Abstract

Cooperative banking institutions in India have made a substantial progress in dissemination of banking services based on cooperative principles. Since the network of cooperative banks was widespread across different parts of the country these institutions are considered as a potential instrument to bring people from far-flung areas under the formal banking network. Urban Cooperative Banks are an integral part of the cooperative banking system operating in the country. They have an important role to play in the financial system in channeling resources and bridging the financing gaps for small scale industries, small and medium enterprises and other small borrowers. UCBs have made rapid strides in resource mobilization and deployment. During the period, between 1991 and 2004, the UCB sector witnessed substantial growth possibly encouraged by the liberalized policy environment in post reform period. However, the financial health of most of the UCBs has been a cause for concern and has so far proved to be a serious handicap in reaching out to the larger population.

As a result of the initiatives and sustained efforts by RBI, the number of financially weak UCBs has declined drastically. Further, due to consolidation in the sector, on account of closures and mergers, at all India level, the number of UCBs came down to 1574 UCBs as on 2015-16. As far as Tamil Nadu is concerned, there are 120 UCBs functioning as on 2016-17. All the UCBs provide banking facilities to urban and semi-urban population. They mobilize deposit from the public and extend credit facilities to small traders, artisans and persons belonging to middle-income group for purposes like housing, business, education, consumer and other non-farm sector activities. This has prevented many small vendors from falling prey to money lenders, who charge exorbitant interest rates.

As UCBs are primarily cooperative societies, they are subject to dual control. While there has been an improvement in the financial performance of the UCBs in recent times, the high level of NPAs continues to pose a threat to the financial health and viability of certain UCBs. If these UCBs are financially sound
they can easily protect the interest of weaker sections by providing them with needed banking services. However, certain UCBs are financially sound and they are competitive amidst the existence of public and private banking industry. These UCBs are able to render better services to their members and justify their existence.

In this context, the present study analyzed financial performance of sample UCBs in Grade I and Grade IV in Tamil Nadu. By adopting multi stage sampling method sample UCBs were selected for the study. Both descriptive and inferential statistical tools were used for analyzing and interpretation of data collected.

The study found that while the Grade I UCBs had strong capital base, the State Government's, efforts contributed significantly to the working capital of sample UCBs in Grade-IV. The position of loans and advances made by sample UCBs had recorded an increasing trend during the study period. However, it was found that more than 90 per cent of loan issued by sample banks were secured loans. It is also to be mentioned here that in the case of sample banks in Grade-I, secured loan means Jewel Mortgage Loan, Deposit Loan, Mortgage Loan, House Building Construction Loan, Surety Loan, Cash Credit Loan and Staff Loan. In the case of sample UCBs in Grade-IV secured loan means largely it was Jewel Mortgage Loan. It was found that Coimbatore UCB had higher level of profit, while compared to its counterparts in Grade I. In the case of sample UCBs in Grade IV, it was found that though all these UCBs were not way from the problem of loss. From the above analysis it is concluded that the trend in the growth indicators viz., share capital, deposits, working capital, loan outstanding, NPA and profit / loss showed relatively better position in the case of Grade I sample UCBs. This level of performance for these UCBs was possible because of the certain managerial practices adopted. Hence, the sample UCBs in Grade IV should also attempt to adopt these managerial practices so as to strengthen their financial viability.

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