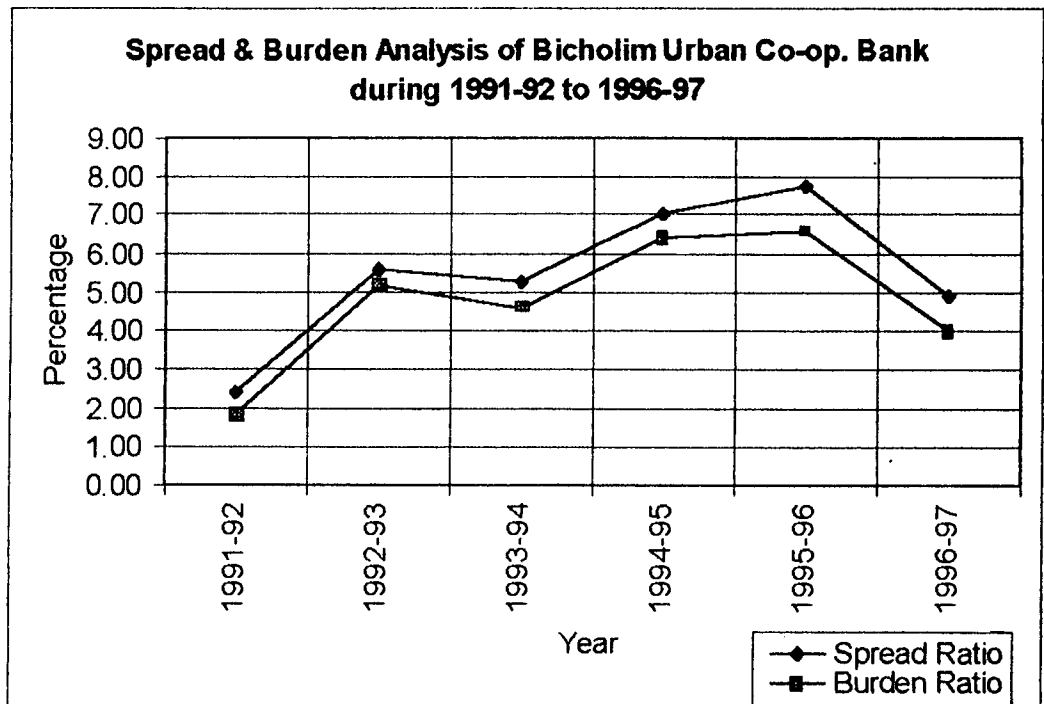


Fig. 5.6

CHAPTER VI

REGRESSION ANALYSIS OF THE FACTORS INFLUENCING PROFITABILITY OF URBAN COOPERATIVE BANKS

This chapter deals with the regression analysis of the factors influencing profitability of the urban cooperative banks.

CHAPTER-VI

REGRESSION ANALYSIS OF THE FACTORS INFLUENCING PROFITABILITY OF URBAN COOPERATIVE BANKS

The betterment, growth and survival of an organisation/a banking institution is fully dependent upon its profits earning ability. A higher profitability is an index of an efficient utilisation of various resources. A sufficient amount of profits is a must for every organisation so as to function smoothly and successfully and the urban co-operative banks are no exception to it. However, the profit making is considered to be the secondary for the urban co-operative banks. The prime objective of the urban co-operative banks is to render a variety of services more efficiently to their members in particular and to the public at large in general. Notwithstanding, it is equally essential for the urban co-operative banks to earn at least a reasonable amount of profits to ensure a fair return on the capital contributed by the members as well as to progress in their operation. Towards this end, an attempt is made to analyse the variables that are influencing the profitability of the urban co-operative banks.

The regression coefficients of the selected profitability variables are estimated for the five urban cooperative banks. The computed regression coefficients for all the banks are presented in the Table 6.1 (Appended at the end of this Chapter). The regression coefficients of the variables are analysed and discussed separately for each bank as under:

6.1 GOA URBAN CO-OPERATIVE BANK LTD.:

A rupee increase in each of the variables viz., the interest rate spread and the non-interest income leads to increase in the annual net profits by Rs. 0.33 and Rs. 0.40 respectively. On the contrary, a rupee increase in each of the expenses variables viz., manpower expenses, other expenses and the overdue interest and doubtful debt provisions, brings down the annual net profits by Rs. 0.19, Rs. 0.58 and Rs. 0.46 respectively. The value R^2 indicated that all the five explanatory variables jointly accounted for about 90 percent variation in the net profits of the bank pointing out that the profitability variables selected were significant. It was further observed that the interest rate spread and the non-interest income are positively associated with the annual net profits as an increase in these two variables leads to a rise in the annual net profits. On the other hand, the manpower expenses, other expenses and the overdue interest and

doubtful debt provision variables are found to have had a negative effect on the annual net profits as an increase in these expenditure variables leads to a reduction in the profits. Further, in between the interest rate spread and the non-interest income variables, the non-interest income profitability variable is observed to have a more closer association with the profits as it has a greater influence on the profits as compared to the interest rate spread variable. On the other side, among all the three expenses variables, the other expenses variables is found to have had a more negative influence on the profits followed by the overdue interest and doubtful debt provisions.

6.2 MAPUSA URBAN CO-OPERATIVE BANK LTD:

A rupee addition to each of these variables viz., the interest rate spread and the non-interest income brings up the annual net profits by Rs. 0.71 and Rs. 1.55 respectively. In contrast, a rupee hike in each of these variables viz. the manpower expenses, other expenses and the overdue interest and doubtful debt provision leads to a reduction in the annual net profits by Rs. 0.70, Rs. 1.02 and Rs. 0.69 respectively. The value R^2 hinted that all the five profitability variables together accounted for about 86 percent deviation in the annual net profits. The interest rate spread and non-interest income variables were noticed to be explicitly connected with

the annual profits as an increase in these variables certainly supplements the profits. Whereas the manpower expenses, other expenses and the overdue interest and doubtful debt provision variables were observed to be negatively related to the annual net profits as a rise in these variables results in a reduction in the net profits. It is further disclosed that in between the interest rate spread and the non-interest income variables, the non-interest income variable is found to have a more influence on the profits. On the other hand, among the expenses variables, the other expenses variable is observed to have a more negative effect on the profits followed by the manpower expenses and the overdue interest and doubtful debt provision variables respectively.

6.3 MADGAUM URBAN CO-OPERATIVE BANK LTD:

A rupee rise in each of the variables viz. Interest rate spread and the non interest income leads to augment in annual net profits by Rs. 1.07 and Rs. 0.85 respectively. On the contrary, a rupee expansion in each of the expenses variables viz. the manpower expenses, other expenses and the overdue interest and doubtful debt provision, declines the annual net profits by Rs. 0.62, Rs. 2.14 and Rs. 0.88 respectively. The R^2 value illustrated that almost 99 percent fluctuation in the annual net profits is determined jointly by the five variables. The interest rate spread and the

non interest income variables are found to be closely intimated with the annual net profits as an increase in each of these variables enlarges the profits. While the remaining variables were observed to have a negative consequence on the annual net profits as an increase in these variables weakens the size of net profits. Further, the interest rate spread variable is noticed to have influenced the profits to a larger extent as compared to the non interest income variable. While among the expenses variables, other expenses variable is noticed to have effected the annual net profits more adversely followed by the overdue interest and doubtful debt provisions.

6.4 WOMEN COOPERATIVE BANK LTD.:

An addition of one rupee to each of these variables viz., the interest rate spread and the non interest income supplements the annual net profits by Rs. 0.87 and Rs. 0.99 respectively. In contrast, a rupee increase in each of these expenses variables namely, manpower expenses, other expenses and the overdue interest and doubtful debt provisions, leads to bring down a quantum of annual net profit by Rs. 0.49, Rs. 0.98 and Rs. 1.00 respectively. The R^2 value manifested that all the five profitability variables together accounted for 99 percent deviation in the annual net profits. The interest rate spread and the non interest income variables are observed to have associated positively with the annual net profit as an

increase in each of these variables has led to accelerate in the annual net profit. On the contrary, the remaining three expenses variables were found to have had a negative nexus with the annual net profit as any hike in each of these variables resulted in declining in the annual net profit. It is further noticed that the non interest income variable has a better association with the profit as compared to the interest rate spread variable. On the other hand, the overdue interest and doubtful debt provision variable is observed to have affected the size of the profitability more adversely followed by other expenses and manpower expenses variables. The coefficients of determination (R^2) is observed to be very high with regard to all the selected variables in case of all the banks and F-value shows that the R^2 is significant for all the variables.

6.5 CITIZEN COOPERATIVE BANK LTD.:

Each of the interest rate spread and the non interest income, goes up by one rupee results in an increase in the annual net profits by Rs. 1.03 and Rs. 1.00 respectively. On the other hand, a hike in each of these variables viz. Manpower expenses, other expenses and the overdue interest and doubtful debt provisions by a rupee leads to reduce the size of annual net profits at the pace of Rs. 1.04, Rs. 1.06 and Rs. 1.07 respectively. The value of R^2 demonstrated that about 99 percent variation in the annual net

profit is decided together by the five variables. A close nexus between the annual net profit and both the variables namely interest rate spread and the non interest income was noticed as both the variables have equally affected the annual net profit positively. Whereas the remaining three expenses variables were observed to have influenced negatively the annual net profits as a rise in each of these variables resulted in a reduction in the net profits. It was further revealed that all the three expenses variables with a slight variation equally affected adversely the volume of annual net profit.

Table 6.1

Factors Influencing Profitability of Urban Co-operative Banks

Sr.No.	Name of the Bank	Estimated Regression Coefficients						
		Bo	B1	B2	B3	B4	B5	R2
1	Goa Urban Co-op. Bank	38.7712	**0.3298 (2.8242)	-0.1879 (0.9804)	** -0.5769 (2.8102)	0.3979 (0.4092)	** -0.4556 (2.0606)	0.89 (87.61)
2	Mapusa Urban Co-op. Bank	18.4640	*0.7055 (4.5165)	** -0.7021 (3.1048)	*** -1.0202 (1.6371)	1.5536 (1.2146)	* -0.6850 (4.6812)	0.86 (63.12)
3	Madgaum Urban Co-op. Bank	0.6232	*1.0693 (10.560)	-0.6236 (1.272)	** -2.1398 (2.105)	0.8534 (0.199)	* -0.8843 (9.905)	0.98 (873.54)
4	Women Co-op. Bank	0.6057	*0.8562 (33.667)	* -0.4897 (3.703)	* -0.9810 (15.786)	*0.9873 (15.934)	* -1.0034 (104.635)	0.99 (38304.17)
5	Citizen Co-op. Bank	-0.0378	*1.0392 (21.620)	* -1.0305 (11.113)	* -1.0633 (6.427)	*0.9996 (5.386)	* -1.0659 (13.139)	0.99 (19183.86)

Source: Yearwise Annual Reports of the Banks for the period from 1985-86 to 1996-97

Note:

1. B1, B2, B3, B4 and B5 represent Regression Coefficients of independent profitability variables of X1 = interest rate spread; X2 = Manpower expenses; X3 = other expenses; X4 = Non-interest income and X5 = overdue interest and doubtful debt provisions respectively.
2. *, ** and *** denote statistically significant at 1%, 5% and 10% level respectively.
3. Figures in parenthesis both in Regressions coefficients and in R2 are T-value and F-value respectively.
4. Number of observations used are 12.

CHAPTER VII

INTER BANK COMPARATIVE STUDY AND RANKING OF URBAN COOPERATIVE BANKS

This chapter is focussed on inter bank comparative performance evaluation of the urban cooperative banks in terms of physical and financial performance, liquidity, productivity, profitability and capital adequacy performance. Further, a comparative regression analysis is carried on the factors influencing profitability of the urban cooperative banks. Finally, this chapter made an attempt to rank the urban cooperative banks based on their overall performance in the different areas.

CHAPTER-VII

INTER BANK COMPARATIVE STUDY AND RANKING OF URBAN COOPERATIVE BANKS

An inter-comparison is considered to be one of the best tools where by the performance of one organisation can be compared with an another in order to ascertain and understand the relative strengths and weaknesses in the working and performance of the respective organisations. This fruitful exercise on the other hand, enables the management of the respective organisations to identify the possible causes either for a weak or for a healthy working performance as the case may be and introduce the necessary measures to improve the performance in the located operational areas. Keeping this in view, a comparative performance evaluation of urban cooperative banks is felt more desirable to know the inherent working status of each bank in comparison with an another so as to enable the management of the respective urban cooperative banks to initiate the required steps for better performance.

7.1 PHYSICAL AND FINANCIAL COMPARATIVE PERFORMANCE EVALUATION:

The computed compound growth rates of important indicators of six urban cooperative banks were presented in Table 7.1 (Appended at the end of this Chapter). The table unveils that the Bicholim Urban Bank was observed to have registered the highest growth (23.61%) among other banks in the membership followed by Women Cooperative Bank (18.18%), Mapusa Urban Bank (8.98%), Citizen Cooperative Bank (8.55%), Madgaum Urban Bank (8.22%) and Goa Urban Bank (3.77%) respectively. One of the closely associated reasons for this notable growth in the membership could be attributed to the fact that this bank started recently and completed just 10 years of its operation and people get attracted towards this newly local based bank hoping a very high aspirations of getting a better services especially credit facilities as it was in the expanding stage. A similar impressive growth in membership was observed with Women Cooperative Bank and the growth rate was observed to be the second highest among the banks. The obvious and a clear cut reason for this pleasing growth could be due to the lonely cooperative bank for the Women Cooperative Bank and serving for an exclusive benefits of the women community in the state. The growth in membership with regard to the three banks viz. Mapusa Urban Bank, Citizen Cooperative Bank and Madgaum Urban Bank was observed to have hiked

almost at the same pace which is not so encouraging and the Goa Urban Bank registered the least growth in membership among all the banks. The membership growth analysis of all the banks is presented in Figure 7.1. With regard to the expansion of the branches is concerned, again the Bicholim Urban Bank swept the first position (26.49%) among the banks followed by Mapusa Urban Bank (8.44%) and Goa Urban Bank (1.11%) respectively.

The Bicholim Urban Bank could manage to record the highest growth in branch expansion since the bank was observed to be under the development stage. Similarly, the Mapusa Urban Bank also has registered an excellent growth in branch expansion over the years while the Goa Urban Bank registered the least growth in branch expansion among the three banks. On the other hand, the Women Cooperative Bank and Citizen Cooperative Bank did not make any efforts to enlarge their business by establishing the branches in other parts of the state. The reason could be due to the expansion of business already by their counterparts viz., branches of the commercial banks, establishment of the private banks, branches of urban banks, rapid growth of the urban credit cooperatives providing a similar business as the urban banks provide. However, in case of Madgaum Urban Bank, no branch expansion was observed during the study period.

With regard to the number of employees is concerned, the Bicholim Urban Bank was observed to have recorded the highest growth rate (35.26%) among all other banks followed by Citizen Cooperative Bank (12.30%), Women Cooperative Bank (8.44%), Mapusa Urban Bank (5.97%), Madgaum Urban Bank (2.84%) and Goa Urban Bank (2.02%) respectively. The growth in employment generation was noticed to be an impressive in case of the Women Cooperative Bank, Citizen Cooperative Bank and Bicholim Urban Bank since these banks established in the latter years and the high growth in employment generation could be attributed to the low employment base of the respective banks in the initial years which perhaps could have enables the banks to register the higher growth. On the other hand, the remaining banks were observed to have been functioning for the last several years and the low growth of these could be due to the high base in employment generation in the initial years under study. A similar observation has been made with regard to the share capital as the Bicholim Urban Bank stood first (32.98%) among all the banks followed by Citizen Cooperative Bank (18.06%), Women Cooperative Bank (17%), Mapusa Urban Bank (16.30%), Madgaum Urban Bank (14.45%) and the Goa Urban Bank (10.19%) respectively. Almost all the banks have registered a better growth in share capital except the Goa Urban Cooperative Bank, which has registered the least growth in share capital. As far as the reserves and surplus is concerned, again the Bicholim Urban Bank was found to have recorded the highest growth (183.20%) among

the banks followed by Citizen Cooperative Bank (59.84%), Mapusa Urban Bank (25.23%), Women Cooperative Bank (20.68%), Madgaum Urban Bank (18.29%) and Goa Urban Bank (16.18%) respectively. Nevertheless, a variation in the growth rate of the respective banks, all the banks have posted a satisfactory growth in their reserves and surplus.

In case of deposit mobilization through the Bicholim Urban Bank was observed to have registered the highest growth (49.03%) in comparison with the growth rates of the remaining banks viz., Citizen Cooperative Bank (28.27%), Women Cooperative Bank (24.11%), Mapusa Urban Bank (22.14%), Madgaum Urban Bank (18.77%) and Goa Urban Bank (17.12%), yet all the banks were observed to have made a good hike in their respective deposits. The deposit mobilization analysis of all the banks is presented in Figure 7.2. In the areas of working capital, all the banks viz., Bicholim Urban Bank (44.77%), Citizen Cooperative Bank (28.66%), Women Cooperative Bank (22.99%), Mapusa Urban Bank (22.75%), Madgaum Urban Bank (17.59%) and Goa Urban Bank (15.72%) were noticed to have registered a good growth over the years. One of the major reasons for this impressive growth in the working capital could be ascribed to a considerable hike in the elements of working capital like share capital, reserves and surplus and deposits. However, the Bicholim Urban Bank and the Goa Urban Bank posted the highest and the lowest growth rate respectively. The working

capital composition analysis of all the banks is shown in Figure 7.3. In case of lending activity, all the banks viz., Bicholim Urban Bank (44.92%), Women Cooperative Bank (31.26%), Citizen Cooperative Bank (25.99%), Mapusa Urban Bank (25.48%), Madgaum Urban Bank (17.49%) and Goa Urban Bank (16.53%), were observed to have recorded an excellent growth rate despite of a declining trend in the total credit growth except Goa Urban Bank and Madgaum Urban Bank where the growth in advances was observed rather slow. This higher or the lower growth over the years in advances could be mainly attributed to the size of the deposits of the respective banks. The loan deployment of all the banks could be seen from Figure 7.4.

With regard to the investments in other avenues like securities of the apex financing agencies, Government securities, trustee securities, in the form of fixed deposits and so on, the banks have recorded a sizable growth. In case of the latter three banks viz., Bicholim Urban Bank (53.57%), Citizen Cooperative Bank (34.99%) and Women Cooperative Bank (19.72%) Urban Banks, the growth in investment was observed to be increased at a faster pace as compared to the former banks viz., Goa Urban Bank (13.20%), Mapusa Urban Bank (18.77%) and Madgaum Urban Bank (17.49%) Urban Cooperative Banks. However, this increasing growth in investment could be due to a downward trend in credit demand on the one hand, and enabling the bank to earn same assured income on the other. With regard to the non-

performing assets (NPA) which ceases income generation for the banks is concerned, the Madgaum Urban Bank was observed to have registered the least growth (3.25%) as compared to the Mapusa Urban Bank (20.92%), Citizen Cooperative Bank (28.40%) and Goa Urban Bank (36.75%) respectively. The growth in non-performing assets associated with the Citizen Cooperative Bank, Mapusa Urban Bank and Goa Urban Cooperative Banks was noticed to have moved very unfavourably. While in case of Women Cooperative Bank and Bicholim Urban Bank, the non-performing assets figures were not made available. The efforts of Madgaum Urban Bank towards having registered the lowest growth in non-performing assets was to be noted.

As far as the total income is concerned, the Bicholim Urban Bank was noticed to have registered the highest growth rate (112.97%) amongst the banks followed by Citizen Cooperative Bank (30.34%), Mapusa Urban Bank (24.98%), Women Cooperative Bank (20.68%), Madgaum Urban Bank (17.70%) and Goa Urban Bank (13.09%) respectively. Despite of a slight fluctuation in the growth rates, all the banks except Madgaum Urban Bank and Goa Urban Bank have registered a satisfactory growth in their respective income generation, while in case of Goa Urban Bank and Madgaum Urban Bank, the income growth over the years was observed to be rather slow which could be due to an insignificant yearly addition to the total income. On the

other hand, the Goa Urban Bank was found to have recorded the lowest growth in its total expenses (13.09%) among all the banks followed by Madgaum Urban Bank (17.23%), Women Cooperative Bank (21.05%), Mapusa Urban Bank (25.23%), Citizen Cooperative Bank (31.65%) and the Bicholim Urban Bank (109.59%) respectively. In case of Bicholim Urban Bank, Citizen Cooperative Bank and Mapusa Urban Bank, the growth in the total expenses was observed to have moved up at a faster rate as compared to the expenses growth rates registered in the remaining three banks where in the growth of expenses was considered to be reasonable. It was further observed that the expenses variables of the respective banks registered almost a similar growth rate as the income variables of the respective banks registered during the study period. One of the reasons for this sharp hike in the total expenses could be attributed to the uneconomic spending towards the operating expenses of the respective banks. Lastly, as far as the profits is concerned, the Bicholim Urban Bank was found to have posted the highest growth rate (43.62%) among all the banks followed by Citizen Cooperative Bank (27.51%), Mapusa Urban Bank (18.65%), Madgaum Urban Bank (16.42%), Goa Urban Bank (13.31%) and Women Cooperative Bank (12.75%) respectively. The growth in profits in case of Bicholim Urban Bank, Citizen Cooperative Bank, Mapusa Urban Bank and Madgaum Urban Bank was considered to be satisfactory while in case of Goa Urban Bank and Women Cooperative Bank, the growth in profits was not so encouraging. Net profit

analysis of all the banks is presented in Figure 7.5. One of the reasons among others for this uncomfortable growth in profits could be due to an increasing amount of provisions from the yearly profits for overdue interest as well as for bad and doubtful debts especially in the latter years which led to downturn the size of yearly net profits. The banks shall have to make these provisions compulsorily in order to satisfy the prudential norms prescribed by the Reserve Bank of India (RBI).

7.2 LIQUIDITY, PRODUCTIVITY AND PROFITABILITY **COMPARATIVE PERFORMANCE EVALUATION:**

The worked out liquidity and productivity ratios of six banks averaged over a period of 12 years were depicted in the Table 7.2 (Appended at the end of this Chapter). It can be viewed from the table that the Madgaum Urban Bank's liquidity position in relation to the total assets was observed to have stood first (23.82%) among the banks followed by Goa Urban Bank (18.17%), Women Cooperative Bank (15.26%), Citizen Cooperative Bank (9.85%), Mapusa Urban Bank (6.20%) and Bicholim Urban Bank (5.20%) Urban Cooperative Bank respectively. The liquid asset position of Goa Urban Bank,

Madgaum Urban Bank, Women Cooperative Bank and Citizen Cooperative Bank was intoto considered to be reasonably satisfactory while the Bicholim Urban Bank and the Mapusa Urban Bank's liquidity position was found to be very weak which shows that these two banks concentrated more on advances and long term investments than retaining more funds in the form of liquid assets intending to earn more income for the banks. However, these two banks need to enhance the size of liquid assets so as to enable themselves to meet a short term and immediate liabilities without any hurdles. The liquid assets to total deposits ratio revealed that the Goa Urban Bank was found to have maintained its funds in the form of liquid assets as exactly as required under Sec 18 of the Banking Regulation Act (24.32%) followed by Women Cooperative Bank managed to have the Statutory Liquidity Ratio closer to the required ratio under the act (21.67%), while the Madgaum Urban Bank was noticed to have maintained an excess funds than the required in the form of liquid assets (31.23%) indicating an inefficient fund management and secondly, it weakens the size of its total income. The remaining banks' ratios viz. Citizen Cooperative Bank (11.70%), Bicholim Urban Bank (7.09%) and Mapusa Urban Bank (6%), were observed to be far below than the required. In fact, this minimum statutory requirement is made under the Act is to safeguard the interest of the deposit holders. Towards this end, these banks shall have to raise their portion of liquid assets to satisfy the minimum requirement in relation to their deposits. One of the main reasons for this low

percentage could be attributed to the expansion of their lending activity so as to generate more income for the banks.

With regard to the cash assets to total deposit ratio, the Goa Urban Bank (4.13%), Mapusa Urban Bank (4.32%) and Madgaum Urban Bank (5.14%) banks were found to have fulfilled the minimum cash reserve requirements under the Banking Regulation Act as these three banks maintained around 4 to 5 percent of their respective total deposits in the form of cash assets denoting a judicious fund management over the years. On the other hand, the Women Cooperative Bank (12.45%), Citizen Cooperative Bank (7.25%) and Bicholim Urban Bank (7.09%) were observed to have kept excess funds in the form of cash assets. The key reasons interalia for retention of excess funds than the required in the form of cash assets could be due to an enjoyment of a liberal liquidity status so as to meet an unforeseen obligations without any jam on the one hand, and a declining trend in the credit growth on the other. As far as the proportion of owned funds to borrowed funds is concerned, the Women Cooperative Bank was observed to have topped among the banks (30%) followed by Madgaum Urban Bank (18.28%), Goa Urban Bank (15.71%), Citizen Cooperative Bank (13.88%), Mapusa Urban Bank (12.14%) and Bicholim Urban Cooperative Bank (6.93%) respectively. The equity base of Women Cooperative Bank, Madgaum Urban Bank and Goa Urban Bank was considered to be satisfactory emphasizing on the

respective management's sincere efforts towards broadening the equity base, while Mapusa Urban Bank, Citizen Cooperative Bank and Bicholim Cooperative Banks' equity base was found to be very lean. Equity fund mobilization analysis of all the banks is shown in Figure 7.6. The possible reasons for this meager equity funds could be: no encouraging efforts towards broadening the membership strength, no endeavour to persuade the existing members to contribute an additional share to the equity funds; a rigid additions to the reserves and surplus and so on.

With regard to the total credit disbursement in relation to the total deposits mobilization (credit to deposit ratio), the Bicholim Urban Cooperative Bank was observed to be stood first by registering 89.25 percent among the banks followed by Mapusa Urban Bank (76.43%), Citizen Cooperative Bank (75.80%), Madgaum Urban Bank (71.75%), Goa Urban Bank (67.70%) and Women Cooperative Bank (66.96%) respectively. The Bicholim Urban Bank, Mapusa Urban Bank and Citizen Cooperative Bank noticed to have done an excellent performance in the credit deployment as compared to the rest of the banks. One of the most obvious and the transparent reasons for this good expansion in credit lending activity could be ascribed to the huge funds made available at the disposal of the respective banks as these banks had kept a very meager portion of their funds in the form of liquid as well as cash assets which was even far below than the required

standards. On the contrary, the Goa Urban Bank, Madgaum Urban Bank and Women Cooperative Bank could not achieve the credit-deposit ratio as achieved by the remaining banks. One of the pivotal reasons for the poor accomplishments in the credit disbursement could be due to the more funds blocked in the form of liquid and cash assets, which in turn restricted the lending activity of the banks.

The Citizen Cooperative Bank was observed to have registered the lowest percentage of non-performing assets (NPA) (i.e. 5.08%) among the urban cooperative banks followed by Goa Urban Bank (14.41%), Mapusa Urban Bank (17.12%) and Madgaum Urban Bank (22.52%) respectively. In contrast, the Madgaum Urban Bank was found to have recorded the highest percentage of non-performing assets (NPA). It is important to note that the Citizen Cooperative Bank has successfully achieved the standard non-performing assets norm suggested in line with the internationally accepted norms by the Reserve Bank of India (RBI). The committed endeavour of the bank towards achieving the lowest percentage of NPA should be really appreciated. On the other hand, the Goa Urban Bank and Mapusa Urban Bank tried to bring down their percentage of NPA as compared to the NPA percentage of Madgaum Cooperative Bank. The percentage of NPA to Total Advances analysis of all the banks is presented in Figure 7.7. One of the closely associated reasons among others with this mounting non-performing

assets could be due to a poor monitoring mechanism after the loans were sanctioned and no constant touch with the borrowers so as to establish a moral obligation on the borrowers towards the payment of their dues. With regard to the percentage of other income in relation to the total income, the Citizen Cooperative Bank was observed to have stood first among the banks as it has registered the highest other income ratio (i.e. 4.64%) followed by Women Cooperative Bank (2.80%), Bicholim Urban Bank (1.91%), Goa Urban Bank (1.60%), Mapusa Urban Bank (1.52%) and Madgaum Urban Bank (1.46%) respectively. The ratio was observed rather low in respect of Goa Urban Bank, Mapusa Urban Bank and Madgaum Urban bank showing a poor attention of the banks towards improving the size of other income in the total income composition.

The portion of the total expenses excluding the interest paid expenses in relation to the total income is concerned, the Citizen Cooperative Bank was noticed to have ranked first among the banks as it has achieved the lowest percentage of other expenses (i.e. 30%) as compared to the expenses of rest of the banks followed by Goa Urban Bank (30.80%), Madgaum Urban Bank (35.45%), Mapusa Urban Bank (37.30%), Women Cooperative Bank (41.07%) and Bicholim Urban Bank (41.62%) respectively. The concerted efforts of the Citizen Cooperative Bank and Goa Urban Bank in accomplishing economy in their respective operations indeed to be notable

and they could manage to achieve due to their effective planning as well as an efficient use of their resources. On the other side, the Madgaum Urban Bank and Mapusa Urban Bank were observed to have monitored their expenses scrupulously as the ratios showed a downward trend over the years. However, the ratios of Women Cooperative Bank and Bicholim Urban Bank were observed to have gone up speaking about a munificent approach of the banks towards spending on personnel as well as on operating expenses which in turn brings down the profitability of the banks.

The Citizen Cooperative Bank was found to have recorded the lowest cost of deposits and borrowings (i.e. 7.78%) and stood first among other banks. And the Mapusa Urban Bank and Women Cooperative Bank together shared the second rank (registered each 8.31% and 8.31%) followed by Madgaum Urban Bank (9.21%), Bicholim Urban Bank (9.96%) and Goa Urban Bank (11.94%) respectively. Importantly, almost all the banks were observed to have achieved the economy in raising the deposits and borrowings as the cost in case of all the banks ranged between 7 to 12 percent of the total deposits and borrowings. One of the significant reasons for this low cost of deposits and borrowings could be attributed to the well planned deposit mix extending almost equitable weightage to all types of deposits bearing the different interest rates so as to attain a thriftiness in the cost of generating the deposits and borrowings. In respect of yield on advances, the Goa Urban

Bank was noticed to have topped first among the banks as it has posted the highest yield on its advances (i.e. 21.60%) followed by Women Cooperative Bank (20.44%), Mapusa Urban Bank (15.80%), Madgaum Urban Bank (15.63%), Citizen Cooperative Bank (14.57%) and Bicholim Urban Bank (14.24%) respectively. Both the Goa Urban Bank and Women Cooperative bank have made an impressive performance in the earnings on their advances and it could be possible only due to their prudent supervision of their deployed funds on the one hand, and a careful watch over the recovery of outstanding dues on the other. However, the yield on advances of the remaining banks was observed to be not so stimulating ranged between 14 to 15 percent over the years but considered to be satisfactory. One of the major reasons for this variation in the yield on advances could be attributed to a frequent fluctuations in the prime lending interest rate structure in the wake of ongoing reforms in the banking sector.

As far as the average business per employee is concerned, the Madgaum Urban Bank was observed to have stood first among the banks (35.30 lakhs) followed by Mapusa Urban Bank (33.08 lakhs), Goa Urban Bank (30.96 lakhs), Bicholim Urban Bank (25.80 lakhs), Citizen Cooperative Bank (22.58 lakhs) and Women Cooperative Bank (18.00 lakhs) respectively. The performance of the Madgaum Urban Bank, Mapusa Urban Bank and Goa urban Bank in terms of total business was observed to be impressive and

satisfactory in comparison with the other three banks. This considerable achievement in the arena of total business could be due to a broad based branch network extended to various parts of the state on the one hand, and an efficient manpower planning on the other. While the performance of the remaining three banks in the average business per employee was not so encouraging and it could be due to no branch expansion network adhered to a limited area of operation. On the other hand, the return made on the total assets is concerned, the Women Cooperative Bank was found to be stood first in comparison with other banks as it has made the highest return on its total assets (i.e. 2.08%), followed by Citizen Cooperative Bank (1.77%), Madgaum Urban Bank (1.09%), Bicholim Urban Bank (0.72%), Mapusa Urban Bank (0.61%) and Goa Urban Bank (0.60%) respectively. The return on the total assets ratios of the Women Cooperative Bank, Citizen Cooperative Bank and Madgaum Urban Bank were noticed to be satisfactory as the ratios ranged between 1 to 2 percent over the years stressing on the efficient utilization of the generated funds. In contrast, the percentage of return on the total assets of the remaining three banks was observed to be very poor which is even less than a rupee per hundred rupee asset speaking about an inefficient asset management as the funds of the respective banks blocked in the assets generating a very meager or not even any income for the banks.

On the other hand, the worked our profitability ratios of six urban cooperative banks averaged over a period of 12 years were demonstrated in the Table 7.3 (Appended at the end of this Chapter). The table revealed that the Women Cooperative Bank was observed to have stood first in the profitability performance among all the banks as it has recorded the highest profits (2.05%) as compared to other banks followed by Citizen Cooperative Bank (1.90%), Madgaum Urban Bank (1.17%), Bicholim Urban Bank (0.72%), Goa Urban Bank (0.62%) and Mapusa Urban Cooperative Bank (0.47%) respectively. The Women Cooperative Bank could manage to have the highest profits only because of its excellent spread ratio as well as manpower expenses ratio over a period which were also found to be the highest (7.20%) and the lowest (1.37%) respectively among all other banks. Similarly, the other two banks viz., the Citizen Cooperative Bank and Madgaum Urban Bank also have made a better achievement in their respective profits (i.e. 1.90% and 1.17%), and it could be possible only due to their low burden ratios (3.02% and 4.16%) respectively and the high spread ratio (4.93% and 5.33%) respectively. In case of Citizen Cooperative Bank, the burden ratio was observed to be the lowest among all other banks while in case of Madgaum Urban Bank, the spread ratio was observed to be the third highest among other banks. Whereas in case of the remaining three banks viz., Bicholim Urban Bank, Goa Urban Bank and Mapusa Urban Cooperative Bank, the profitability ratio was observed to be almost less than one percent

which was ranged between 47 paise to 72 paise over the years. The low profit percentage could be attributed to the low spread ratio corresponding with high burden ratio in case of both Goa Urban Bank and Mapusa Urban Bank whereas in case of Bicholim Urban Bank, it could be due to the high burden ratio.

7.3 CAPITAL ADEQUACY COMPARATIVE PERFORMANCE EVALUATION:

It can be viewed from Table 5.13 (Appended at the end of Chapter-V), the worked out Capital Adequacy Ratios (Capital to Risk Assets Ratio) for the period from 31-3-1994 to 31-3-1997, as per the capital adequacy norm as a part of the prudential norms introduced by the RBI, the banks operating in India were required to have achieved a capital adequacy ratio of 8 percent by 31-3-1996. Towards this end, all the urban cooperative banks except Mapusa Urban Bank and Bicholim Urban Bank were found to have achieved exceptionally a higher capital adequacy ratio than the required. It is further important to note that these banks were observed to have achieved well in advance the contemplated hike in capital adequacy ratio in a phased manner from the present 8 percent to 10 percent and from 10 percent to 12 percent.

This clearly speaks about the broad based inner equity base as well as the strong in built loss absorbing ability of the banks. The obvious reasons for this excellent capital adequacy ratios could be ascribed to the enlarged size of capital funds generated by the banks over the years on the one hand, and a planned credit portfolio resulted in a lesser amount of risk assets on the other. In contrast, in case of Mapusa Urban Bank and Bicholim Urban bank, the ratio was observed to be lower than the required percentage. The possible reasons for this low capital adequacy ratio could be due to a weak equity funds of the banks, imbalanced credit portfolio resulted in an accelerated amount of risk assets, poor supervision and so on. It was worth mentioning that in the areas of capital adequacy achievement, the Women Cooperative Bank was observed to have registered the highest yearly average capital adequacy ratio (18.67%), among all the banks followed by Goa Urban Bank (15.07%), Citizen Cooperative Bank (13.34%), Madgaum Urban Bank (11.08%), Mapusa Urban Bank (6.89%) and Bicholim Urban Bank (5.19%) respectively. The capital adequacy analysis of all the banks is presented in Figure 7.8.

7.4 COMPARATIVE REGRESSION ANALYSIS OF THE FACTORS INFLUENCING PROFITABILITY:

The computed regression coefficients of the selected profitability variables viz., interest rate spread, manpower expenses, other expenses, non-interest income and the overdue interest and doubtful debt provisions of five urban cooperative banks were displayed in Table 6.1 (Appended at the end of Chapter-VI). It can be observed from the table that the Madgaum Urban Bank was found to have registered the highest hike in its net profits (Rs. 1.07) as a result of a rupee increase in the interest rate spread variable among all the banks followed by Citizen Cooperative Bank (Rs. 1.03), Women Cooperative Bank (Rs. 0.87), Mapusa Urban Bank (Rs. 0.71) and Goa Urban Bank (Rs. 0.33) respectively. On the other hand, the Mapusa Urban Bank was found to have posted the highest amount of net profits (Rs. 1.55) as a result of a rupee addition to the non-interest income variables among all the banks followed by Citizen Cooperative Bank (Rs. 1.00), Women Cooperative Bank (Rs. 0.99), Madgaum Urban Bank (0.85) and Goa Urban Bank (Rs. 0.40) respectively.

On the other side, as a consequence of a rupee increase in the manpower expenses variable, the Goa Urban Bank was observed to have recorded the lowest reduction in the net profits (Rs. 0.19) among all the banks followed by Women Cooperative Bank (Rs. 0.49), Madgaum Urban Bank

(Rs. 0.63), Mapusa Urban Bank (Rs. 0.70) and Citizen Cooperative Bank (Rs. 1.04) respectively. Similarly, in case of other expenses variable, again the Goa Urban Bank was found to have registered the least downturn in the net profits (Rs. 0.58) as a result of a rupee expansion in the other expenses variable among all the banks followed by Women Cooperative Bank (Rs. 0.98), Mapusa Urban Bank (Rs. 1.02), Citizen Cooperative Bank (Rs. 1.06) and Madgaum Urban Bank (Rs. 2.14) respectively. Lastly, in case of the overdue interest and doubtful debt provision variable, the Goa Urban Bank again topped first by registering the lowest decline in the net profits (Rs. 0.46) as a result of a rupee rise in the said variable among all the banks followed by Mapusa Urban Bank (Rs. 0.69), Madgaum Urban Bank (Rs. 0.88), Women Cooperative Bank (Rs. 1.00) and Citizen Cooperative Bank Urban Bank (1.07) respectively. It was further observed that the interest rate spread and non-interest income variables were associated positively with the profitability of the banks. On the contrary, the manpower expenses, other expenses and the overdue interest and doubtful debt provision variables were associated negatively with the profitability of the banks.

The overall average influence of a rupee increase in both the interest rate spread and the non-interest income variables on the profitability, the Mapusa Urban Bank stood first by registering the average highest hike in its net profits (Rs. 1.13) among all the banks followed by Citizen Cooperative

- Bank (Rs. 1.01), Madgaum Urban Bank (Rs. 0.96), Women Cooperative Bank (Rs. 0.93) and Goa Urban Bank (Rs. 0.36) respectively. On the other hand, the overall average influence of a rupee hike in all the three expenses variables viz., manpower expenses, other expenses and the overdue interest and doubtful debt provisions together, on the profitability, the Goa Urban Bank was found to have topped first by recording the average lowest reduction in its net profits (i.e. Rs. 0.41) among all the banks followed by Mapusa Urban Bank (Rs. 0.80), Women Cooperative Bank (Rs. 1.05) and Madgaum Urban Bank (Rs. 1.21) respectively.

7.5 RANKING OF URBAN COOPERATIVE BANKS:

The performance of the urban cooperative banks is introspected individually at the first stage with the help of the physical and financial indicators, liquidity ratios, productivity ratios, profitability ratios, capital adequacy ratios and the variables influencing profitability. At the second stage, an inter-bank comparative performance evaluation is carried on, and at the third stage, based on the overall performance of each bank in comparison with the other banks, the ranking is assigned to each bank (For details about the procedure adopted for the ranking, refer Chapter 3.6). The various

parameters used for the purpose of ranking, the rank and the score assigned to each parameter and the total score of each bank arrived on which a final ranking made is exhibited in the Table 7.4 (Appended at the end of this Chapter). The parameters used for the ranking are grouped into five segments.

It can be viewed from the table that the Goa Urban Bank has made really a notable achievement in its financial parameters viz., the total deposits, advances, net profits and the operating profits and secured the highest score in this segment followed by the Mapusa Urban Bank, Madgaum Urban Bank, Bicholim Urban Bank, Citizen Cooperative Bank and the Women Cooperative Bank respectively. The performance in the liquidity ratios is concerned, again the Goa Urban Bank is observed to have maintained the required amount of liquidity status as compared to the remaining banks and secured the highest score in this segments followed by the Madgaum Urban Bank, Women cooperative Bank, Citizen Cooperative Bank, Mapusa Urban Bank and the Bicholim Urban Bank respectively. The performance in the productivity parameters is concerned, the Citizen Cooperative Bank has made a good achievement in comparison with the other banks and secured the highest score in this segment followed by the Mapusa Urban Bank, Women Cooperative Bank, Goa Urban Bank, Madgaum Urban Bank and the Bicholim Urban Bank respectively. Similarly, in the capital adequacy ratio, the Women Cooperative

Bank has made a significant performance as compared to rest of the urban cooperative banks and secured the highest score in this segment followed by the Goa Urban Bank, Citizen Cooperative Bank, Madgaum Urban Bank, Mapusa Urban Bank and the Bicholim Urban Bank respectively. And, the performance in the profitability ratio is concerned, the Women Cooperative Bank is found to have made a better progress as compared to the remaining banks and secured the highest score in this segment followed by the Citizen Cooperative Bank, the Madgaum Urban Bank, the Goa Urban Bank, the Bicholim Urban Bank and the Mapusa Urban Bank respectively.

Finally, based on the total score of all the five segments of each bank, the Goa Urban Cooperative bank is assigned **first rank** as it has secured the highest total score (828) as compared to rest of the urban cooperative banks. The Madgaum Urban Cooperative Bank is assigned the **second rank** as it has secured the second highest total score (730). The Citizen Cooperative Bank is assigned the **third rank** as it has secured the third highest total score (706). The Women Cooperative Bank is assigned the **fourth rank** as it has secured the fourth highest total score (675). The Mapusa Urban Cooperative Bank is assigned the **fifth rank** as it has secured the fifth highest total score (659) and the Bicholim Urban Cooperative Bank is assigned the **sixth rank** as it has secured 501 total score.

Table 7.1

Computed Compound Growth Rates of Important Indicators of
the Urban Cooperative Banks (1985-86 to 1996-97)

Sr No	Variable (y)	Goa Urban Bank	Mapusa Urban Bank	Madgaum Urban Bank	Women Coop. Bank	Citizen Coop. Bank	Bicholim Urban Bank
1	Membership	3.77	8.98	8.22	18.18	8.55	23.61
2	No. of Branches	1.11	8.44	N.A.	N.A.	N.A.	26.49
3	No. of Employees	2.02	5.97	2.84	8.44	12.30	35.26
4	Share Capital	10.19	16.30	14.45	17.00	18.06	32.98
5	Reserves and Surplus	16.18	25.23	18.29	20.68	59.84	183.20
6	Total Deposits	17.12	22.14	18.77	24.11	28.27	49.03
7	Working Capital	15.72	22.75	17.59	22.99	28.66	44.77
8	Total Advances	16.53	25.48	17.47	31.26	25.99	44.92
9	Investments	13.20	18.77	17.94	19.72	34.99	53.57
10	Non-Performing Assets (NPA)	36.75	20.92	3.25	N.A.	28.40	N.A.
11	Income	13.09	24.98	17.70	20.68	30.34	112.97
12	Expenses	13.09	25.23	17.23	21.05	31.65	109.59
13	Profits	13.31	18.65	16.42	12.75	27.51	43.62

Source: Compiled from the Tables of Growth Rates of the respective banks. (From Tables 4.1 to 4.6)

Table 7.2

**Liquidity and Productivity Ratios of Urban Cooperative Banks
for the period from 1985-86 to 1996-97**

Ratios %	Goa Urban Bank	Mapusa Urban Bank	Madgaum Urban Bank	Women Coop. Bank	Citizen Coop. Bank	Bicholim Urban Bank
A) <u>Liquidity Ratios:</u>						
i) Liquid Assets to Total Assets	18.17	6.20	23.82	15.26	9.85	5.20
ii) Liquid Assets to Total Deposits	24.32	6.00	31.23	21.67	11.70	7.09
iii) Cash Assets to Total Deposits	4.13	4.32	5.14	12.45	7.25	7.09
iv) Owned Funds to Borrowed Funds	15.71	12.14	18.28	30.00	13.88	6.93
B) <u>Productivity Ratios</u>						
v) Credit to Deposit	67.70	76.43	71.75	66.96	75.80	89.25
vi) NPA to Total Advances	14.41	17.12	22.52	N.A.	5.08	N.A.
vii) Other Income to Total Income	1.60	1.52	1.46	2.80	4.64	1.91
viii) Expenses to Total Income	30.80	37.30	35.45	41.07	30.00	41.62
ix) Cost of Deposits & Borrowings	11.94	8.31	9.21	8.31	7.76	9.96
x) Yield on Advances	21.60	15.80	15.63	20.44	14.57	14.24
xi) Average Business Per Employee	30.96	33.08	35.30	18.00	22.58	25.80
xii) Return on Total Assets	0.60	0.61	1.09	2.08	1.77	0.72

Note: (1) The ratios represent the ratios averaged over a period of 12 years and 10 years in case of Bicholim Urban Bank..

(2) Average business per employee represent the business averaged over a period of 12 years and expressed Rs. in lakhs.

(3) All the ratios are expressed in percentages.

Source: Compiled from the Tables of Ratios of the respective banks (From Tables 5.1, 5.3, 5.5, 5.7, 5.9 and 5.11).

Table 7.3

**Profitability Ratios of the Urban Cooperative Banks
For the period from 1985-86 to 1996-97**

Sr No	Ratios %	Goa Urban Bank	Mapusa Urban Bank	Madgaum Urban Bank	Women Coop. Bank	Citizen Coop. Bank	Bicholim Urban Bank
1	Interest Earned Ratio(r)	13.38	12.04	12.02	12.92	11.65	15.66
2	Interest Expenses Ratio (k)	8.85	7.06	6.62	5.72	6.72	10.19
3	Spread Ratio (r-k)	4.52	4.97	5.33	7.20	4.93	5.47
4	Manpower Expenses Ratio (m)	2.58	2.26	2.09	1.37	2.09	1.75
5	Other Expenses Ratio (o)	1.52	2.41	2.23	4.13	1.48	3.17
6	Non-interest Income Ratio (c)	0.20	0.18	0.16	0.36	0.55	0.17
7	Burden Ratio (m+o-c)	3.90	4.50	4.16	5.14	3.02	4.75
8	Profitability Ratio (S-B)	0.62	0.47	1.17	2.05	1.90	0.72

- Note: 1. The ratios represent the ratios averaged over a period of 12 years and 6 years in case of Bicholim Urban Bank.
2. All the ratios are expressed in percentage.

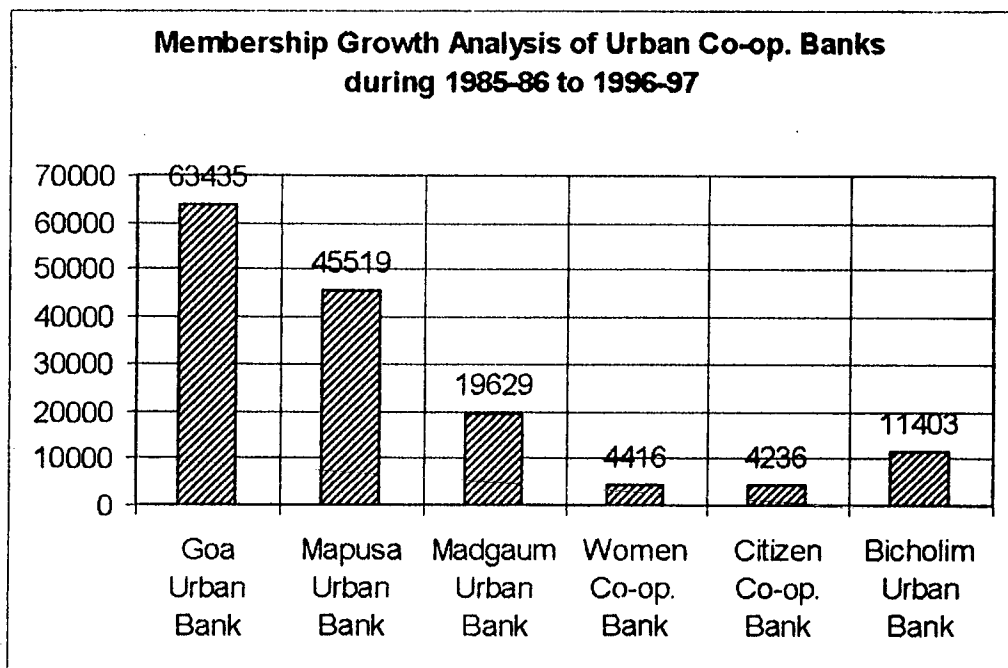
Source: Compiled from the Tables of Ratios of the respective banks (Tables 5.2, 5.4, 5.6, 5.8, 5.10 and 5.12).

Table 7.4
PERFORMANCE RANKING SCORE BOARD OF SIX URBAN CO-OPERATIVE BANKS DURING THE PERIOD 1985-86 TO 1996-97

Sr. No.	Name of the bank	Financial Parameters				Liquidity Parameters (Ratios)					Productivity Parameters (Ratios)								*Capital Adequacy Parameter (Ratios)					Profitability Parameters (Ratios)							Total Score	Rank	
		Averaged over a period of 12 years				Averaged over a period of 12 years					Averaged over a period of 12 years								Averaged over a period of 4 years					Averaged over a period of 12 years									
		Average Deposits	Average Advances	Average Net Profits	Average Operating Profits	Segment Score & Rank	Liquid Assets/ Total Assets	Liquid Assets/ Total Deposits	Cash Assets/ Total Deposits	Owned Funds/Borrowed Funds	Segment Score & Rank	Credit/Deposit	NPA/Total Advances	Non-Int. Income/ Total Income	Non-Int. Expenses/ Total Income	Cost of Deposits & Borrowings	Yield on Advances	Average Business per employee	Return on Total Assets	Segment Score & Rank	Capital Funds/ Risk Weighted Assets	Segment Score & Rank	Interest Earned Ratio (r)	Interest Paid Ratio (k)	Spread Ratio (r-k)	Manpower Exp. Ratio (m)	Other Operating Exp. Ratio (o)	Non-Int. Income Ratio (c)	Burden Ratio (m + o - c)	Profitability Ratio (S-B)			Segment Score & Rank
		(Rs. in Lakhs)	(Rs. in Lakhs)	(Rs. in Lakhs)	(Rs. in Lakhs)		(%)	(%)	(%)	(%)		(%)	(%)	(%)	(%)	(%)	(%)	(Rs. in Lakhs)	(%)		(%)		(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)			
1	Goa Urban Coop. Bank	8407.60	5558.40	63.70	222.99	240	18.17	24.32	4.13	15.71	166	87.70	14.41	1.60	30.80	11.94	21.60	30.86	0.60	187	15.07	50	13.38	8.85	4.52	2.58	1.52	0.20	3.90	0.62	185	828	I
		{1}	{1}	{1}	{1}	I	{2}	{1}	{1}	{3}	I	{5}	{2}	{4}	{2}	{6}	{1}	{3}	{6}	IV	{2}	II	{2}	{5}	{6}	{8}	{2}	{3}	{2}	{5}	IV		
		{8}	{6}	{8}	{6}		{5}	{8}	{6}	{4}		{2}	{5}	{3}	{5}	{1}	{6}	{4}	{1}		{5}		{5}	{2}	{1}	{1}	{5}	{4}	{5}	{2}			
2	Madgaum Urban Coop. Bank	2586.90	1823.32	39.42	107.25	160	23.82	31.23	5.14	18.28	150	71.75	22.52	1.48	35.45	9.21	15.63	35.30	1.09	185	11.08	30	12.02	6.68	5.33	2.09	2.23	0.16	4.16	1.17	205	730	II
		{3}	{3}	{3}	{3}	III	{1}	{3}	{3}	{2}	II	{4}	{4}	{6}	{3}	{4}	{3}	{1}	{3}	V	{4}	IV	{5}	{2}	{3}	{3}	{3}	{6}	{3}	{3}	III		
		{4}	{4}	{4}	{4}		{6}	{4}	{4}	{5}		{3}	{3}	{1}	{4}	{3}	{4}	{6}	{4}		{3}		{2}	{5}	{4}	{4}	{4}	{1}	{4}	{4}			
3	Citizen Coop. Bank	273.68	204.15	5.75	9.88	70	9.85	11.70	7.25	13.88	88	75.80	5.08	4.84	30.00	7.78	14.57	22.58	1.77	243	13.34	40	11.65	6.72	4.93	2.09	1.48	0.55	3.02	1.90	265	706	III
		{5}	{5}	{5}	{6}	V	{4}	{4}	{5}	{4}	IV	{3}	{1}	{1}	{1}	{1}	{6}	{5}	{2}	I	{3}	III	{6}	{3}	{5}	{3}	{1}	{1}	{1}	{2}	II		
		{2}	{2}	{2}	{1}		{3}	{3}	{2}	{3}		{4}	{6}	{6}	{6}	{6}	{1}	{2}	{5}		{4}		{1}	{4}	{2}	{4}	{6}	{6}	{6}	{5}			
4	Women Coop. Bank	189.50	138.96	5.36	11.07	50	15.26	21.67	12.45	30.00	132	66.98	N.A.	2.80	41.07	8.31	20.44	18.00	2.08	188	18.67	60	12.92	5.72	7.20	1.37	4.13	0.36	5.14	2.05	275	675	IV
		{8}	{8}	{8}	{5}	VI	{3}	{2}	{6}	{1}	III	{6}	--	{2}	{5}	{2}	{2}	{8}	{1}	III	{1}	I	{3}	{1}	{1}	{1}	{6}	{2}	{5}	{1}	I		
		{1}	{1}	{1}	{2}		{4}	{5}	{1}	{6}		{1}		{5}	{2}	{5}	{5}	{1}	{6}		{8}		{4}	{6}	{6}	{6}	{1}	{5}	{2}	{6}			
5	Mepusa Urban Coop. Bank	8098.65	4826.21	41.40	199.80	200	6.20	6.00	4.32	12.14	80	76.43	17.12	1.52	37.30	8.31	15.80	33.08	0.61	204	6.89	20	12.04	7.06	4.97	2.26	2.41	0.18	4.50	0.47	155	659	V
		{2}	{2}	{2}	{2}	II	{5}	{8}	{2}	{5}	V	{2}	{3}	{5}	{4}	{2}	{4}	{2}	{5}	II	{5}	V	{4}	{4}	{4}	{5}	{4}	{4}	{4}	{6}	VI		
		{5}	{5}	{5}	{5}		{2}	{1}	{5}	{2}		{5}	{4}	{2}	{3}	{5}	{3}	{5}	{2}		{2}		{3}	{3}	{3}	{2}	{3}	{3}	{3}	{1}			
6	Bicholim Urban Coop. Bank	1748.48	1483.71	18.55	57.71	120	5.20	7.09	7.09	6.93	56	89.25	N.A.	1.91	41.62	8.98	14.24	25.80	0.72	165	5.18	10	17.08	11.00	6.08	1.86	3.65	0.17	5.33	0.75	180	501	VI
		{4}	{4}	{4}	{4}	IV	{6}	{5}	{4}	{6}	VI	{1}	--	{3}	{8}	{5}	{5}	{4}	{4}	VI	{6}	VI	{1}	{6}	{2}	{2}	{5}	{5}	{6}	{4}	V		
		{3}	{3}	{3}	{3}		{1}	{2}	{3}	{1}		{8}	--	{4}	{1}	{2}	{2}	{3}	{3}		{1}		{6}	{1}	{5}	{5}	{2}	{2}	{1}	{3}			

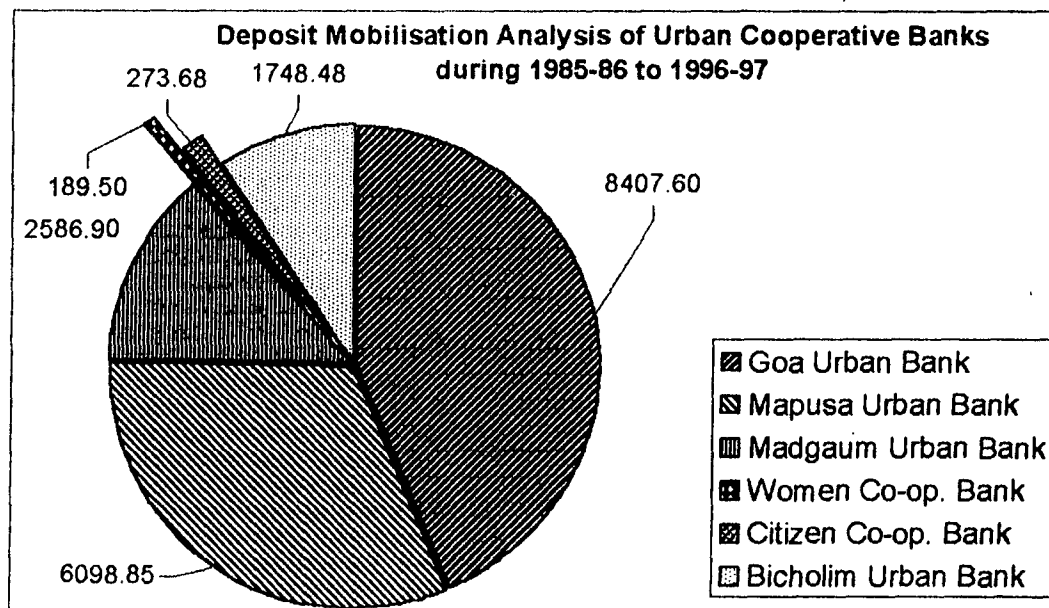
Note: 1. Figures in '{ }' against each bank represent its rank on each of the 24 parameters. 2. Figures in '{ }' against each bank represent its assigned score on each of the 24 parameters.
3. ** Capital Adequacy Prudential Norm has not yet been introduced to urban Co-operative Banks but worked out and included to know the soundness and solvency of the banks.
4. N.A. - No Score is assigned.

Source: Yearly Published Annual Reports of the Urban Cooperative Bank for the period from 1985-86 to 1996-97.



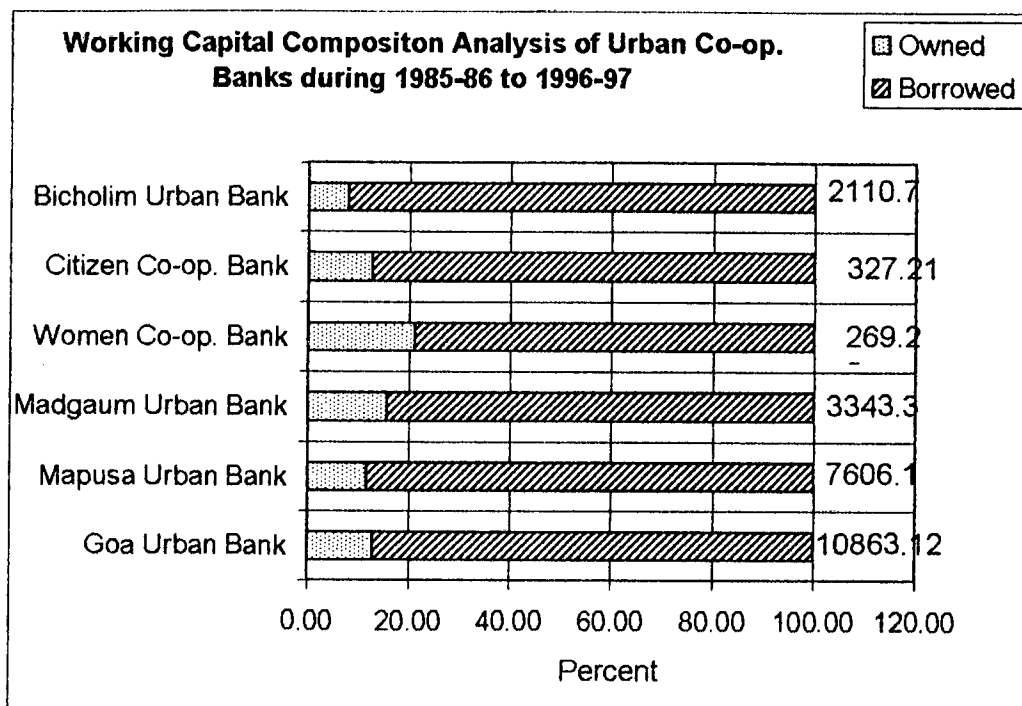
Figures are averaged over a period of 12 years.

Fig. 7.1

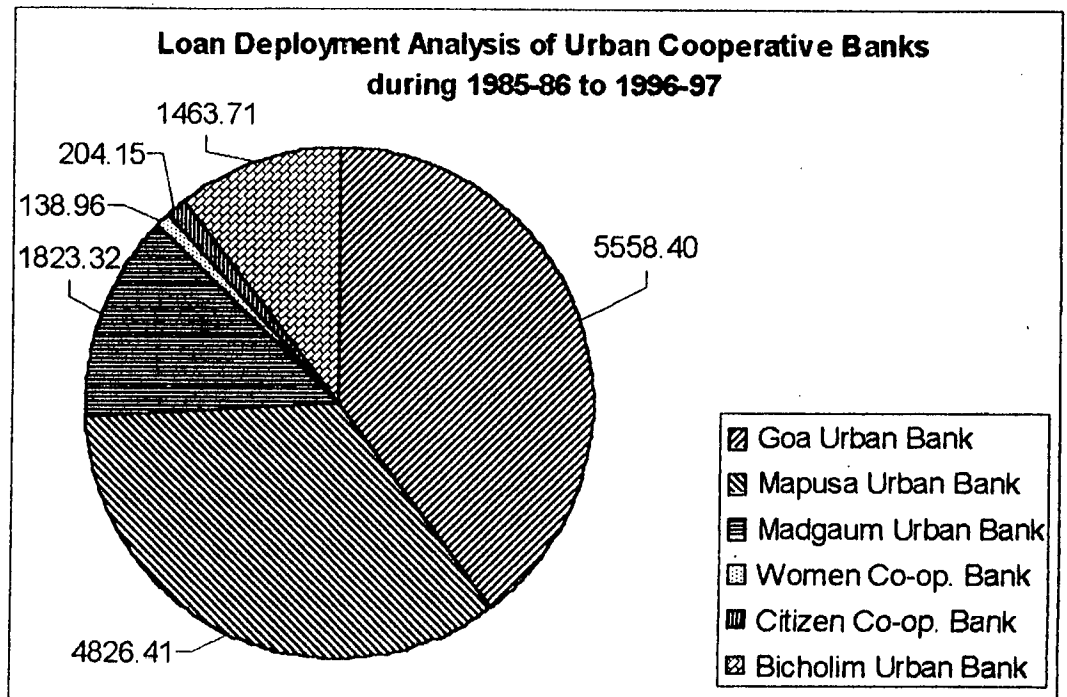


• Figures are Rs. in Lakhs and averaged over a period of 12 years.

Fig. 7.2

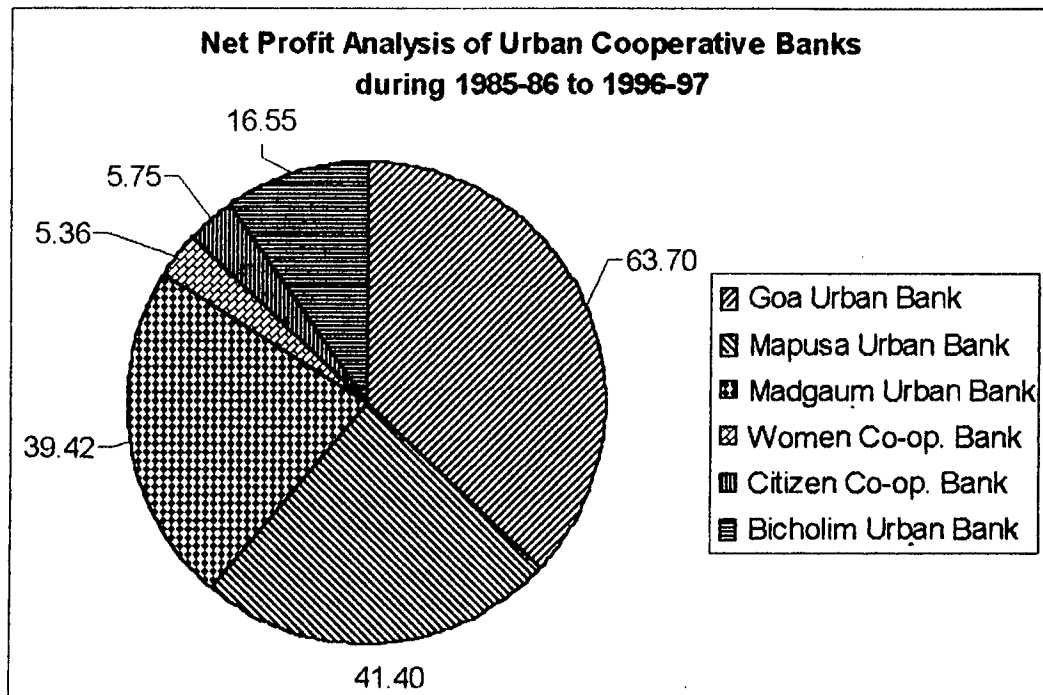


Figures are Rs. in Lakhs and averaged over a period of 12 years.
Fig. 7.3



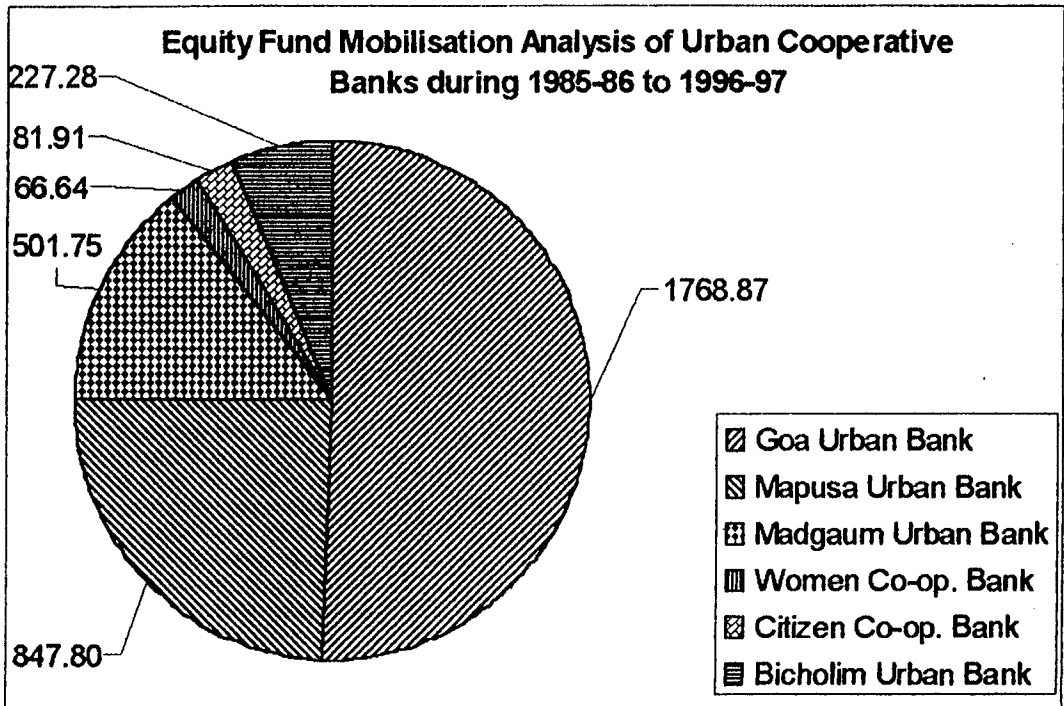
- Figures are Rs. in Lakhs and averaged over a period of 12 years.

Fig. 7.4



- Figures are Rs. in Lakhs and averaged over a period of 12 years.

Fig. 7.5



• Figures are Rs. in Lakhs and averaged over a period of 12 years.

Fig. 7.6

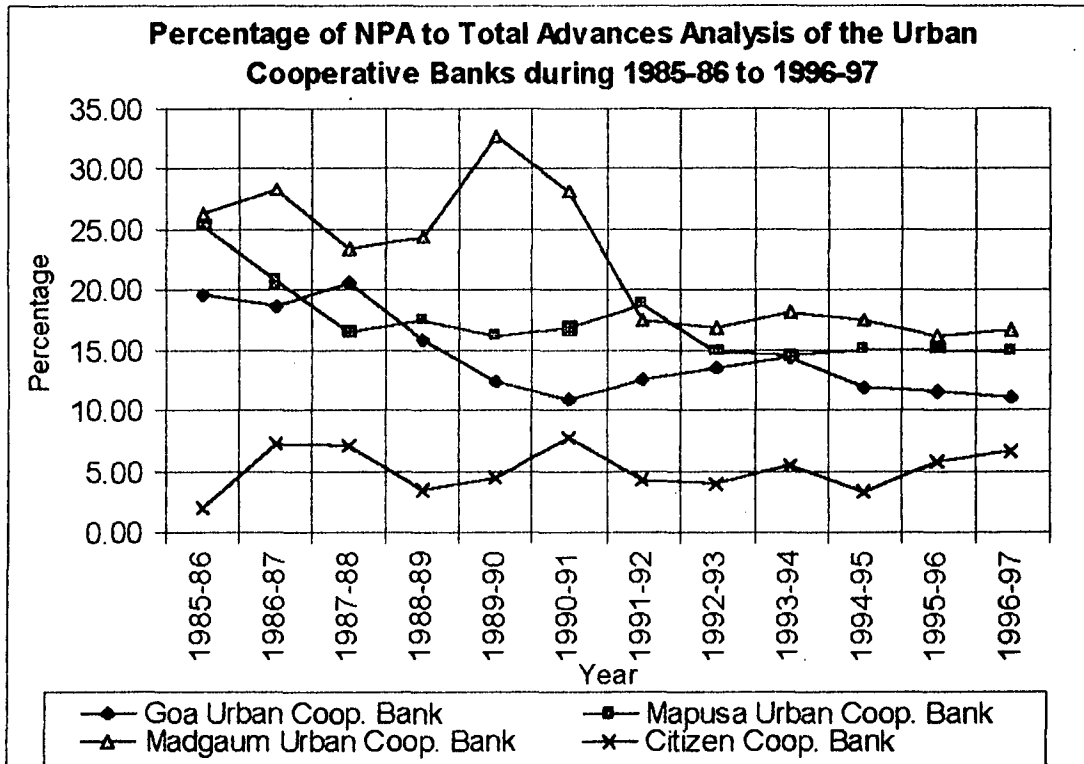


Fig. 7.7

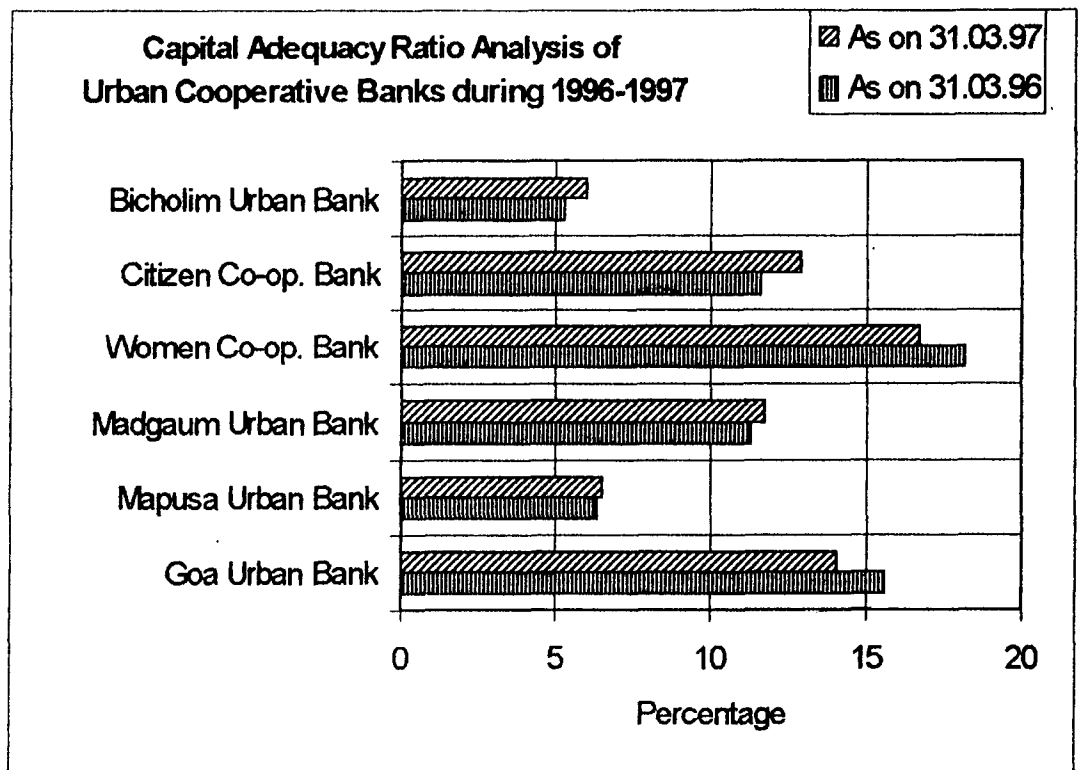


Fig. 7.8

CHAPTER VIII

SUMMARY OF FINDINGS AND POLICY SUGGESTIONS

This chapter summarises the important findings of the research work and provides a SWOT(P) chart for each bank. Finally, it makes certain policy suggestions to improve the performance of the urban cooperative banks operating in the state of Goa.

CHAPTER-VIII

SUMMARY OF FINDINGS AND POLICY SUGGESTIONS

The urban cooperative credit movement started in India with the chief objective of inculcating the habit of thrift and savings and catering to the banking and credit requirements of the middle and lower class strata in the urban and semi-urban areas. The necessity of the urban cooperative banks in meeting the credit needs of the weaker section in the urban and semi-urban areas was recognized as an ideal institution by the various committees and working groups. The economic survey for the year 1995-96 underlined the continuing crucial role of the cooperative banks in the economic development as the credit cooperatives alone accounted for 67 percent of the total short term bank disbursement followed by the commercial banks 28 percent and the Regional Rural Banks (RRB) provided the balance 5 percent during 1994-95 for productive purpose. Further, the Reserve Bank of India has recognized the importance of these banks by allowing them to extend their operation to rural areas and finance even to the agricultural activities.

The urban cooperative banking sector has got an important place in the state's financial system in terms of meeting the credit and banking requirements of men of small means in urban and semi-urban areas. However, in recent years, it has been very often heard that the performance of the cooperatives has been by and large not satisfactory and the reform measures as a part of economic reforms initiated in the Indian banking sector in general and in the cooperative banking in particular have brought forward many challenges before the urban cooperative banks' management. This changing operating environment in the banking sector necessitates to examine the working status of the urban cooperative banks operating in the state. Keeping all the above factors in view, the present study was taken up with an overall objective of evaluating the performance of the urban cooperative banks operating in the state of Goa.

Specific Objectives of the Study

- 1) To evaluate the growth and performance of the urban cooperative banks in terms of physical and financial parameters.
- 2) To analyse the capital adequacy of the urban cooperative banks.
- 3) To analyse the factors influencing profitability of the urban cooperative banks.

- 4) To make a comparative performance evaluation of the urban cooperative banks in the study area.
- 5) To suggest appropriate policy measures for better performance.

Data and Methodology

The present study is based on the secondary data for the period from 1985-86 to 1996-97. All the urban cooperative banks excluding one bank which has been in operation only for the last three years, operating in the state of Goa were purposely selected based on the criteria that the working and concentration of these banks unlike the other banking institutions operating in the state is confined to the socio-economic development of the state. The performance indicators used for the study were: membership, number of branches, number of employees, share capital, reserves and surplus, deposits and its mix, working capital and its composition, borrowings, advances and its mix, investments, non-performing assets (NPA) and its mix, income and its mix, expenses and its composition and profitability, liquid assets, total assets, total deposits, cash assets, owned funds, borrowed funds, total advances, non-performing assets, non-interest income, total income, non-interest expenses, cost of deposits, cost of borrowings, average business, number of employees,

interest earned, interest paid, manpower, expenses, other operating expenses, volume of business, capital funds and risk weighted assets.

Ratio analysis viz. Liquidity, productivity and profitability ratios, compound growth rate analysis, capital adequacy analysis, multiple regression analysis and SWOT(P) analysis analytical techniques were employed to evaluate the performance of the urban cooperative banks in terms of the selected performance indicators.

8.1 FINDINGS OF THE STUDY:

The important findings of the study are summarized as under:

1. *Liquidity Status:*

- a) The liquidity asset position of Goa Urban Bank, Madgaum Urban Bank, Women Cooperative Bank and the Citizen Cooperative Bank in relation to the total assets was intoto found to be satisfactory. It was further important to note that the liquidity position of Madgaum Urban Cooperative Bank was found to be considerably good among the banks. While the Bicholim Urban Bank and the Mapusa Urban Cooperative

Bank's liquidity position was found to be very weak which was around 5 percent of the total assets.

- b) The liquidity assets to the total deposits ratio of Goa Urban Bank was found to be as accurate as required under Sec 18 of the Banking Regulation Act, and in case of Women Cooperative Bank, it was found to be closer to the required ratio under the Act. In case of Madgaum Urban Bank, the ratio was more than the required indicating an excess funds in the form of liquid assets. On the contrary, the ratio was found to be far below than the required in case of Mapusa Urban Bank, Citizen Cooperative Bank and Bicholim Urban Cooperative Bank.
- c) The cash assets to the total deposits ratio of Goa Urban Bank, Mapusa Urban Bank and Madgaum Urban Bank was found to have quenched the minimum cash reserve requirements under the Act, as these three banks maintained around 4 to 5 percent of their respective total deposits in the form of cash assets. While in case of the Women Cooperative Bank, Citizen Cooperative Bank and Bicholim Urban Bank, the ratio was found to be more than the required denoting an excess funds in the form of cash assets.
- d) The proportion of owned funds to the borrowed funds of Women Cooperative Bank, Madgaum Urban Bank and Goa Urban Bank was observed to be satisfactory which was ranged between 15 to 30 percent of their borrowed funds emphasizing on the respective managements sincere

efforts towards broadening the equity base. Whereas in case of Mapusa Urban Bank, Citizen Cooperative Bank and the Bicholim Urban Bank, the ratio was found to be very lean which was ranged between 6 to 15 percent of the borrowed funds of the respective banks.

2. *Productivity Efficiency:*

- a) The average yearly total credit disbursement in relation to the total deposit mobilized ratio (C/D Ratio) of the Bicholim Urban Bank, Mapusa Urban Bank, Citizen Cooperative Bank and Madgaum Urban Cooperative Bank was found to be an excellent which was ranged between 71 to 89 percent of the total deposits of the respective bank. While in case of Goa Urban Bank and Women Cooperative Bank, the ratio was found to be rather poor which was ranged between 66 to 67 percent of the deposits of the respective banks. Further, the C/D ratio of Bicholim Urban Bank was observed to be the highest among the banks.
- b) The percentage of non-performing assets (NPA) of the Citizen Cooperative Bank and Goa Urban Bank in relation to their respective total advances was noticed to be satisfactory which was ranged between 5 to 14 percent. While in case of Mapusa Urban Bank, though the ratio was found to be upward trend (17 percent) yet the bank tried to turn down the ratio over the years. It was further important to note that the Citizen

Cooperative Bank successfully achieved the standard non-performing asset norm suggested by the RBI in line with the internationally accepted norm. On the contrary, the ratio was found to have gone up unfavourably in case of Madgaum Urban Bank (22 percent). However, in case of Women Cooperative Bank and Bicholim Urban Bank, the ratio could not be worked out due to inadequacy of data.

- c) The percentage of non-interest income of Citizen Cooperative Bank, Women Cooperative Bank and the Bicholim Urban Cooperative Bank in relation to the total income was observed to be reasonably good which ranged between 1.90 percent to 4.64 percent of total income. Further, the Citizen Cooperative Bank was found to have registered the highest non-interest income ratio (i.e. 4.64 percent) among all the other banks. While in case of Goa Urban Bank, Mapusa Urban Bank and Madgaum Urban Bank, the ratio was found to be poor which was ranged between 1.46 to 1.60 percent.
- d) The non-interest expenses to total income ratio of Citizen Cooperative Bank, Goa Urban Bank, Madgaum Urban Bank and Mapusa Urban Bank was observed to be economical which was ranged between 30 to 37 percent of total income. Whereas in case of Women Cooperative Bank and Bicholim Urban Bank, the ratio was observed to be upward trend (i.e. more than 41 percent of the total income) speaking about the munificent

approach of the banks towards the spending. The Citizen Cooperative Bank's ratio was observed to be the lowest among the banks.

- e) The percentage of cost of deposits and borrowings of all the banks in relation to their respective total deposits and borrowings over the years was found to be reasonably low ranged between 7 to 12 percent of the total deposits and borrowings expressing a thriftiness in the cost of generating the deposits and borrowings.
- f) The yearly average yield on the total advances ratio of Goa Urban Bank and Women Cooperative Bank was noticed to be exceptionally good ranged between 20 to 21 percent of the total advances. While in case of Bicholim Urban Bank, Citizen Cooperative Bank, Madgaum Urban Bank and Mapusa Urban Cooperative Bank, the ratio was found to be not encouraging ranged between 14 to 16 percent of the total advances.
- g) The performance of Madgaum Urban Bank, Mapusa Urban Bank, Goa Urban Bank and Bicholim Urban Cooperative Bank in the arena of yearly average business per employee was observed to be considerably good ranged between Rs. 25 to 35 lakhs. Whereas in case of Women Cooperative Bank and Citizen Cooperative Bank, the average business per employee was noticed to be rather low.
- h) The average return on the total assets ratio of Women Cooperative Bank, Citizen Cooperative Bank and Madgaum Urban Bank was found to be satisfactory ranged between 1 to 2 percent of the total assets over the

years. While in the case of Goa Urban Bank, Mapusa Urban Bank and Bicholim Urban Bank, the ratio was observed to be very poor ranged between 0.60 to 0.71 percent of the total assets.

3. Profitability Performance:

The profitability ratio of Women Cooperative Bank, Citizen Cooperative Bank and Madgaum Urban Cooperative Bank was found to be satisfactory which was ranged between 1.17 to 2.05 percent over the years. Whereas in case of Bicholim Urban Bank, Goa Urban Bank and Mapusa Urban Bank, the ratio was noticed to be very poor which was less than one percent (i.e. 0.47 to 0.75 percent). On the other hand, the Women Cooperative Bank, Madgaum Urban Bank and Bicholim Urban Bank were found to have registered a comfortable spread ratio ranged between 5 to 7 percent as compared to the remaining banks wherein the ratio was observed to be weak less than 5 percent in all the banks. And the burden ratio was observed to be reasonably low in the case of Citizen Cooperative Bank, Goa Urban Bank and Madgaum Urban Cooperative Bank as compared to other banks.

4. *Growth Performance:*

The physical performance indicators viz., membership, number of branches and number of employees of all the banks except in case of Goa Urban Bank were found to have registered a significance annual growth rate over the years. Whereas in case of Goa Urban Bank, the growth rate of those variables were observed to be satisfactory.

The financial variables viz., Share capital, reserves and surplus, total deposits and each of fixed, saving and other deposits, total working capital and each component of borrowed and owned funds, investments, the total advances and each of the short, medium and the long term advances of all the urban cooperative banks were found to have recorded an impressive annual growth rate over the years. It was further revealed that the share capital of Citizen Cooperative Bank and Bicholim Urban Bank, the reserves and surplus of Mapusa Urban Bank, Women Cooperative Bank , Citizen Cooperative Bank and Bicholim Urban Bank, the deposits of Mapusa Urban Bank (total and fixed), the total deposits of Madgaum Urban Bank, all types of deposits of Women Cooperative Bank, the total, fixed and saving deposits of Citizen Cooperative Bank, all types of deposits of Bicholim Urban Bank, working capital of Mapusa Urban Bank (Total, owned and borrowed), Women Cooperative Bank (total), Citizen Cooperative Bank (Total, owned and

borrowed), Bicholim Urban Bank (Total, owned and borrowed), advances of Mapusa Urban Bank (all types), Women Cooperative Bank (all types), Citizen Cooperative Bank (total, short and long term), Bicholim Urban Bank (all types), were observed to have registered a spectacular annual growth rate over the years.

The non performing asset variable of Goa Urban Bank (total, short, medium and the long term advances), Mapusa Urban Bank (long term advances), Citizen Cooperative Bank (total, medium term advances), were observed to have recorded an unfavourable annual growth rate over the years. While the growth rate of non- performing assets relating to the total, short and medium term advances of Mapusa Urban Bank was observed to be reasonable. On the other hand, the growth rate of non-performing assets of Madgaum Urban Bank (total, short and the medium term advances) and the Citizen Cooperative Bank (short and the long term advances) was noticed to be considerably low speaking about a strict monitoring of their respective non-performing assets.

The total income variables and each of the interest and non-interest income variables of all the urban banks were noticed to have recorded a significant annual growth rate. Further, the growth rate of non-interest income variables (in case of Goa Urban Bank), both the interest and non-interest

income variables (in case of Mapusa Urban Bank), non-interest income variable (in case of Madgaum Urban Bank and Women Cooperative Bank), all the income variables (in case of Citizen Cooperative Bank and Bicholim Urban Bank) was observed to be extraordinarily good.

The Madgaum Urban Bank and Women Cooperative Bank were observed to have registered a very economical growth rate with regard to their respective expenses variables viz., total expenses, interest paid, manpower and the operating expenses as compared to the other banks. While, the Goa Urban Bank, Mapusa Urban Bank and the Citizen Cooperative Bank were noticed to have registered a reasonably favourable growth rate. On the other hand, the Bicholim Urban Bank was noticed to have registered a very unfavourable growth rate in its expenses variables.

With regard to the profits, the Mapusa Urban Bank, Madgaum Urban Bank, Citizen Cooperative Bank and the Bicholim Urban Cooperative Bank were observed to have posted a significant growth rate. While the Goa Urban Bank and Women Cooperative Bank were found to have registered a reasonably good growth rate over the years.

5. *Capital Adequacy Performance:*

All the urban cooperative banks except the Mapusa Urban Bank and the Bicholim Urban Bank have achieved exceptionally higher capital adequacy ratio than they required to achieve i.e. 8 percent by 31st March, 1996. It is further noted that these banks were found to have achieved well in advance the contemplated hike in capital adequacy ratio in a phased manner from the present 8 percent to 10 percent and from 10 percent to 12 percent. This clearly speaks about the broad based inner equity strength as well as the strong in built loss absorbing ability of the banks. While in case of Mapusa Urban Bank and Bicholim Urban Bank, the ratio was observed to be lower than the required percentage. The Women Cooperative Bank was observed to have registered the highest yearly average capital adequacy ratio among all the banks followed by Goa Urban Bank, Citizen Cooperative Bank, Madgaum Urban Bank, Mapusa Urban Bank and Bicholim Urban Cooperative Bank respectively.

6. *Analysis of the parameters influencing profitability:*

The overall average influence of a rupee increase in both the interest rate spread and the non-interest income variables on the profitability, the

Mapusa Urban Cooperative Bank was observed to have stood first by registering the average highest hike in its net profits (Rs. 1.13) among all the banks followed by Citizen Cooperative Bank (Rs. 1.01), Madgaum Urban Bank (Rs. 0.96), Women Cooperative Bank (Rs. 0.93) and Goa Urban Bank (Rs. 0.36) respectively. On the other hand, the overall average influence of a rupee hike in all the three expenses variables viz., manpower expenses, other expenses and the overdue interest and doubtful debt provisions together on the profitability, the Goa Urban Bank was observed to have stood first by recording the average lowest reduction in its net profits (i.e. Rs. 0.41) among all the banks followed by Mapusa Urban Bank (Rs. 0.80), Women Cooperative Bank (Rs. 0.82), Citizen Cooperative Bank (Rs. 1.05) and Madgaum Urban Cooperative Bank (Rs. 1.21) respectively.

7. Ranking of Urban Cooperative Banks:

Based on the total score obtained by each bank in all the five segments viz., financial parameters, liquidity ratios, productivity ratios, capital adequacy ratios and profitability ratios, the Goa Urban Bank has secured the highest total score (828) as compared to rest of the urban cooperative banks and it is assigned the first rank. The Madgaum Urban cooperative Bank has secured the second highest total score (730) and it is assigned the second

rank. The Citizen Cooperative Bank has secured the third highest total score (706) and it is assigned the **third rank.** The Women Cooperative Bank has secured the fourth highest total score (675) and it is assigned the **fourth rank.** The Mapusa Urban Bank has secured the fifth highest total score (659) and it is assigned the **fifth rank** and the Bicholim Urban Bank has secured 501 total score and it is assigned **sixth rank.**

8.2 SWOT(P) CHART OF THE BANKS:

Finally, SWOT(P) management technique was employed to introspect the findings of the study from the four different broad angles viz, Strengths, Weaknesses, Opportunities and Threats or Problems:

SWOT(P) Analysis of Goa Urban Cooperative Bank Ltd.

<u>Strengths</u>	<u>Weaknesses</u>	<u>Opportunities</u>	<u>Threats or Problems</u>
<ul style="list-style-type: none">• Better liquidity position in relation to the total assets.• Required cash assets in relation to the deposits.• Satisfactory equity base.• Satisfactory NPAs percentage.• Economical Non-interest expenses.• Economical cost of deposits and borrowings.• Better yield on advances.• Better average business per employee.• Excellent growth in the financial indicators.• Higher capital adequacy ratio.	<ul style="list-style-type: none">• Poor credit to Deposit ratio.• Poor non-interest income ratio.• Excess funds in the liquid assets than the required in the initial years.• Slow growth in the physical indicators.	<ul style="list-style-type: none">• Broaden the scope for non-fund based services so as to improve the size of non-interest income.• Bank can extend its financing to the agricultural activities in rural areas.• Make an investment 10 percent of its deposits in Public Sector Undertakings (PSU) bonds and equity of Approved All India Financial Institutions (AAIFI).• Can undertake foreign exchange activities.• Can extend the operation, beyond the state of registration.• Can undertake leasing and hire purchase activity.	<ul style="list-style-type: none">• Poor return on assets.• Poor profitability ratio• Poor spread ratio.• Downward trend in owned funds.• Exposed to open competition.• Application of prudential norms.• Future survival depends upon its efficiency to provide better service in terms of cost, quality and variety.

SWOT(P) Analysis of Mapusa Urban Cooperative Bank Ltd.

Strengths

- Required cash assets in relation to the total deposits..
- Excellent C/D Ratio.
- Economical non-interest expenses.
- Very low cost of deposits and borrowings.
- Better yield on Advances.
- Good average business per employee.
- Significant annual growth both in the physical and the financial indicators.
- A rupee hike in each of the expenses variables resulted in a reasonable decline in the net profits.

Weaknesses

- Poor liquidity position in relation to the total assets.
- Less than the required liquid assets in relation to the total deposits.
- Poor equity base.
- Indigent non-interest income ratio.
- Poor capital adequacy ratio.

Opportunities

- Increase the membership strength or face value of the existing shares for a strong equity base.
- Broaden the scope for non-fund based services to enlarge the size of non-interest income.
- Extending financing to the agricultural activities in rural areas.
- Make an investment 10% of its deposits in (PSU) bonds and equity of AAIFIs.
- Can undertake the foreign exchange activities.
- Can extend its area of operation beyond the state of registration.
- Can undertake leasing and hire purchase activity.

Threats or Problems

- Unfavourable NPAs percentage.
- Poor return on total assets.
- Poor profitability ratio
- Poor spread ratio.
- Upward trend burden ratio.
- Exposed to open competition.
- Application of prudential norms.
- Future survival depends upon its efficiency to provide better services in terms of cost, quality and variety.

SWOT(P) Analysis of Madgaum Urban Cooperative Bank Ltd.

Strengths

- Satisfactory liquidity position.
- Required cash assets in relation to the deposits.
- Better equity base.
- Excellent C/D Ratio.
- Economical non-interest expenses.
- Economical cost of deposits and borrowings.
- Better yield on Advances.
- Very good average business per employee.
- Better average return on the assets.
- Satisfactory profitability ratio.
- Significant annual growth both in the physical and the financial indicators.
- Excellent capital adequacy ratio.

Weaknesses

- Excess funds in liquid assets than the required.
- Poor non-interest income ratio.
- Slow growth in the physical indicators.

Opportunities

- Channelise excess funds blocked in liquid assets to profitable outlets.
- NPAs can be made good by maintaining an amicable relation with the borrowers.
- Broaden the scope for non fund based services.
- Bank can extend its financing to the agricultural activities in rural areas.
- Can make an investment 10% of its total deposits in (PSU) bonds and equity of AAIFs.
- Can undertake foreign exchange activity.
- Can extend area of operation beyond the state of registration.

Threats or Problems

- Upward trend NPAs.
- A rupee hike in the expenses variables influenced a higher reduction in the profits.
- Exposed to open competition.
- Application of prudential norms.
- Future survival depends upon its efficiency to provide better services in terms of cost, quality and variety.

SWOT(P) Analysis of Women Cooperative Bank Ltd.

<u>Strengths</u>	<u>Weaknesses</u>	<u>Opportunities</u>	<u>Threats or Problems</u>
<ul style="list-style-type: none"> • Satisfactory liquidity position. • Required liquid assets in relation to the deposits. • Excellent equity base. • Satisfactory non-interest income ratio. • Very economical cost of deposits and borrowings. • Best yield on Advances. • Reasonably good average business per employee. • Best return on the assets. • Excellent profitability ratio. • Significant annual growth both in the physical and the financial indicators. • Exceptionally higher capital adequacy ratio. • A rupee hike in the expenses variables resulted in a reasonable decline in the net profits. 	<ul style="list-style-type: none"> • Excess cash assets than the required in relation to the deposits. • Poor C/D ratio. • Poor disclosure standards. 	<ul style="list-style-type: none"> • Channelise excess funds blocked in liquid and cash assets to profitable outlets. • Bank can use its excess funds for financing the agricultural activities in rural areas. • Can make an investment 10% of its total deposits in (PSU) bonds and equity of AAIFIs. 	<ul style="list-style-type: none"> • Upward trend in non-interest expenses. • Upward trend in burden ratio. • Exposed to open competition. • Application of prudential norms. • Future survival depends upon its efficiency to provide better services in terms of cost, quality and variety.

SWOT(P) Analysis of Citizen Cooperative Bank Ltd.

<u>Strengths</u>	<u>Weaknesses</u>	<u>Opportunities</u>	<u>Threats or Problems</u>
<ul style="list-style-type: none">• Satisfactory liquidity status in relation to the total assets.• Excellent C/D Ratio.• Excellent NPAs percentage.• Best non-interest income ratio• Economical non-interest expenses.• Very economical cost of deposits and borrowings.• Satisfactory yield on Advances.• Reasonably good average business per employee.• Good return on the assets.• Better profitability ratio.• Significant annual growth both in the physical and the financial indicators.• Excellent capital adequacy ratio.	<ul style="list-style-type: none">• Less than the required liquid assets in relation to the deposits.• More than the required cash assets in relation to the total deposits.• Weak equity base.• Slow growth in membership.	<ul style="list-style-type: none">• Channelise excess funds blocked in the liquid and cash assets to profitable outlets.• Increase the membership strength or face value of the existing shares so as to have a strong equity base.• Bank can extend financing to the agricultural activity in rural areas.• Can make an investment 10% of its total deposits in (PSU) bonds and equity of AAIFIs.	<ul style="list-style-type: none">• Poor spread ratio.• A rupee hike in the expenses variables influenced a higher reduction in the profits.• Exposed to open competition.• Application of prudential norms.• Future survival depends upon its efficiency to provide better services in terms of cost, quality and variety.

SWOT(P) Analysis of Bicholim Urban Cooperative Bank Ltd.

<u>Strengths</u>	<u>Weaknesses</u>	<u>Opportunities</u>	<u>Threats or Problems</u>
<ul style="list-style-type: none">• Excellent C/D Ratio.• Satisfactory non-interest income ratio.• Economical cost of deposits and borrowings.• Better yield on Advances.• Good average business per employee.• Significant annual growth in physical and financial indicators.	<ul style="list-style-type: none">• Lean liquidity status in relation to the total assets.• Less than the required liquid assets in relation to the deposits.• More than the required cash assets in relation to total the deposits.• Poor equity base.• Poor capital adequacy ratio.• Poor disclosure standards.	<ul style="list-style-type: none">• Channelise excess funds blocked in the liquid and cash assets to profitable outlets.• Augment the membership strength or face value of the existing shares to widen the equity strength.• Extend financing to the agricultural activity in rural areas.• Can make an investment 10% of its total deposits in (PSU) bonds and equity of AAIFIs.	<ul style="list-style-type: none">• Upward trend in non-interest expenses.• Poor return on the assets.• Poor profitability ratio.• Upward trend burden ratio.• Exposed to open competition.• Application of prudential norms.• Future survival depends upon its efficiency to provide better services in terms of cost, quality and variety.

8.3 POLICY SUGGESTIONS:

In view of some of the shortcomings observed in the working and performance of the banks, the following remedial policy measures including the opportunities already indicated above, are suggested for elevating their performance:

1. The liquid asset position of the Mapusa Urban Bank and Bicholim Urban bank in relation to their respective total assets needs to be improved by enhancing marginally the size of their liquid assets either in the form of cash or in the form of short term deposits so as to enable these banks to meet their immediate liabilities as and when they arise since their liquid assets were found only around 5 percent of their respective total assets.
2. The percentage of liquid assets in relation to the total deposits needs to be enlarged in case of the Mapusa Urban Bank, Citizen Cooperative Bank and Bicholim Urban Cooperative Bank in order to widen the safety base to the deposit holders on the one hand and satisfy the statutory norms prescribed by the RBI, on the other as the liquid assets to the total deposits ratio was found to be far below than the required in those banks.
3. It is necessary for the Madgaum Urban Bank, Women Cooperative Bank, Citizen Cooperative Bank and the Bicholim Urban Cooperative Bank to channelise their excess funds than the required blocked in the form of

either liquid assets or in the form of cash assets to the profitable outlets.

The investment can be made either in approved securities or by increasing their lending activity extending even to the rural area as well as to the agricultural activity so as to earn a justifiable return on the mobilized resources.

4. The proportion of owned funds in relation to the borrowed funds needs to be strengthened in case of Mapusa Urban Bank, Citizen Cooperative Bank and Bicholim Urban Cooperative Bank for a strong equity base. This can be achieved by two ways: i) by increasing the membership strength so as to raise share capital. For this, a regionwise committee comprising of local members may be constituted to persuade the people to become the members of the banks; ii) the present face value of the shares Rs. 10, and Rs. 25 are generally felt low in the context of changing economic scene. Therefore, the minimum face value of the share may be increased to Rs. 50 which would not restrict the persons of small means to become the members of the banks. Further, a suitable linkage of shareholdings to the borrowings should be encouraged.
5. The percentage of no-performing assets (NPA) in relation to the total advances in case of Mapusa Urban Bank, and Madgaum Urban Cooperative Bank needs to be brought down as the ratio was observed to be upward trend unfavourably. The increasing percentage of NPAs can be brought at a desirable condition by improving the recovery of loans and

advances. Towards this end, the banks need to maintain an amicable relation with the borrowers whereby generating moral binding or an obligation in the minds of the borrowers towards the repayment of their dues which will certainly result in a low recovery cost leading to a higher income for the banks. The moral obligation will be more powerful instrument of recovery than the legal obligation (legal proceeding). However, the effectiveness of this tool all depends upon how well the bank impresses the borrowers a sense of morality.

6. The share of non-interest income in the total income composition was observed almost negligible in case of all the urban cooperative banks. And the percentage of non-interest income was too poor in case of the Goa Urban Bank, Mapusa Urban Bank and the Madgaum urban banks. Hence, the banks need to enlarge the size of non-interest income so as to accelerate the size of their total income. Towards this end, it is too essential for the banks to revive their present non-fund based services provided to the customers and explore the new opportunities in this areas like project counseling and appraisal, advisory services to the customers, in managing their surplus funds, guiding the borrowers in utilizing the borrowed funds, in setting up of a small and medium business units. Etc. This can be made effective by creating a n awareness about the services that are provided among the customers as well as among the borrowers of the banks.

7. The components of non-interest expenses viz., manpower and other operating expenses were observed to have hiked unreasonably in case of Women Cooperative Bank and Bicholim Urban Cooperative Bank. Hence, these banks need to supervise closely and periodically the items of those expenses so as to accomplish an economy in their operation which in turn will augment, the size of the profits for the banks.
8. The average return on the total assets was observed to be too poor in case of Goa Urban Bank, Mapusa Urban Bank and the Bicholim Urban Cooperative Bank reflecting on their inefficient assets portfolio. This calls an attention of the banks to revive their assets structure and composition whereby the non-income generating assets so as to ensure a good amount of return on the assets.
9. The Bicholim Urban Bank, Goa Urban Bank and the Mapusa Urban Cooperative Bank need to improve their burden ratios by using their resources more efficiently viz., spending on the personnel as well as on the various components of operating inputs on the one hand and through raising the receipts of the non-interest income on the other so as to bring their profitability status at a desirable level.
10. The performance of Mapusa Urban Bank and the Bicholim Urban Cooperative Bank in the area of capital adequacy was observed to be very poor which was even lower than the required percentage. In this context, it is too essential for these banks to widen their equity base either

-- through encouraging the existing members with the possible incentives to contribute more funds in the form of increased equity face value toward their equity stake or by the way of offering the ownership to the non-members. On the other hand, they also need to supervise more efficiently their funded risk assets particularly the advances of all types and the non-performing assets in terms of seeking appropriate securities for the advances and the recovery of disbursed loans and advances respectively.

11. The average influence of a rupee hike in the expenses elements viz., manpower expenses, other operating expenses and the overdue interest and doubtful debt provision together on the profitability revealed a reduction in profits by almost equal to a rupee in case of Mapusa Urban Bank and Women Cooperative Bank and more than a rupee in case of the Citizen Cooperative Bank and Madgaum Urban Cooperative Bank. This sharp reduction in their profits necessitates these banks to exercise a careful and a continuous watch over the various elements of expenses so that a steep declining trend in the profits of the respective banks can be improved.
12. The banks need to put a vigorous efforts to initiate a comprehensive cooperative education programme both at the primary level (officials and employees) and at the secondary level (members and non-members) to create an awareness of real significance and purpose of the cooperative banks.

- 13. It was observed during the study certain shortcomings relating to the disclosure of information, accuracy of facts and figures displayed in the annual reports and maintenance of proper records with regard to the various components of income, expenditure, non-performing assets, number of employees, liabilities etc. which naturally causes inconvenience to the members as well as to the general public in understanding clearly the real status of the banks. Hence, it is very essential for the banks to improve their disclosure standards, accuracy of the information disclosed in their annual reports and maintaining the proper records containing detailed information about all the components of the financial statements.
14. Last but not the least, realising the significance of customers' service in the deregulated banking industry, the banks have to ensure better services in terms of cost, quality and variety to the customers, the depositors and the borrowers. In this direction, an endeavour for a customer-friendly attitude needs to be developed as suggested by RBI in April, 1996, based on the recommendations of Goiporia Committee on Customer Service in Banks (1991).

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The paper looks into the growth trends of Urban Cooperative Banks in Goa, with regard to the selected variables viz. membership, share capital, deposits, advances, working capital and profits for the period from 1964-65 to 1995-96. The growth rates of different variables such as membership, share capital, deposits, advances, working capital and profitability have been estimated by using the Log-Linear function. Further, the Log-Linear estimates are converted into compound growth rates.

Introduction

The history of cooperative movement in India is almost a century old. The first Cooperative Credit Societies Act, 1904, marked the beginning of cooperative movement in India. Initially, the primary objective of cooperation was to safeguard the interests of the poor farmers from private money lenders. Since independence, the cooperative movement has spread to the nook and corners of the country. Cooperation has now touched upon almost all segments of the Indian economy. After the second world war, the Urban Cooperative Bank is a major innovation in the cooperative sector. As on 31st March, 1996, the Urban Cooperative Bank sector comprises about 1500 banks with 4500 branches. The total deposits of these banks is of Rs.24000 crore which constitutes about 4.5% of total deposits of the entire banking system.

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Cooperative Movement in Goa

The cooperative movement in Goa is a recent story started late with the setting up of Department of Cooperation on 17th November, 1962, just after the liberation in 1961 and adopted Maharashtra State Cooperative Societies Act, 1960 with suitable modifications. Since then, a number of Urban Cooperative Banks have come into existence with the creation of the state's apex cooperative bank, "The Goa State Cooperative Bank Ltd.", in 1963.

Emergence of Urban Cooperative Banks in Goa

At the same time in 1963-64, the Goa Urban Cooperative Bank came into existence. Few more to join were the Mapusa Urban Cooperative Bank Ltd., The Madgaum Urban Cooperative Bank Ltd., Women's Cooperative Bank Ltd., Citizen Cooperative Bank Ltd., more recent are the Bicholim Urban Cooperative Bank Ltd. and the Goa People's Cooperative Bank.

The Urban Cooperative Banks in Goa have a concentration of 56 bank branches with a total membership of 201654 which constitutes around 17% of the total population of the State. The deposits of those banks amounted to Rs.36648.88 lakhs. The total advances added upto 26129.15 lakhs and the total share capital to the tune of Rs. 973.55 lakhs. The average population per bank branch office in the state is the lowest in India being less than 4000.

Objective of the Study

An attempt is made in this paper to examine the growth trends of seven Urban Cooperative Banks with regard to the selected variables (known as perform-

ance indicators) for the period from 1964-65 to 1995-96. The further objective is to study a comparative growth trends of two sub-periods i.e. from 1964-65 to 1979-80, and 1980-81 to 1995-96.

Methodology

The present study relates to 32 years period based on secondary data. The required data has been obtained from the different sources in the following manner: the data for the period from 1964-65 to 1969-70, has been collected from the annual reports of all the banks; the data from 1970-71 to 1993-94, has been gathered from the statistical pocket books (yearly publication), Directorate of Planning, Statistics and Evaluation, Panaji and the data for the remaining two years has been collected from the Department of Cooperation (see Appendix-I, for data). The variables under study are: membership, share capital, deposits, advances, working capital and profits.

In order to achieve the objective of the study, the data analysed and the growth rates of different variables have been estimated by using the following Log-Linear Function written as under :

$$\ln Y = B_0 + B_1 X_1 + U_t$$

where Y = dependent variable

B_0 = Constant (Y intercept)

B_1 = Slope Parameter (Growth Rates)

X_1 = Independent Variable (No. of years)

U_t = Error term

Further, the Log-Linear estimates are converted into compound rates of growth by using the following formula :

$$r = e^{B_1} - 1$$

where r = compound rates of growth

e = Natural log

Results & Discussions

The results of the present analysis for the whole period i.e. from 1964-65 to 1995-96 and sub-periods from 1964-65 to 1979-80 and 1980-81 to 1995-96 are presented in Table 1, 2 and Table 3.

Banking Policy Measures - May 1997.

- * In terms of the amended provisions of Section 451B, the Reserve Bank announced with immediate effect certain refinements as regards the quantum, date of reference, returns and penalty involved in the percentage of liquid assets to be maintained by NBFCs.
- * With a view to enabling the financial institutions (FIs) to have more flexibility in raising resources (i) it was decided to fix an umbrella limit (in place of instrument-wise limits fixed for each FI earlier) for mobilisation of resources by way of term money borrowings, CDs, term deposits and inter-corporate deposits for each FI; the overall ceiling for the umbrella limit would be equal to the NOF of the FI; (ii) the maturity period for term deposits of FIs was prescribed at 1 to 5 years instead of the earlier 3 years and above; and (iii) the minimum of CDs was reduced to Rs.10 lakh from Rs.25 lakh.
- * Finance extended to State Electricity Boards (SEBs) for system improvement scheme in the rural areas under Special Project Agriculture (SI-SPA) of Rural Electrification Corporation (REC) were to be classified as 'Indirect Finance to Agriculture' under priority sector.

Source: Reserve Bank of India, Annual Report 1996-97, Supplement to RBI Bulletin, September 1997

Table - 1
Growth Trends of Selected Variables
(1964-65 to 1995-96 whole period)

Equation Number	Y	B ₀	B ₁	R ₂	r	r %
1	Membership	7.66	0.1626	0.9272	0.1766	17.66
2	Share capital	5.99	0.1817	0.9827	0.1993	19.93 ✓
3	Deposits	7.75	0.2439	0.9762	0.2762	27.62
4	Advances	7.70	0.2140	0.9445	0.2386	23.86
5	Working capital	8.03	0.2425	0.9808	0.2744	27.44
6	Profitability	3.96	0.2191	0.9055	0.2450	24.50

Table - 2
Growth Trends of Selected Variables :
(1964-65 to 1979-80 First sub-period)

Equation Number	Y	B ₀	B ₁	R ₂	r	r %
1	Membership	6.93	0.2481	0.9929	0.2816	28.16
2	Share capital	5.58	0.2303	0.9966	0.2589	25.89 ✓
3	Deposits	7.09	0.3256	0.9855	0.3849	38.49
4	Advances	7.05	0.3000	0.9373	0.3400	34.00
5	Working capital	7.45	0.3128	0.9906	0.3673	36.73
6	Profitability	2.86	0.3530	0.9774	0.4234	42.34

Table - 3
Growth Trends of Selected Variables :
(1980-81 to 1995-96 Second sub-period)

Equation Number	Y	B ₀	B ₁	R ₂	r	r %
1	Membership	9.96	0.0694	0.9564	0.0719	07.19
2	Share capital	7.11	0.1360	0.9989	0.1457	14.57 ✓
3	Deposits	9.11	0.1870	0.9990	0.2056	20.56
4	Advances	8.16	0.1916	0.8398	0.2112	21.12
5	Working capital	9.41	0.1854	0.9982	0.2037	20.37
6	Profitability	6.69	0.1067	0.6297	0.1126	11.26

Membership

From the tables, it is evident that the total membership has registered an average growth rate of 17.66% in the whole period. However, the growth rate has been severely declined from 28.16% during the first sub-period to 7.19% in the second sub-period. This sharp slowdown in membership growth rate especially in

the later years could be due to several reasons. One of them is that in the initial stage when the urban cooperative banks started their operations at local level with local people and a strong local feeling based on the self and mutual help, a large number of people get attracted towards urban cooperative banks. But, today, as a result of opening up of the economy, the people are at various avenues which cater

to the credit needs of the people. Over and above, in the cooperative sector itself, there is a substantial growth in the number of urban credit cooperative societies which infact, provide almost a similar type of service to people. For instance, the number of urban credit cooperative societies immediately after liberation was around 20, whereas the number has been increased to 282 as on 31.03.1996.

Share Capital

The share capital has recorded a growth rate of 19.93% during the entire period, while during the second sub-period, the growth has declined i.e. 14.57% as compared to the first sub-period i.e. 25.89%. A decline in the share capital could be due to slow down in the membership. Another genuine reason for this is that in the recent years, people are barely inclined to go in for the shares except if they go in for loans. An urge of becoming voluntarily a member and investing in shares has been gradually shortening during the second sub-period because of the availability of attractive opportunities.

Deposits

The total deposits have shown an average growth rate of 27.62% during the whole period. The growth rate of deposits during the first sub-period was indeed more comfortable i.e. 38.49% as compared to the second sub-period i.e.20.56%. It could be due to encouraging saving habits, limited investment options, strong attachment etc. On the other hand, in the later years, the growth rate has been in degenerating stretch. Obviously, it could be due to rapid branch expansion of nationalised banks especially after 1970. For instance, immediately after liberation of Goa, there were only 5 bank branches and the total deposits were around 9 crores. As on 31.12.1995, there were 356 bank branches and deposits stood worth Rs. 3291.29 crores. Importantly, the banking reforms led to entry of private banks. For instance, Goa's own Centurion Bank extending branches to all major cities and others like ICICI Bank, Global Trust, Times Bank etc. doing exception-

ally well. In the past four years, a large number of Non-Banking Finance Companies (NBFC) such as Applé Finance, Lloyds Finance, Anagram, Maharashtra Apex Corporation etc. specialised in merchant banking, consumer finance etc. have emerged taking away a major share of finance opportunities and mobilising a sizable amount of deposits.

Advances

So far as advances are concerned, the total advances have listed an average growth rate of 23.86% during the whole period, while during the second sub-period, the growth rate has come down to 21.12% as compared to the growth rate registered during the first sub-period i.e. 34%. A weakening lendable resources for the banks during the second period throws light on the quantum of recovery of loans and advances. This declining growth rate could be due to non-recovery or less percentage of recovery of advances. Perhaps, a perception of 'our own bank', 'our own people', 'our own money' and we can repay as per our own convenience, in the minds of members induces for non payment of loans promptly and it could be also due to various Government's financial assistance schemes especially in the later years for the poor and weaker sections of the society implemented through nationalised banks.

Circulating Capital

The working capital has shown a growth rate of 27.44% during the whole period, while the growth rate during the second sub-period has declined to 20.34% from 36.73% during the first sub-period. A decline in the working capital during the second sub-period could be due to an increased amount of bad and doubtful debts, slow recovery of short term loans and advances, rise in current liabilities etc.

The most significant focussing motto for every bank is maximisation of profits. It is noted that profits have recorded a growth rate of 24.50% during the whole period. During the second sub-period, the growth rate of profitability has heavily come down to 11.26% from 42.34% during

the first sub-period. A decrease in profitability (profits) could be due to a rise in the percentage of NPA (Non-Performing Assets) of total advances requiring equal provisioning for NPA from the profits, investment fluctuations, rise in operational expenses, creating infra-structure and very often fluctuating interest rates on deposits and on advances etc.

Conclusion and Suggestions

The foregoing analysis has examined the growth pattern of different variables with the help of secondary data for 32 years from 1964-65 to 1995-96, and split into two sub-periods. The analysis revealed the following :

- (a) All the variables have registered an average growth rate around 24% during the whole period (i.e. 1964-65 to 1995-96)
- (b) It has been observed that during the second sub-period, the growth rate of all the variables have heavily declined (around 16%) as compared to the first sub-period (around 34%).

Considering a sharp decline in the growth trends of the different variables especially during the second sub-period, it is too essential for the urban cooperative banks to formulate appropriate strategies to improve their performance. In this

direction, the following suggestions are made :

- (1) The urban cooperative banks should be freed from an unwarranted restriction and unnecessary interference except in the exclusive interest of the banks;
- (2) Banks must be ensured management of professional competence;
- (3) Bank employees skills in the field of banking need to be updated;
- (4) Banks need to be buttressed to extend operation to other areas like merchant banking, lease finance, portfolio management etc.;
- (5) Though the state coming up with its own new Cooperative Societies Act, 1995, yet it is better to adopt the model Cooperative Act with a limited sections designed by the Central Planning Commission as already some other states have adopted;
- (6) While giving permission to "Local Area Banks" (LAB) under the new banking concept, due consideration should be given to safeguard the interest of the Urban Cooperative Banks'
- (7) The basic values of cooperation need to be strengthened.

Banking Policy Measures - June 1997

* In order to enhance the financial soundness of the NBFCs and strengthen the protection available to investors, the Reserve Bank announced an increase in the percentage of liquid assets to be maintained by them under the provisions of Section 451B of the Reserve Bank Act, 1934 in a phased manner. Accordingly, effective January 1, 1998 and April 1, 1998, the unregistered loan/investment companies would maintain 7.5% and 10% of their deposits respectively, in Government securities/guaranteed bonds as against the currently prescribed 5%. Such of the other NBFCs (excluding residuary NBFCs) which were required to maintain 10% of deposits in these assets would be required to maintain higher liquidity at 12.5% and 15% of deposits, effective January 1, 1998 and April 1, 1998 respectively.

* Housing finance companies (HFCs) were exempted from all the provisions of Chapter IIIB of the Reserve Bank Act, 1934, as amended by the Reserve Bank of India (Amendment) Act, 1997 as they are regulated by a separate regulatory authority, the NHB. Accordingly, the HFCs were not required to apply for certificate of registration from the Reserve Bank as provided in Section 451A of the Reserve Bank of India Act.

Source: Reserve Bank of India, Annual Report 1996-97, Supplement to RBI Bulletin, September 1997.

Appendix - I

Data relating to selected variables of Urban Cooperative Banks in Goa for the period from 1964-65 to 1995-96

(Rs. in Thousands)

Year	Member-ship	Share Capital	Deposits	Advances	Working Capital	Profit
1964-65	1074	285	1344	1695	1921	18
1965-66	1586	409	1516	1998	2398	27
1966-67	2109	536	2799	3172	4292	48
1967-68	2776	678	5220	3892	6483	69
1968-69	3713	902	7398	6974	10729	127
1969-70	4976	1143	10910	9078	13842	203
1970-71	6779	1463	14368	5457	16596	266
1971-72	7145	1808	17656	7661	22278	359
1972-73	11684	2220	25982	8685	31229	304
1973-74	12341	2675	35396	30825	43540	591
1974-75	15484	3235	45163	35688	55735	1077
1975-76	21383	4258	59993	84982	75571	1752
1976-77	25027	5329	80830	64068	102126	2025
1977-78	33017	6674	110400	99790	132404	1805
1978-79	38725	8047	136218	102790	167456	2975
1979-80	47817	10091	175206	92322	220415	3654
1980-81	74432	12081	218295	97899	278588	4714
1981-82	78255	14555	277795	131649	356880	12285
1982-83	93348	16217	320641	106929	422687	6203
1983-94	74890	19000	377344	246047	517993	10946
1984-85	82290	21598	446686	119579	614626	5357
1985-86	90642	24764	548818	384748	733899	6598
1987-88	110786	30590	808242	321045	959690	5921
1988-89	118491	37788	983293	689295	1283266	7566
1989-90	128959	42887	1171810	469496	1499480	9603
1990-91	138925	48886	1409943	464323	1841834	13261
1991-92	147474	54336	1607092	329536	2135144	19561
1992-93	163495	63051	2004846	688476	2796418	27830
1993-94	172390	71035	2565711	947382	3377264	31522
1994-95	187927	84218	3114952	2228253	3852032	17913
1995-96	201654	97355	3664888	2612915	4569475	29704

Sources : Compiled from 1) Annual Reports of Urban Cooperative Banks in Goa; (2) Annual Reports of Cooperation, (Unpublished), Office of the Registrar of Cooperative Societies, Panaji, Goa; (3) Statistical Pocket Books (Yearly Publication), Directorate of Planning, Statistics and Evaluation, Government of Goa.

Notes :

- 1) The data relates to seven Urban Cooperative Banks as on 31.03.1996.
- 2) Share Capital represents the total paid-up capital
- 3) Deposits comprised of fixed, current, recurring, savings, pigmy and other types of deposits.
- 4) Advances include short term, medium term and long term loans
- 5) Working capital includes the total assets employed by the banks. This is the practice followed by the Banks.
- 6) Profitability indicates purely the net profits before appropriation.

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*The duty of man
is to be useful to men,
to a great number if he can,
if not, to a small number,
Otherwise to his neighbours,
otherwise to himself:
in making himself useful to himself,
he works for others.
As the vicious man injures not only
himself but also those to whom
he might have been useful,
if he had been virtuous,
likewise in labouring for oneself,
one labours for others,
since there is a man
who can be of use to them.*

Seneca

Financial analysis of urban cooperative banks : a case study of Mapusa urban cooperative banks in Goa

Dr. B. Ramesh*

M. R. Patil**

The Urban credit institutions promoted successfully for the benefit of artisans by Hermann Schultze and Luigi Luzzatti in Germany and in Italy respectively during the period 1855-1885⁶, had marked the beginning of urban credit cooperative movement. The origin of the urban credit movement in India dates back to the close of the nineteenth century when the first Co-operative Credit Societies Act passed in 1904 and the first urban co-operative credit society was registered in October 1904 at Conjeevaran in Chennai (the then Madras) province. The World War I and II, the economic depression of thirties and the post war boom had greatly influenced their growth and working. The Urban credit societies gradually grew in number as well as in volume of their business and styled themselves as urban co-operative banks.

Goa was liberated in 1961 and was

part of the union territory comprising of Goa, Daman and Diu. Goa was elevated to the status of 25th state in the Indian union on 30th May 1987. Goa has two districts (North Goa district and South Goa district), eleven talukas and population of around 14 lakhs. The cooperative movement in Goa began late with the institution of the office of the Registrar of Co-operative Societies on 17th Nov., 1962. The movement has now slowly expanded and embraced cooperative activities of all types in the state.

The problem focus

The urban co-operative banking sector has got an important place in the state's financial system in terms of meeting the credit and banking requirements of men of small means in urban and semi-urban areas. There is an added advantage for the urban banks as tourism, industry and service sector are the main economic activities of the state.

In recent years, it has been very often heard that the performance of co-operatives has been by and large not satisfactory and the liberalised new economic policies have posed threat to the survival and growth of cooperatives. A similar view has been felt at the 56th Annual Conference of the Indian Society of Agricultural

Economics (1997)⁴. Hence, a study on the progress and performance of co-operatives assumes significance in this context. Keeping this in view, an attempt is made to study the financial performance of Mapusa Urban Co-operative Bank Ltd., Mapusa, Goa.

The Mapusa Urban Co-operative Bank Ltd. was registered on 19th December, 1965 and commenced its operation on 23rd March 1966. The bank obtained a license from the RBI during the year 1967-68 to carry on banking business and it has completed 32 successful years in serving the people of Goa.

Objectives of the study

The specific objectives of the study are as follows :

- (1) To examine the working capital structure and composition of the bank.
- (2) To evaluate the performance of the bank on the basis of selected performance indicators (variables).
- (3) To study the impact of New Economic policy characterised by liberalisation and globalisation on the performance of the bank.
- (4) To suggest appropriate policy measures to enhance to bank's performance.

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Methodology and data

The Mapusa Urban Co-operative Bank Ltd., Mapusa, Goa, has been purposely selected for the present study in view of its successful functioning over the years and it has the highest number of branches (26) among all the seven urban co-operative banks operating in the state. The study is based on secondary data for the period from 1991-92 to 1995-96 (for working capital structure and composition) and for the period from 1984-85 to 1995-96 (for the selected performance indicators); collected from the various issues of annual reports of the bank as well as from the records of the Registrar of Co-operative societies, Panaji, Goa. Several times personally visited the bank and learnt many things about the bank's achievements from the Assistant General Manager and the Managers from different sections. The performance indicators selected for the study are : Membership, Share Capital, Reserve Funds, Deposits, Advances, Overdues, Credit-Deposit Ratio and Profits.

The 12 year period of study is divided into two sub-periods as pre-liberalisation period (1984-85 to 1989-90) and post-liberalisation period (1990-91 to 1995-96) in order to study a comparative growth trends. The pre-liberalisation period is termed as First Sub-period and the post-liberalisation period is termed as Second Sub-period.

Statistical tool employed

A Chain index number⁹ (link relative) statistical device has been used to examine a yearwise changes in the growth rates of selected performance indicators (variables). The chain index (link relative) is one in which the figures for each year are expressed as percentages of the preceding year. The results so obtained are called link relatives. The formula for constructing the index is :

Chain Index (Link Relative)

$$= \frac{P_1}{P_0} \times 100$$

where

P_1 = Current year's value (variable)

P_0 = Previous year's value (variable)

the management accountant, february 1998

Results and Discussion

Working Capital Structure and Composition

The working capital comprising of owned and borrowed funds for every banking institution is as important as blood in human body. An adequate amount of working capital enables the bank to accomplish its varied objectives fully and progressively without any obstacle. The working capital of the bank constituted paid-up share capital, reserve funds and other reserves, deposits, borrowings, undistributed profits et al.

ing capital occupies a lion's share in the working capital make-up followed by borrowings.

It is further learnt from the table that the total working capital of the bank comprehended on an average during all the five years around 11 per cent owned funds including share capital, reserve funds, overdue interest reserve and undistributed profits and around 89 per cent borrowed funds embodying deposits, borrowings and others. With this working capital composition, the bank is understood to have traded on thin equity⁹. Since

Table 1
Yearwise Working Capital Structure and Composition
For the period from 1991-92 to 1995-96 (5 years)

Rs. in lakhs					
Year Components	1991-92 (Rs.)	1992-93 (Rs.)	1993-94 (Rs.)	1994-95 (Rs.)	1995-96 (Rs.)
	1	2	3	4	5
1) Share Capital	157.32 (2.47)	185.40 (2.26)	199.56 (2.06)	256.05 (1.90)	309.81 (1.94)
2) Reserve Funds & Other Reserves	197.33 (3.09)	199.63 (2.44)	453.79 (4.70)	555.97 (4.36)	687.99 (4.30)
3) Overdues Interest Reserve	165.37 (2.59)	467.80 (5.71)	375.92 (3.88)	533.42 (4.18)	853.71 (5.32)
4) Deposits	4729.72 (74.18)	5977.83 (72.97)	7720.76 (79.90)	10149.47 (79.80)	12581.60 (78.46)
5) Borrowings	753.68 (11.82)	970.00 (11.84)	604.81 (6.26)	948.13 (7.33)	1137.46 (7.10)
6) Others	277.65 (4.36)	244.76 (2.98)	274.39 (2.84)	280.38 (2.11)	380.73 (2.37)
7) Undistributed Profits	95.15 (1.49)	148.09 (1.80)	34.86 (0.36)	41.44 (0.32)	82.44 (0.51)
Total	6376.22 (100.00)	8193.51 (100.00)	9664.09 (100.00)	12764.86 (100.00)	16033.74 (100.00)

Source : Annual Reports of the Bank.

Note : 1. Figures in parenthesis represent the percentage to the total.
2. Others include interest payable and other short term liabilities.

It is evident from the Table 1 that the total working capital of the bank has gone up from Rs. 6,376.22 lakhs in 1991-92 to Rs. 16,033.74 lakhs as on 31st March 1996 recording a rise of 151.46 per cent during the whole period of five years. A yearwise working capital composition clearly hints that during all the five years, deposits as one of the components of work-

it has to pay a fixed rate of interest on a very huge proportion of its funds (on around 89 per cent) irrespective of its profit or loss, and the amount of borrowed funds as well as its time and demand liabilities (TDL) must be repaid on the expiry of the stipulated period which certainly shows to some extent a risky financial status of the bank. One of the main reasons, inter

alia, for the meagre proportion of owned funds (paid-up share capital) in the capital structure can be attributed to a poor contribution towards share capital from the members as noted that on an average around 95 per cent of the total paid-up share capital is from the shares having a face value of Rs. 25 each and around 5 per cent is from the shares having a face of Rs. 100 each. In fact, the Reserve Bank of India suggested a lower face value of shares so as to enable persons of small means to become a member of an urban bank.⁶

Membership and paid-up share capital

Members are the real owners as well as users of the services of the bank and success of the bank depends on the loyalty of their membership and harmonious relationship amongst the members. A broad-based membership is sine qua non with a view to ensure the banks are cooperative in character and to strengthen the share capital base for diversification of their loan portfolio.

The Table 2 unveils that the total membership has increased from 21,204 in 1984-85 to 63,826 in 1995-96 registering a rise of 201 per cent during the whole period. The bank has recorded 9.25 per cent an average annual growth rate in membership during the whole period. It is further observed a declining average annual growth rate (7.66 per cent) during the second sub-period as compared to the growth rate during the first sub-period (i.e. 10.83 per cent).

Similarly, the paid-up share capital has increased to Rs. 309.81 lakhs in 1995-96 from Rs. 53.30 lakhs in 1984-85, representing a considerable jump of 481 per cent during the whole period. The paid-up share capital has recorded an average annual growth rate of 15.66 per cent during the whole period and during the second sub-period, it is noted a marginal rise in the average annual growth rate (i.e. 16.16 per cent) as against the growth rate during the first sub-period (i.e. 15.16 per cent). It is also observed that the share capital has recorded the highest growth rate dur-

ing the year 1994-95 (i.e. 28 per cent) as compared to rest of the years.

Reserve funds and deposits

Reserve Fund is an important component of owned funds which is generated out of net profits of a bank. A sufficient amount of reserve fund denotes a sound financial strength of a bank. The Table 1 displays that the total reserves and other reserve funds have moved up by Rs. 608.41 lakhs from Rs. 79.58 lakhs in 1984-85 to Rs. 687.99 lakhs in 1995-96 recording a noteworthy increase of 765 per cent during the whole period. The bank has registered 14.83 per cent an average annual growth rate in reserve fund. It is further interesting to note that the bank has recorded an excellent average growth rate during the second sub-period (i.e. 18.16 per cent) as against the average growth rate during the first sub-period (i.e. 11.50 per cent). A significant improvement in the area of profits during all successive years during the second sub-period could have enabled the bank to augment its reserve funds.

On the other hand, deposits constitute a bank's life blood and its lending and investment activities are greatly influenced by the magnitude of deposits and their composition. The Table 1 reveals that the total deposits have increased to Rs. 12,581.60 lakhs in 1995-96 from Rs. 1,111.29 lakhs in 1984-85 registering a notable hike of 1,032 per cent during the whole period. The bank has also recorded 22.75 per cent annual average growth rate in deposits during the whole period which is exceptionally higher than that registered in urban co-operative banks in India during the corresponding period (i.e. 16 per cent)^{3 & 7}. However, no periodwise (first and second period) variation in the growth rates of deposits is noticed which in turn indicated a steady growth in deposits.

Advances outstanding and overdues

Lending is another principal activity of the banks and the banker has to deploy the funds in profitable outlets so as to pay interest on deposits, meet operating expenses and to provide a fair return on capital.

It is clear from the Table 3 that the total advances increased from Rs. 798.48 lakhs in 1984-85 to Rs. 10,331.11 lakhs in 1995-96, recording a growth of 1194 per cent during the whole

Years	Member ship	Link rela- tive	Paid-up share capital	Link rela- tive	Reserve & Other Funds	Link rela- tive	Deposits	Link rela- tive
		(%)	(Rs.)	(%)	(Rs.)	(%)	(Rs.)	(%)
1	2	3	4	5	6	7	8	9
1984-85	21204	100	53.30	100	79.58	100	1111.29	100
1985-86	24982	117	62.32	116	86.37	109	1511.00	136
1986-87	28708	114	75.02	120	92.96	108	2042.20	135
1987-88	33225	115	91.68	122	96.55	104	2508.99	123
1988-89	36946	111	110.15	120	100.29	104	3123.50	124
1989-90	40107	108	124.87	113	144.04	144	3698.20	118
1990-91	43945	109	145.94	116	169.99	118	4435.54	120
1991-92	45891	104	157.32	107	197.33	116	4729.72	107
1992-93	49526	107	185.40	117	199.63	101	5977.83	126
1993-94	53705	108	199.56	108	453.79	227	7720.76	129
1994-95	57925	108	256.05	128	555.97	123	10149.47	131
1995-96	63826	110	309.81	121	687.99	124	12581.60	124

Source: Annual Reports of the Bank from 1984-85 to 1995-96.

Note: Figures for the period from 1984-85 to 1990-91 and for the period from 1991-92 to 1995-96, are the figures as on 30th June and as on 31st March of each year respectively.

Table 3
Growth of Selected Performance Indicators (From 1984-85 to 1995-96)
(Rs. in lakhs)

Years	Outstanding Advances	Link relative	Loan Overdues	Link relative	Overdues to total outstanding advances	Credit Deposit Ratio	Profit	Link relative
	(Rs.)	(%)	(Rs.)	(%)	(%)	(%)	(Rs.)	(%)
1	2	3	4	5	6	7	8	9
1984-85	798.48	100	188.84	100	24	72	12.00	100
1985-86	884.70	111	223.76	118	25	59	12.02	100
1986-87	1173.87	133	242.32	108	21	57	11.84	99
1987-88	1756.46	150	289.37	119	16	70	11.59	98
1988-89	2398.62	137	419.05	145	17	77	22.96	198
1989-90	2785.64	116	450.66	108	16	75	24.74	108
1990-91	3565.98	128	596.30	132	17	80	47.42	192
1991-92	4297.60	121	808.03	136	19	91	95.15	201
1992-93	5310.78	124	789.20	98	15	89	52.93	56
1993-94	6367.20	120	917.90	116	14	82	34.86	66
1994-95	8187.90	129	1226.15	134	15	81	41.44	119
1995-96	10331.11	126	1538.30	125	15	82	82.44	199

Source : Annual Reports of the Bank from 1984-85 to 1995-96.
Note : Figures for the period from 1984-85 to 1990-91 and for the period from 1991-92 to 1995-96, are the figures as on 30th June and as on 31st March of each year respectively.

period. The bank has showed a sizeable annual average growth of 25 per cent in its total advances during the whole period which is considerably higher than recorded in urban co-operative banks in India during the corresponding period (i.e. around 17 per cent)^{3 & 7}. Furthermore, no periodwise difference is observed in the growth of advances.

The term 'overdue' is understood as a 'past due' which means the amount of interest, principal instalment and other dues outstanding for thirty days or more after the due date and when the said amount ceased to generate income for a bank then it is considered as Non-performing Asset [NPA]⁵.

The recovery of loans and advances has a direct bearing on the performance of a bank. The Table 3 illustrates that the 'overdues' has gone up by Rs. 1,349.46 lakhs from Rs. 188.84 lakhs in 1984-85 to Rs. 1,538.30 lakhs in 1995-96, recording an increase of 714.60 per cent during the whole period. The 'overdues' has registered 20 per cent annual average rise during the whole period which is relatively higher than that recorded in urban cooperative banks in India dur-

ing the corresponding period (i.e. around 12 per cent)^{3 & 7}. Further, the average annual percentage of overdues has increased sharply to 24 per cent during the second sub period as against the first sub-period (i.e. 16 per cent). However, the percentage of overdues to total outstanding advances showed marginally a downward trend.

Credit deposit ratio

The ratio of credit advanced to deposits mobilised is defined as credit-deposit ratio (C-D Ratio). This ratio assumes greater importance as an indicator of efficient and effective utilisation of deposits collected by the banking institutions. The Table 3 manifests a high degree of relationship between credit-deposit registering on an average 76 per cent during the whole period which is almost at par with the credit-deposit ratio recorded in urban co-operative banks in India during the corresponding period (i.e. around 74 per cent)^{3 & 7}. It is further noticed that the ratio (C-D) is in upward trend during the second sub-period (i.e. on an average 84 per cent) as compared to the first sub-period (i.e. on an average 68 per cent)

indicating an efficient disbursement of credit to various socio-economic activities in the state.

Profitability

Profitability is an important index of the performance of every banking institution. It is clear from the Table-3 that the profit grew by Rs. 70.44 lakhs from Rs. 12.00 lakhs in 1984-85 to Rs. 82.44 lakhs in 1995-96 recording a rise of 587 per cent during the whole period. The bank has registered around 28 per cent an annual average growth rate in its profits. Further, despite a wide variation noticed in the growth rate of profits the bank has witnessed a remarkable growth in its profits during the second sub-period (i.e. on an average 39 per cent) as against the average growth rate during the first sub-period (i.e. around 18 per cent) indicating an optimum utilisation of its resources.

Conclusions and suggestions

The foregoing analysis has introspected the working capital structure and composition (for a period of 5 years) and the growth and performance of selected variables (for a period of 12 years). The overall analysis carried out in this paper revealed the following concluding remarks :

(1) On the whole the bank has made a phenomenal progress in all its selected performance indicators during the whole period and in certain areas the bank has achieved relatively a better performance as compared to rest of the urban co-operative banks in India during the corresponding period.

(2) Notwithstanding a rise in the total working capital, its composition exhibits around 89 per cent of borrowed funds and the remaining 11 per cent is of owned funds indicating a weak proportion of owned funds in the capital composition.

(3) A positive impact of the new economic policy of liberalisation on the bank's performance is witnessed as against the general belief. The periodwise analysis of all the selected variables demonstrated either relatively a higher growth rates or a steady growth rates during the second sub-period (after the economic reforms being initiated) as compared to the growth rates during the first sub-period.

(4) A slight yearwise deviation in the growth rates of all the variables is observed during the period.

(5) The amount of 'overdues' is noticed to be an upward trend over the years. However, the percentage of overdues to total outstanding advances showed a decelerating trend.

(6) The credit-deposit ratio displayed a high degree of nexus between credit and deposits and pointed out a judicious planning and efficient disbursement of its deposits to its members for various socio-economic activities.

In view of some shortcomings in the working of the bank, the following remedial measures are suggested for elevating its performance :

(1) The owned funds of the bank need to be strengthened for a strong capital base. This can be achieved by two ways : (i) by increasing the membership so as to raise the share capital. For this, a regionwise committee comprising of local members may be constituted to motivate the people to become members of the bank; (ii) the present face value of shares Rs. 10 and Rs. 25 are generally felt low in the context of changing economic scene. Therefore, the minimum face value of share may be increased to Rs. 50 which will not restrict the persons of small means to become members of the bank and a suitable linkage of shareholdings to borrowings should be encouraged. Moreover, the bank needs to put a vigorous effort to initiate a comprehensive cooperative education programme both at the

primary level (officials and employees) and at the secondary level (members and non-members) to create an awareness of real significance and purpose of cooperatives.

(2) In order to improve the recovery of loans and advances, the bank needs to maintain an amicable relation with the borrowers whereby generating a moral binding or obligation in the borrowers towards the repayment of their dues which will certainly result in low recovery cost leading to higher income for the bank. The moral obligation will be more powerful instrument of recovery than the legal obligation (legal proceedings). However, the effectiveness of this tool all depends upon how well the bank impresses upon the borrowers a sense of morality. It is noted that in this direction, the bank has decided to extend some rebate in interest rates on advances to the borrowers for their prompt repayments.

(3) In the interest of the bank besides providing the funds, it is essential to render other useful services like promotional activities, proper and efficient utilisation of funds, choice of suitable and appropriate business activity etc., to its borrowers by which a continuous follow-up and a rapport can be developed between the bank and the borrowers which will minimise the risk of recovery of loans.

(4) Last but not the least, realising the significance of customers' service in deregulated banking industry, the bank has to ensure quality services to the customers, depositors and borrow-

ers. In this direction, endeavour of customer-friendly attitude is to be developed as suggested by RBI in A 1996, based on the recommendation of Goiporia Committee on customer service in banks (1991).

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Liquidity, productivity and profitability analysis of Goa urban cooperative bank ltd.—a swot (p) analysis

Dr. B. Ramesh* M. R. Patil**

The urban cooperative credit movement started in India with the chief objective of inculcating the habit of thrift and savings amongst the urban, semi-urban and weaker section of the society on the one hand, and catering to the banking and credit requirements of them on the other. The first urban credit society saw the light of the day on 5 February 1889, when a mutual aid society was registered at Baroda followed by the urban credit cooperative society at Canjeevaram in Chennai (the then Madras) province. Thereafter, many urban credit cooperatives came to be organised in Bombay and Madras provinces during 1920 to 1940. The world war second and the post war boom had immensely pre-eminenced their growth and working. The urban credit societies grew in number as well as in volume of their business and appeared themselves as urban cooperative banks. Since 1948, the urban cooperative banking sector has made a spectacular growth by registering 1653 banks having a to-

tal branch network of 4953 with a total deposit of Rs. 28,000 crores and credit disbursements of Rs. 19086 crores as on 31.03.1997.

Emergence of urban cooperative banks in Goa

The establishment of Goa Urban Cooperative Bank Ltd. During the year 1963-64, had marked the beginning of urban cooperative banks in Goa. It was followed by the Mapusa Urban Cooperative Bank; Madgaum Urban Cooperative Bank; Women Cooperative Bank; Citizen Urban Cooperative Bank; Bicholim Urban Cooperative Bank and more recently the Goa Peoples Urban Cooperative Bank. Altogether, there are seven urban cooperative banks with a total 56 branch network functioning in the state as on 31.3.1997. The RBI, granted a scheduled status to two urban banks viz. Goa and Mapusa Urban Cooperative Banks. The Goa State Cooperative Bank acts as an apex financing institution and the Maharashtra State Cooperative Societies Act, 1960 has been presently made applicable to the state of Goa.

Statement of problem

The Urban Cooperative banking has been, in truth, emerged as an important segment of Indian banking system. The exigency for urban cooperative banking was initially felt when the Swadeshi joint stock banks did not take interest in providing credit to the weaker section of the urban strata. The various committees, survey reports and working

groups have underlined the continuing crucial role of the cooperative banks in the economic growth and development. Similarly, these banks have occupied a momentous role in the Goan economy in terms of meeting the credit requirements to small scale industrialists, businessmen, small traders, petty shopkeepers, service operators etc. as industry, tourism, mining, fisheries and service sector are the main economic activities of the state. Keeping all the above factors in view, an attempt is made in this paper to evaluate the performance of Goa Urban Cooperative bank operating in the state of Goa.

Methodology and Data

The Goa Urban Cooperative Bank is purposively selected for the proposed study as this bank is the oldest and the first scheduled urban cooperative bank in the state. The study is based on secondary data for the period from 1985-86 to 1996-97, gathered from yearly annual reports of the bank. The ratio analysis analytical tool was employed to analyse the financial statements of the bank. The relevant liquidity ratios, productivity ratios and the ratios developed by relating various components of profit and loss account to a common denominator i.e. volume of business defined as total of the balance sheet less contra items, for analysing the profitability performance of the banks (Varsha S. Vada and Sampat P. Singh of National Institute of Bank Management, Mumbai, 1980) were

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Table 1
Liquidity and Productivity Ratios of Goa Urban Cooperative Bank Ltd. for the period from 1985-86 to 1996-97

Year	Liquidity Ratios					Productivity Ratios						
	Liquid Assets to Total Assets	Liquid Assets to total deposits	Cash Assets to total deposits	Owned Funds to Borrowed Funds	Credit to Deposit	NPA to Total Advances	Other Income	Expenses	Cost of Deposit & Borrowings	Yield on Advances	Average Business per Employee	Return on Total Assets
1985-86	25.03	35.19	1.74	20.46	72.61	—	0.70	19.95	15.10	27.42	14.06	0.80
1986-87	27.13	38.50	2.02	21.02	70.10	18.64	1.21	19.72	14.81	27.66	15.64	0.80
1987-88	28.81	39.24	3.60	16.14	62.81	20.15	1.09	25.02	15.26	33.11	16.97	0.50
	(27.00)	(37.64)	(2.45)	(19.20)	(68.50)	(19.39)	(1.00)	(21.56)	(15.05)	(29.39)	(15.55)	(0.70)
1988-89	21.04	28.69	4.90	15.52	61.01	15.75	0.83	29.58	15.70	37.32	17.98	0.46
1989-90	18.69	25.03	7.01	15.01	66.56	12.33	0.94	28.28	16.88	36.12	21.74	0.52
1990-91	16.84	22.35	3.63	14.81	70.88	10.81	1.89	32.50	9.72	12.94	26.56	0.55
	(18.85)	(25.35)	(5.18)	(15.11)	(66.15)	(12.96)	(1.22)	(30.12)	(14.10)	(28.80)	(22.09)	(0.51)
1991-92	15.59	20.39	4.56	14.89	74.53	—	3.00	40.72	7.65	11.85	28.62	0.38
1992-93	21.72	28.42	3.75	14.49	69.11	13.40	1.66	37.85	9.75	17.18	32.07	1.04
1993-94	7.66	9.87	4.13	12.98	65.08	14.37	2.36	33.60	9.53	12.68	38.01	0.70
	(15.00)	(19.56)	(4.14)	(14.12)	(70.00)	(13.88)	(2.34)	(37.40)	(8.97)	(13.90)	(32.90)	(0.70)
1994-95	8.87	11.06	2.57	14.34	62.18	11.78	2.00	33.00	9.42	14.10	44.98	0.50
1995-96	12.29	15.27	2.61	14.21	60.45	11.47	1.69	34.49	9.88	14.81	53.02	0.50
1996-97	14.40	17.88	9.10	14.74	67.67	11.02	1.88	34.95	9.64	14.08	61.92	0.47
	(11.85)	(14.73)	(4.76)	(14.43)	(63.43)	(11.42)	(1.85)	(34.14)	(9.64)	(14.33)	(53.30)	(0.49)
Grand Mean	18.17	24.32	4.13	15.71	67.07	14.40	1.60	30.80	11.94	21.60	30.96	0.60

Note: 1. All the ratios are expressed in percentage.

2. Figures in parenthesis represent ratios over a period of three years.

3. Average business per employee is expressed in Rs. in lakhs.

Source: Yearly Annual Reports of the bank for the period from 1985-86 to 1996-97

worked out for the period of 12 years and presented in Table 1 and Table 2 respectively.

The ratios developed for measuring the profitability performance of the bank are given as follows:

1. Interest earned ratio (r)

$$= \frac{\text{Total interest earned}}{\text{Volume of Business}} \times 100$$

2. Interest paid ratio (k)

$$= \frac{\text{Total interest paid}}{\text{Volume of Business}} \times 100$$

3. Manpower Expenses ratio (m)

$$= \frac{\text{Total manpower expenses}}{\text{Volume of Business}} \times 100$$

4. Other Expenses ratio (o)

$$= \frac{\text{Other establishment expenses}}{\text{Volume of Business}} \times 100$$

5. Non-interest income ratio (c)

$$= \frac{\text{Non-interest income}}{\text{Volume of Business}} \times 100$$

The following equations are derived from the above key ratios:

(i) Spread ratio = Interest earned ratio—Interest paid ratio (r-k)

(ii) Burden ratio = Manpower expenses ratio + Other establishment expenses ratio—non-interest income ratio (m + o - c)

(iii) Profitability ratio = Spread ratio—Burden ratio (S—B).

Finally, SWOT (P) management technique was employed to introspect the performance and functioning of the Goa Urban Cooperative Bank from the four different broad angles viz. Strengths (S); Weaknesses (W); Opportunities (O) and Threats (T) or Problems (P). The findings of

the analysis are presented and discussed under these respective heads:

Strengths : (Table 1 and 2)

❖ The bank has successfully managed to maintain on an average 3 to 4 percent of its deposits in the form of cash assets quenching the cash reserve requirements under Section 18 of the Banking Regulation Act during the study period as the Urban Cooperative banks shall have to maintain 3 percent of its time and demand liabilities of the bank in the form of cash assets.

❖ Liquid assets to total assets ratio of the bank displayed that the bank has steadily held around 18 to 20 per cent of its total assets in the form of liquid assets which is considered to be adequate enough to meet an immediate li-

Table 2

Profitability Ratios of Goa Urban Cooperative Bank for the period from 1985-86 to 1996-97

Year	Interest Earned Ratio (r)	Interest Expenses Ratio (k)	Spread Ratio (r-k)	Manpower Expenses Ratio (m)	Other Expenses Ratio (o)	Non-Interest income Ratio (c)	Burden Ratio (M+O-C)	Profitability Ratio (S-B)
1985-86	14.16	10.60	3.56	2.31	0.53	0.09	2.75	0.81
1986-87	13.66	10.12	3.54	2.20	0.52	0.16	2.56	0.98
1987-88	15.27	11.07	4.20	2.28	1.57	0.16	3.69	0.51
	(14.36)	(10.60)	(3.76)	(2.26)	(0.87)	(0.14)	(3.00)	(0.76)
1988-89	16.70	11.39	5.31	2.36	2.61	0.14	4.83	0.48
1989-90	17.96	12.48	5.48	2.83	2.29	0.17	4.95	0.53
1990-91	11.28	7.20	4.08	2.68	1.05	0.21	3.52	0.56
	(15.31)	(10.35)	(4.95)	(2.62)	(1.98)	(0.17)	(4.43)	(0.52)
1991-92	10.05	5.75	4.30	2.03	2.18	0.31	3.90	0.40
1992-93	13.27	7.34	5.93	3.23	1.88	0.22	4.89	1.04
1993-94	11.75	7.29	4.46	2.61	1.43	0.28	3.76	0.70
	(11.69)	(6.80)	(4.90)	(2.62)	(1.83)	(0.27)	(4.18)	(0.71)
1994-95	11.66	7.46	4.20	2.65	1.27	0.23	3.69	0.51
1995-96	12.56	7.87	4.69	2.99	1.41	0.21	4.19	0.50
1996-97	12.30	7.68	4.62	2.89	1.49	0.23	4.15	0.47
	(12.17)	(7.67)	(4.50)	(2.84)	(1.40)	(0.22)	(4.01)	(0.49)
Grand Mean	13.38	8.85	4.52	2.58	1.52	0.20	3.90	0.62

Note: 1. All the ratios are expressed in percentage. 2. Figures in parenthesis represent ratios over a period of three years.

Source: Yearly Annual Reports of the bank for the period from 1985-86 to 1996-97.

abilities of the bank.

- ❖ The owned funds of the bank comprising of paid-up share capital, reserves and surplus, overdue interest reserve and undistributed profits constitute on an average around 16 per cent of its total borrowed funds during the whole period. The proportion of owned funds in the total borrowed funds is regarded to be enough to preserve the confidence of the depositors.
- ❖ The percentage of overdues to total outstanding advances was observed to be around 14 per cent during the study period. The bank's concerted efforts towards bringing down the overdue percentage from 20 per cent in 1987-88 to 11 per cent in 1996-97, was to be noted.
- ❖ The bank manifested an average 12 per cent of its total deposits and borrowings as cost of deposits and borrowings and the percentage of cost was observed to be decreasing trend over a period. Towards this end, the bank showed its competency in raising its resources at a cheaper cost.
- ❖ The yield on total advances ratio of the bank evinced an impressive average yearly interest income of Rs. 22 per hundred rupee advanced during the study period which is considered to be satisfactory so as to cover up its various expenses.
- ❖ The average business of the bank including deposits and advances per employee had increased from Rs. 14 lakhs in 1985-86 to Rs. 31

lakhs in 1996-97, by recording more than one-fold hike in total business during the period.

Weaknesses : (Table 1 and 2)

- ❖ The profitability ratio of the bank depicted a very indigent performance just by recording on average yearly profit of Rs. 0.62 per hundred rupee volume of business during the whole period and the ratio had come down to Rs. 0.47 in 1996-97 from Rs. 0.81 in 1985-86. This considerable fall in profitability ratio was due to a gradual hike in burden ratio over the years which had gone up from 2.75 per cent in 1985-86 to 4.15 per cent in 1996-97 recording an average 3.90 per cent over a period, without corresponding turnaround, but fluctuating trend in spread ratio which had registered an average 4.52 during the whole period.
- ❖ It is worthless to note that the return on total assets ratio of the bank exhibited a very insignifi-

cant yearly average rate of return on its total assets i.e. Rs. 0.60 per hundred rupee asset during the study period.

- ❖ The other income other than the interest income of the bank was observed to be even less than 2 per cent of the total income showing a very negligible share of other income in the total income of the bank.
- ❖ The credit to deposit ratio of the bank demonstrated that on an average around 68 per cent of its total deposits were disbursed for various economic activities and around 32 per cent of its total deposits were just kept either in the form of cash assets or in the form of liquid assets.
- ❖ The liquid assets to total deposits ratio of the bank showed that more than 35 per cent of its total deposits was kept in the form of liquid assets in the year 1985-86, and aggravated upto 40 per cent in 1987-88 and from 1987-88 on-

wards this ratio was noticed to be decelerating trend by registering as low as around 18 per cent of its total deposits in 1996-97. On an average the bank maintained more than 24 per cent of its total deposits in the form of liquid assets over a period of 12 years.

Opportunities: (Table 1 and 2)

- ❖ As per the Banking Regulation Act (as applicable to the Cooperative Banks) which had come into force from 1 March 1966, the Urban Coop banks shall have to maintain only 25 per cent of its Time and Demand Liabilities (TDL) in the form of liquid assets. Moreover, the RBI, has permitted the Urban Co-operative banks to invest 10 percent of their total deposit in public sector undertakings (PSU) bonds and equity of approved all India Financial Institutions. Hence, the bank has an opportunity to invest its excess funds which was presently blocked in liquid assets in those securities so as to generate more income for the bank.
- ❖ The C/D ratio indicated that the mobilised resources of the bank were not judiciously utilised as around 32 per cent of its resources were just kept in liquid assets. To make efficient use of its resources, the bank can extend its financing to agricultural activities in rural area as the RBI has permitted urban banks to extend their area of operation even to rural area.
- ❖ The bank can augment its share of other income in the total income by widening its operation to merchant banking services like project appraisal, pre investment studies, portfolio management and hire purchase and lease financing, in addition to its regular services, to its customers. In fact, the Banking Commission recommended the merchant banking concept to Indian banks as early as 1972, and the RBI, has also permitted the scheduled ur-

ban banks to undertake hire purchase and leasing activities.

- ❖ The bank can also undertake the foreign exchange activities as the RBI allowed the urban banks with a deposit of 50 crores with satisfactory management and 'A' credit classification.

Threats or Problems : (Table 1 and 2)

- ❖ The bank had the problem of rising trend of non-interest expenses including manpower and other establishment expenses over a period which had pushed up the burden ratio resulting in poor profitability performance of the bank.
- ❖ The bank had faced with the difficulty of unstable and worsened interest earned ratio registering on an average 13.38 per cent during the study period. If the same trend continues in future, the bank's profitability would be affected badly.
- ❖ Non-interest income had a very meagre contribution to the total income recorded on an average just Rs. 0.20 per hundred rupee income. The bank had not made any efforts to improve its non interest income to supplement its income resources.
- ❖ The continued low return on total assets had thrown a light on the jam of an inefficient asset management during the study period. This calls an immediate attention of the management to identify an appropriate ways and means to channelise its more and more resources for productive purpose.
- ❖ The proportion of owned fund in the total working capital composition was found to be downward trend over the years. Thus, the management needs to introduce certain measures to broaden the equity capital base in the total capital structure so as to build the confidence of deposit holders in particular and society in general.

- ❖ The urban co-operative banks are now exposed to open competition in view of extensive reforms in banking sector. Therefore, the future survival of the bank is dependent fully upon its capability to provide better services in terms of cost, quality and variety.

It is evident that with the help of SWOT (P) management technique, it was possible to identify strengths, deficiencies, probable threats and new dimensions for Goa Urban Co-operative bank. It is more desirable to undertake a periodical exercise of this kind so as to enable the management to monitor immutably the shortcomings in the working and functioning of the bank. □

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