CHAPTER – II
REVIEW OF LITERATURE

2.1 INTRODUCTION

In the introductory chapter the aim and scope of the present study has been discussed. This chapter deals with the review of literature, which is an important aspect of any research. It helps to trace out the past trends in any particular branch of subject. The review of literature helps to identify the areas of research. A number of research studies have been conducted on the working and performance of commercial and co-operative banks in India and abroad, by academicians and researchers. Some of the previous related research studies are presented in this chapter.

2.2 EMPIRICAL STUDIES ON WORLD BANKING INDUSTRY

Mario Lamberte et al. (2002)\(^3\) attempted to test whether efficient co-operative rural banks (CRBs) have a better control of their agency costs. The researchers used two different concepts of efficiency, namely, cost efficiency and alternative profit efficiency, and found somewhat different results from both the approaches. Using Stochastic Frontier Approach and Distribution Free Approach, researchers here tested two different propositions. The first proposition is that an adequate corporate governance scheme should improve the efficiency of CRBs. The researchers failed to find very conclusive evidence

that corporate governance theories apply to the Philippines’ CRBs. However, the results confirmed both managers’ compensation theory and large stakeholders theory. The second proposition is that agency costs should reduce the efficiency of CRBs, and researchers found a much clearer relationship on that issue. As expected, the most efficient CRBs are characterized by a better control of agency costs. These results are in accordance with previous studies on shirking behavior among mutual financial intermediaries. Researchers also found that rural CRBs are most profit efficient, despite their somewhat normal cost-efficiency, a manifestation that they are able to charge higher fees for the quality of services they offer. Large CRBs are not able to pass their higher costs to customers through higher fees. We found that small CRBs might have a better interest rate policy, that is, they offer lower rates on both loans and deposits.

Vinicius Martins Castilho (2009)\(^4\) presents a theoretical review of credit, considering its concept, its role in economic development and current situation of credit market in Brazil. Later, the co-operative phenomenon is studied – its concept and main representative bodies is studied. Further, the best management practices at operational, legal, information systems and governance level are listed according to the World Council of Credit Unions (WOCCU). An interview plan that aims to identify the application of such

\(^{4}\) Vinicius Martins Castilho, “Best Practices In Rural Credit Co-operatives: Study Of Co-operatives In The Vicinity Of Ribeirão Preto”, VII International PENSA Conference November, 26-28th, 2009 - Sao Paulo, Brazil.
practices in five Brazilian rural credit co-operatives was created according to these practices. The implementation of best practices was verified through fieldwork. The collected data suggest that credit co-operatives follow most of the practices suggested by WOCCU. This fact and other information found in literature helped to propose future study of credit co-operatives and co-operative systems in order to better understand the role of these agents in the management of individual co-operatives.

Festus Agbo, et al., (2010)\(^5\) assesses the extent to which co-operative societies had access to the special intervention fund administered by the Nigerian Agricultural Co-operative And Rural Development Bank (NACRDB) Ltd. The study was carried out between March and September, 2005, on six randomly selected states, one from each of the six geopolitical zones into which Nigeria has been divided. States sampled included Enugu (South-East), Rivers (South-South), Ondo (South West), Benue (North Central), Bauchi (North East) and Kano (North West). Sixty co-operative societies were also randomly selected for the study from each state covered; thirty of them with access and thirty without access to the intervention fund, on the whole 360 co-operative societies were studied. Statistical tools used for data analysis included percentage, means and range. Levene’s test for equality of means was used to determine if the means of the two categories of co-operatives (those with access and those

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Co-operative societies’ perception of the effects of agency operational guidelines on access. The Levene’s test for equality of means showed that the difference between the means of the two categories of co-operative societies were statistically significant at 5% probability level. Likert scale rating confirmed that the operational guidelines of NACRDB such as minimum credit requirement, type of crop grown, approved loan size, and insurance cover affected access to the intervention fund. It was recommended that promoters of co-operative societies should pay adequate attention to the socioeconomic characteristics of the co-operative societies so promoted and the credit guidelines of the NACRDB Ltd.

Francesca Battaglia, et al. (2010)\textsuperscript{6} analyse the cost and profit efficiencies of Co-operative banks are small financial institutions providing financial services in several local geographical areas, and they play a fundamental role in various European banking systems. Even though these small financial institutions present a homogeneous business model, their performance is strongly influenced by the economic conditions of their local markets. The efficiency measurement has to account for the heterogeneity of the environmental conditions. By using a large sample of Italian co-operative banks (2683 year observations) collected between 2000 and 2005, we estimated the cost and

profit efficiency using Stochastic Frontier Analysis (SFA) and including various environmental variables accounting for disparities among Italian regions. The researchers show that environmental conditions substantially influence efficiency estimates. Banks in the Northeast of Italy are shown to be the more cost efficient, benefiting from a favorable environment, while banks in the South of Italy display a higher profit efficiency, probably due to lower competitive pressures. The researchers show that the coefficients for branches and the concentration of co-operative banks with respect to other banks are important both on the cost side and the profit side.

Mclntosh M Kuhlengisa’s (2011)\textsuperscript{7} study provides an overview of the regulatory and supervisory frameworks for Co-operative financial institutions in South Africa, noting the roles of various regulatory stakeholders as well as the perceptions of the regulated institutions. The study finds that despite the small size relative to the overall economy, and the low penetration rates, the CFI sector in South Africa is providing financial services to marginalized communities. However, capacity is a major constraint in the development and growth of the sector. As a result, any supervisory interventions will be pointless in the absence of appropriate capacity interventions. Despite the existence of various regulators, regulatory and supervisory oversight is considered weak. There is lack of clarity on the various roles of the different regulators within the sector, raising scope for regulatory arbitrage. In addition, the role of the

representative body has been called into question, with some CFIs querying its relevance. Regulations have been put in place to address some of these anomalies, and these were evaluated in the context of recommending appropriate supervisory frameworks to enhance the safety and soundness of the sector and minimize regulatory arbitrage. The recommendations are also aligned to the nature and size of such institutions within the broader national strategy of promoting access to financial services in a safe and sound manner.

S. M. Rabiul Alam, et al., (2012)\(^8\) pointed out that the Bangladesh Shilpa Bank (BSB) and Bangladesh Shilpa Rin Sangstha (BSRS) were two public sector development Banks in Bangladesh. In BSB the average net profit was negative and high burden ratio than spread ratio of our study period (1999-2009). In BSRS burden ratio was higher than spread ratio. The key financial indicators in the annual reports also demonstrate the same scenario of poor operational performance and inefficient management of both the public sector development banks in Bangladesh.

**2.3 EMPIRICAL STUDIES ON INDIAN BANKING INDUSTRY**

Srivastave et al. (1990)\(^9\) have analyzed the variations in the disbursal of bank credit among various regions, states and population groups in India for the period from 1980 to 1985. The disparity index was constructed to know the extent of variations. The analysis revealed that the inter-state disparities with

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respect to almost all the indicators are narrowed down in 1985 as compared to 1980.

Bhattacharyya (1990) in his research article examined whether customer service in the banking industry was really deteriorating. He examined the issue using data from two field surveys, conducted by the National Institute of Bank Management in 1974 and 1984. Based on the study, he concluded that an unqualified assertion that customer services have deteriorated in the post-nationalization phase was empirically untenable.

Chawla (1991) in his study focused on several segments of banks financial statements to provide an assessment of the financial health of different bank groups. The study was based on an analysis of financial and related data available in the Annual reports of banks and the Reserve Bank of India publications. The study covered a period of twenty years from 1969 to 1989.

Giridhari (1993) in his paper has narrated the growth of private sector banks and public sector banks as a whole for a three year period - 1989 to 1991. The growth is narrated both figure-wise and percentage wise. The important variables considered in the study include - paid up capital, deposits, advances, priority sector credit, investment, income, expenditure, profit as also per employee deposits, advances, profit, investment, and branch expenditure etc.

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Though the study is empirical in nature, the individual performance of the banks is outside the purview of the study. An integrated picture of the performance of the two sectors too is beyond the scope of the study.

Sooraj and Ganti (1993)\textsuperscript{13} in their study 'Comparative Performance of Public Sector Banks in India' used the taxonomic method to measure inter-bank comparisons of performance of twenty eight public sector banks in India. In their study the bank performance index is based on three income indicators percentage of interest and discount income, commission and brokerage-income and other income – and three expenditure indicators percentage of interest expenses, manpower expenses and other expenses. The analysis was carried out with the help of differential weights and equal weights to each variable.

Swami and Subramanyam (1993)\textsuperscript{14} made an inter-bank comparison of the performance of the public sector banks in India at two points of time (1971-73 and 1987-89). The taxonomic technique was employed to obtain a single measure of the performance based on several income and expenditure indicators. On the basis of the study, State Banks of Bikanar and Jaipur were found to be the most efficient and Punjab and Sind Bank the most inefficient bank for the period from 1971-1973. However, for the period 1987-89, Allahabad Bank emerged to be the best performing and on the other hand, State Bank of Mysore, the worst performing public sector bank of India.

\textsuperscript{13} Swami, Sooraj B. and Subrahmanyam Performance of Public Sector Banks (July-September 1993), p.185.

Swaminathan (2002)\textsuperscript{15} observed that rehabilitation of weak and sick urban banks depends mostly upon the efficiency in the recovery of loans. A systematic drive should be instituted on day-to-day basis in contacting the borrowers whose loans are overdue and consequently the non-performing asset should be closely watched and critically reviewed.

Ms Geeta Sharma, et al., (2003)\textsuperscript{16} observed that the overall Pure Technical efficiency of the sample UCBs during the period under consideration has shown a decreasing trend. The observation of grouping results also shows that the number of banks that could feature themselves as efficient banks has decreased. It is also observed that, though efficient bank group is characterized by its relatively larger size, the relationship seems to be insignificant. It is thus difficult to explain the variations in the pure technical efficiency of the UCBs.

Findings also concluded that the consolidation of UCBs may be a non-disruptive exit for the weak banks but may not improve the pure technical efficiency of the urban co-operative banks.

Ramakrishna Reddy and Sree Bhargavig (2004)\textsuperscript{17} appraised Indian banking from NPA perspective. They observed that the banks have to cross many hurdles to earn profit in the face of a low credit off-take by the industrial


segment and the inability of the State/Central Government to take up new projects. Apart from the internal and external complexities, increase in NPAs directly affects banks profitability, sometimes even their existence. They have given some guidelines for the effective management of NPAs, viz. (a) early warning signals for incipient sickness to be identified and proactive remedial action to be initiated. (b) Banks have to take up the rehabilitation of deserving units only. (c) Securities are to be assessed at regular intervals for the proper provisioning of doubtful and loss assets.

Milind Sathye (2005) measured the financial performance of the banks measured using standard financial performance measures such as return on assets. The efficiency of banks was measured using accounting ratios, e.g., deposits per employee. Two main approaches are generally used to evaluate the impact of privatization on firm performance: ‘Synchronic’ approach in which the performance of state-owned firms is compared with the firms that were privatized or with the firms that were already in private ownership. ‘Historical’ approach, in which ex-ante and ex-post privatization performance of the same enterprise is compared. Given that the data are available for only five years, the researcher has used the synchronic approach. Since the data set is not large enough to allow the use of more robust multivariate statistical procedures, he confines himself to the use of the difference of means test. This study reveals financial performance of partially privatized banks (measured by return on

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assets) and their efficiency (measured by three different ratios) significantly higher than that of the fully public banks. In the matter of quality of advances (measured by the ratio of non-performing assets to net advances), significant difference was not found in these two groups. Of course, there is no quick fix for this problem. Partially privatized banks also seem to be catching up fast with fully private banks as no significant difference was found in financial performance and efficiency between them. On comparing the strategies of privatization in India with the other countries, India was found to adopt the strategy of initial public offerings like Poland. This strategy failed in Poland but seems to have succeeded in India. Gradual privatization and well-developed financial markets seem to have contributed to Indian success.

Paneerselvam, R, et al., (2007)\textsuperscript{19} aimed to analyse the financial assistance of nationalized banks in India. The financial assistance was measured during 1997-98 to 2009-10 in State Bank of India and Associate Bank (19 banks). The study focused on the performance of the nationalized banks in the context of Indian economy. The performance is being carried out with the help of certain crucial operational variables of the banks including total business, expenditure, deposits, advances, profits etc. To identify the relative performance of the operational variables the linear and compound growth rates have been calculated. The growth rates worked out indicated that on the average in the

case of a majority of the operational variables, the performance of the nationalized banks followed by private sector banks is found to be higher when compared to SBI and its associates and foreign banks.

Vijay Hooda (2011)\textsuperscript{20} compares the position of State Co-operative Banks (StCBs) with Scheduled Commercial banks (SCBs) on the basis of three financial ratios. Cash-deposit ratio of StCBs has been more than that of SCBs during the study period. Investment-Deposit Ratio of StCBs has also always been more than that of SCBs during the same period. Credit-deposit ratio of SCBs has been more consistent in comparison to that of StCBs under the reference period. The study concludes that SCBs and StCBs differ significantly as per these selected ratios during the reference period.

Bhavesh P. Chadamiya, et al., (2012)\textsuperscript{21} based their study is mainly on secondary data in order to evaluate financial performance. Ratio analysis, Standard Deviation and t-test have been used as tools of analysis. The researchers have found that overall the merger and acquisition does not effect on the financial position of banks except when weaker & non-viable banks merged with a financially sound and profit making bank. In such a case the profitability of the later bank will be affected.


Abdel baset Hasoneh, et al., (2012) study has three objectives. First, is to investigate the set of relationships among the corporate social responsibility (CSR) services and customer satisfaction. The second objective investigates the relationships between CSR services and financial performance. The third objective of this study is to examine the mediating effect of customer satisfaction on CSR services and financial performance. To achieve the three objectives, the study utilises a single approach design involving the use of a quantitative instrument for customers from Jordanian Housing banks. A representative sample of banks' customers (n=203) were recruited from the selected Housing banks to voluntarily participate in the study. The questionnaire sought information on CSR commonly associated with customer satisfaction in the banking industry, and financial performance, plus demographic details. The results of this study suggested provision of CSR services are associated with customer satisfaction. This is consistent with results of prior studies reporting a significant positive association between the (CSR services) and customer satisfaction. Similarly, this study found a positive relationship between customer satisfaction and financial performance consistent with results of past studies.

2.4 EMPIRICAL STUDIES ON OPERATIONAL AND FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN INDIA

Mathur (1978)\textsuperscript{23} made an attempt to assess the role played by the State Bank of India in Indian economy. The findings revealed that during its two decades of operation the SBI accelerated the pace of growth of Indian economy by providing finance to the neglected sectors of the economy. The bank also played an important role in the development of backward and unbanked areas of the country by pursuing the policy of vigorous branch expansion in rural areas.

Bilgrami (1982)\textsuperscript{24} studied the imbalances in the growth of banking in terms of branch expansion, deposit mobilization, credit deployment and priority sector lending in India over a decade since nationalization. The researcher analyzed the imbalances with the help of Vocational Quotient method and Elasticity Co-efficient method. The study revealed that there had been a substantial growth of banking in the country with respect to all the parameters of banking development. But the disparities among different states and regions with respect to the selected indicators did not come down satisfactorily over the reference period.

\textsuperscript{23} O.P. Mathur, 1978, Public Sector Banking in India – A Case Study of State Bank, New Delhi : Sterling Publishers Pvt. Ltd.,
Patel and Shete (1984)\textsuperscript{25} analyzed the sector wise performance of commercial banks in financing the priority sector during the period from 1969 to 1980. The analysis pointed out that the share of priority sector in overall credit increased considerably during the reference period. Among the sub sectors, the most perceptible increase was registered in direct financed to agriculture. On the contrary, the share of some sub-sectors like indirect finance to agriculture, small scale industries and education remained stagnant during the reference period.

Abrol (1987)\textsuperscript{26} conducted a comparative study of the performance of the Jammu and Kashmir Bank Limited and other commercial banks working in Jammu and Kashmir during 1961-1975. The analysis was carried out in the light of branch expansion, deposit mobilization and credit deployment activities of the banks. The study revealed that the Jammu and Kashmir Bank Ltd., witnessed a faster growth than other banks working in the state, in terms of all the selected parameters. Finally, after identifying the operational problems faced by the commercial banks, some suggestions to improve their working efficiency were given.

Balakrishnana (1987)\textsuperscript{27} used the ‘Z-sum’ technique and Herfindahl Index to evaluate the performance of scheduled commercial banks in reducing the

\textsuperscript{27} Balakrishnan, 1987, “Role of Commercial banks in removing regional banking disparities in rural India” Prajanan, 16(2): 145-151.
regional disparities in rural India during 1975-1985. The analysis revealed that through the rural disparities with respect to branch expansion, deposit mobilization and deployment of credit came down during the reference period, yet, there existed a high degree of concentration with respect to per capita deposits and credits.

Vaish and Chhipa (1988)\textsuperscript{28} attempted to measure the regional variations in the development of commercial banking in India during 1960-1971 and 1980-1981. They also explained the major factors responsible for these variations. The level of commercial banking development was explained in terms of composite indices, constructed with the help of modified factor analysis. The regional disparities were measured with the help of coefficient of variation and the impact of various factors on banking development was estimated with the help of multiple regression analysis. The results of the study indicated that per capita state domestic product, urbanization, banking habits and non-commercial banking developments etc., were the major factors influencing the level of banking development on the basis of the study, Punjab, Maharashtra, Kerala and West Bengal emerged as highly banked, and Tripura and Orissa as very low developed states in India.

Ghosh (1989)\textsuperscript{29} provided an overview of the significant changes that took place in Indian banking scenario during the four decades from independence. The study revealed that after nationalization there occurred a shift in the pattern of sector deployment of credit from large and medium scale industries to small scale industries and agriculture. Similarly, the share of backward areas in total bank credit also recorded a substantial jump after nationalization. The researcher was of the view that in the wake of liberalization, the policy makers should not forget the role assigned to commercial banks to fulfil the objective of growth with equity.

Karunagaran and Benjamin (1989)\textsuperscript{30} analyzed the performance of commercial banks in Tamilnadu during 1969-1886. The analysis was carried out with the help of some simple indicators like population coverage by banks, distribution of their branches, deposits and advances in different population groups etc. In the progress of commercial banks, the state was also compared with that of the country as a whole. The analysis pointed out that by and large, the banking industry in Tamilnadu was not in a good state of health.

Chandrayya (1990)\textsuperscript{31} has undertaken a study ‘Structural Changes in the Credit Deployment Policies and Practices of Commercial Banks in India- A Case Study of Andhra Bank’. The study was confined to the period 1969 - 1984. The

\textsuperscript{29} D.N.Ghosh, 1989, Commercial banking: lessons from Indian experience, the Journal of Indian Institute of Bankers, 50 (1) :45.51.


researcher has examined the various changes that took place in the structure, organization and composition of credit deployed by the commercial banks in India and the varied problems experienced both by the lending authorities as well as the borrowers and suggested feasible ways and means to overcome these problems.

Prabhu (1991)\textsuperscript{32} in 'Excellence Through People: The Canara Bank Way'. explains how an organization can achieve its changing goals from time to time by following the right type of policies. He has made an attempt to share his experiences, thoughts and views on creating and sustaining organizational excellence through people.

A study conducted by Vashist (1991)\textsuperscript{33} to analyze the performance of commercial banks in India find out the relative performance of different banks, composite weighted growth index, relative growth index and average growth index of banks were constructed. The study revealed that commercial banks did well with respect to branch expansion, deposit mobilization and deployment of credit, particularly to the priority sector. But, they showed poor performance in terms of profitability. After identifying the causes of the decline in profitability, some suggestions were made to improve the performance of commercial banks in the country.


Sharma (1993)\textsuperscript{34} made an appraisal of commercial banks in Himachal Pradesh during 1969-1992. The analysis was carried out with the help of ten indicators reflecting the growth of commercial bank branches, deposits and advances. The study pointed out that the commercial banks in Himachal Pradesh, witness a higher growth rate as compared to that in the country as a whole. But, inspite of that, the state lagged far behind the country in achieving the absolute values of different indicators.

Kohli (1997)\textsuperscript{35} analyzed the impact of directed credit under priority sector on the profitability of commercial banks in India. She brought into light that the directed credit was not solely responsible for the deterioration in profitability and the poor quality of the portfolio of these financial institutions. The researcher however, called for the reappraisal of the credit policy of India in the lines of the policies implemented in the East-Asian Countries.

Sathya Swaroop Debasish (2003)\textsuperscript{36} made a study on prime discriminators of profitability in the Indian commercial bank. In this study, banks’ profitability was measured by the net returns generated out of the total resources deployed. This was given by return on assets, i.e., net profits as percentage of total assets. This study was an attempt to identify the most critical profitability ratios using a multifarious analysis technique.

\textsuperscript{35} Renci Kohli, 1997, “Directed credit and financial reform” Economic and Political Weekly, 32(42): 2667-2676
Harsh Vineet Kaur (2010)\textsuperscript{37} in this study, an attempt has been made to rank the various commercial banks operating in India. The banks in India have been categorized into Public sector, Private sector and Foreign banks. For the purpose of profitability analysis 28 Public Sector, 26 Private Sector and 28 Foreign banks have been taken into consideration. For the purpose of ranking, CAMEL analysis technique has been used. Each parameter of CAMEL—Capital Adequacy, Asset Quality, Management Quality, Earning Quality and Liquidity has been evaluated taking two ratios, and a final composite index has been developed. Among the public sector banks, the best bank ranking has been shared by Andhra Bank and State Bank of Patiala. Among the private sector banks, Jammu And Kashmir Bank has bagged the first rank followed by HDFC Bank. In the category of foreign sector banks, Antwerp Bank has been ranked the best followed by JP Morgan Chase Bank.

\textbf{2.5 EMPIRICAL STUDIES ON OPERATIONAL AND FINANCIAL PERFORMANCE OF URBAN AND RURAL CO-OPERATIVE BANKS IN INDIA}

Kutumba Rao (1985)\textsuperscript{38} examined the performance and management of selected central co-operative banks in Andhra Pradesh in relation to the objectives and tasks set for them. Apart from analyzing the organizational structures, the study endeavoured to study the bank’s capital structure, lending policies,

\textsuperscript{37} Harsh Vineet Kaur, “Analysis of Banks in India—A CAMEL Approach”, Global Business Review June 2010 vol. 11 no. 2 257-280

procedures, personnel practices etc. This work considered an important issue viz., whether democratic set up is compatible with co-operative efficiency. The study concluded that, ‘bureaucratic leadership is no substitute for ineffective elected leadership. The leadership has a positive role to play in responding to the local needs of agriculture, branch expansion, deposit mobilization and recovery of loans.

Shete and Karkal (1990)\textsuperscript{39} in their study analyzed the performance and prospects of the Regional Rural Banks in extending rural credit and profitability performance. The study was based on the secondary data published by the Reserve Bank of India and NABARD. The study covered 196 RRB’s in respect to geographical spread, business performance and financial performance.

Sahoo and Sahoo (1991)\textsuperscript{40} examined the Management Co-operative Banks in India. They covered the role of one DCCB in Orissa in mobilizing deposits and lending problems of overdues and recovery management and the evaluation of managerial and financial efficiency. They found that the inefficient management of the sample bank had become the crux of all deficiencies. For an all round working of the bank, the management has to be improved first. Once the bank, including its branches and societies, is equipped with adequate trained manpower they will be able to handle effectively the various banking

functions such as deposit mobilization. Sound financing, effective collections of overdue, etc. An improvement of managerial efficiency will definitely lead to a better utilization of working capital.

Puyalvannan (1997)\(^{41}\) undertook a study of overdues, recovery performance and erosion of funds in Central Co-operative Banks. The researcher has analyzed the overdues, recovery performance and erosion of funds in Central Co-operative Banks and stressed on the fact that, while lending is a fine art requiring sharp commercial acumen, efficient and effective recovery of advances is perhaps a still finer art, requiring a high degree of specialization. It concludes that the percentage of erosion of owned funds of some of the CCBs is high. Overdues contribute as the single reason. Further, interference of Government in the working of the co-operatives is the other cause for the heavy overdues.

Debabrata Das (2000)\(^{42}\) analyzed the workings of Arunachal Pradesh State Co-operative Apex Bank Ltd., The researcher focused to analyze the pattern of advances of the bank to examine the trends of its branch expansion and deposit mobilization. The study covered a period of nineteen years from 1978-79 to 1996-97. The researcher observed that the bank’s performance in deposit mobilization was good. To improve business, it could undertake Government payments like salary, pension etc. Further, proper supervision for the

utilization of loans should be done at different stages frequently. Proper utilization of loan also would improve the recovery position of the bank.

Viswanath (2001)\textsuperscript{43} has analyzed the performance of agricultural credit co-operative and their overdues problems in India. Initially, an attempt has been made to assess the overall performance of agricultural credit co-operatives by using the development index. It is followed by an analysis relating to the nature and extent of overdues problem by using correlation co-efficient technique. Finally, it highlights the main factors causing mounting overdues and some suggestions are made to mitigate and the recovery of loans should be strictly adhered to by credit co-operatives. In order to minimize the problem of overdues, urgent steps must be taken to create recovery cells in each district headed by a district judge.

Kamat (2001)\textsuperscript{44} published his work on productivity challenge before co-operative banks. The author identifies various potential areas for improving productivity in co-operative banks through cost reduction. If there are adequately supported by necessary productivity of human resources, they can yield immense benefits. It must be remembered that ultimately positive cost reduction is achieved only by action. It is high time that the co-operative banks have to adopt an appropriate cost reduction approach to improve productivity in their management.


Dash (2001)\textsuperscript{45} appraised the relationship between Board of Directors (BOD) and Chief Executive Officers (CEO) in urban co-operative banks. He has concluded that a harmonious relationship between BOD and CEO is a sine-qua-non for the bank to show effective results. The functions of management like planning, organizing, staffing, directing, controlling etc., have to be reflected in the bank’s performance. The bank’s objective is achieved by proper implementation of the plans through a codified structure: Chairman, BOD, CEO and various departments. Both BOD and CEO must adopt a professional approach in managing the bank. To lead the bank in the desired path, the BOD and CEO must work together in true spirit of co-operation. Keeping organizational interest is necessary for the existence of the bank, i.e., BOD and CEO. The challenges posed by LPG are to be faced by formulating proper strategies by the BOD and CEO. The opportunities are to be identified in order to capitalize on the scope of liberalized economy. Then only the urban banking sector can operate for its soaring up in this fast changing economic scenario.

Venugopal (2001)\textsuperscript{46} made a study on “Funds management in co-operative banks – A need for new Approach.” The researcher concluded that, in the context of open economy and application of prudential norms and deregulations of interest rates, the fund management in co-operative banks


requires a new orientation for achieving higher productivity and profitability. The new approach should be increasing the spread of interest, which requires reduction in interest cost and increases interest income in order to withstand the competition from other players. In the circumstance, banks should focus attention on allocation of funds in a profitable manner. The mobilization of resources (owned funds, deposits from public, members, loan from RBI, refinance from NABARD, etc.) at the lowest cost and deployment of funds ensuring higher yield (which also depends in good recovery performance of advances and reduction of NPA to the level of less than 10 percent to gross advances) are the essential factors that ensure profitability. The fund management should also focus on the reduction of emerging risks in bank business and also on maintaining desired levels of matching of assets and liabilities.

Rajesh Agrawal, et al., (2002)\textsuperscript{47} examines the role of member-funds in multi-purpose co-operatives in the state of Andhra Pradesh, India. The central thesis is that member-funds, both in terms of quantity and quality, can enhance the control members’ exert on the co-operative. The involvement of members through their capital stake could be at various levels – by the provision of permanent capital, long-term capital and short-term capital. The researchers expects that each of these will have doverse effects on control and culture and systems of the co-operative. Such an effect on control is expected to directly

drive co-operative performance, and indirectly enhance co-operative performance through greater usage of the co-operative by the members. Enhanced co-operative performance in turn would satisfy members, and the loop will hopefully be completed; satisfied members would place more funds with the co-operative. The research used data collected from 923 individuals and 30 multi-purpose co-operatives, as well as case-studies of four successful multi-purpose co-operatives. The 'bottom-line' of this research is that member-funds have a central role in enhancing co-operative performance. Funds provided voluntarily, either as an outcome of collective co-operative level decision making or of individual level decisions is of high quality. Externally compelled member funds are of low quality, as are short-term member funds.

Sujan Hajra (2002)\textsuperscript{48} argues that co-operatives bank face higher risks of failure than commercial banks, due to softer regulatory and supervisory arrangements, highly impaired capital and asset structure, inadequate corporate governance and lack of professionalism. Yet, these two sets of banks have been clubbed together in the same rights and capacity under a unified deposit insurance scheme. The deposit insurance and credit guarantee corporation is making huge payments on account of failure of co-operative banks and this threatens the viability of the deposit insurance system and thereby the financial stability of the country.

Rajesh Kumar, et al., (2011)\textsuperscript{49} analyzed the role of Co-operative banks in agriculture credit in India from 2001/2002 to 2006/2007 with the help of ACGR. The study reveals that the aggregate amount of agriculture credit has increased, while, the share in total institutional agriculture credit has been decreased from 37.91 in 2001/2002 to 18.51 in 2006/07 and further, found that the level of NPAs in Co-operative banks is very high as compare to other financial institutions in India. So, co-operatives banks should control their NPAs level for surviving in credit market of India in future.

Ramesh Chander, et al (2011)\textsuperscript{50} pointed out that the Co-operative Banks are organized and managed on the principals of co-operation, self-help, and mutual help. These have been playing an imperative role in Indian financial system with broad network in both urban and rural areas. Around three hundred and seventy two District Central Co-operative Banks (DCCBs) with large number of branches and extension counters cater to the needs of nearly one lakh societies in rural India. In Haryana 19 DCCBs with more than two hundred branches have been facilitating self-sufficiency in food grain production, creation of better employment opportunities and organizational strength to the rural people through banking services. Recently, the scams in co-operative sector, failure and closure of unviable branches, imposition of penalty by the regulators and payment of heavy money claims due to bankruptcy of co-


operative banks etc. are few significant reasons which persuade to inquire into
the financial affairs of these institutions. Many co-operative banks became
insolvent and others are on the brink of mergers or acquisition. The present
study was conceptualized to examine the financial viability, efficiency and
performance of four DCCBs operating in Gurgaon division in Haryana (India),
viz. Gurgaon, Faridabad, Mahendergarh and Rewari for a period of twelve
years (from 1997-98 to 2008-09) by financial analysis and z-score analysis. The
financial parameters taken here are profitability, liquidity, efficiency, solvency,
risk and bankruptcy. The results reveal that four DCCBs with approximately
fifty branches have not been performing well on all financial parameters taken
for study. The banks performed well on one parameter but deteriorated on
another and in different years as well. All the banks have been a part of
bankruptcy zone (weak performance zone) throughout the study period.

Singh Gurcharan, et al., (2011) focus on the evaluation of the performance of
coop-erative banks in the state of Punjab. Six District Central Cooperation
Bank (DCCBs) from the state of Punjab has been selected for the study. Their
productivity and profitability have been studied for a period of 9 years (1999–
2000). It is found that profitability in all selected DCCBs of Punjab had shown
a negative trend whereas the productivity improved significantly over the
period of study.

51 Dr. Singh Gurcharan and Sukhmani, “Journal of Banking Financial Services and
A. Dharmendran (2012)\textsuperscript{52} examining the Non-Performing Assets (NPAs) – Concept and Status in State Co-operative Banks (StCBs) in India. This study analyses the prudential accounting norms relating to capital adequacy, income recognition, assets classification and provisioning standards. The position and growth standard assets, sub-standard assets, doubtful assets, loss assets, gross NPAs, provision for NPAs and net NPAs are discussed with the help of percentage analysis and compound growth rate for all the StCBs in India. With the tightening of prudential norms, the banking sector has been consistently conforming to and adopting international prudential norms and accounting practices. Such strengthening of prudential norms has resulted in increased levels of NPAs for the StCBs. Although StCBs continue to play an important role, the relatively high levels of NPAs have made these banks weak and vulnerable. Gross NPAs of StCBs in India stood at Rs.6168 crores (12.79\% of total gross advances) and the net NPAs at Rs.3171 crores as on March 31, 2008 (7.01\% of total net advances). These figures pose a severe threat to the profitability, liquidity, and solvency position of these banks. In the context of global competition, it is paramount task for the banks to manage their NPAs more efficiently so that they can change their character from non-performing assets to performing assets.

2.6 EMPIRICAL STUDIES ON OPERATIONAL AND FINANCIAL PERFORMANCE OF RURAL CO-OPERATIVE BANKS IN INDIA

Patel and Shete (1980)\textsuperscript{53} made an appraisal of the growth and performance of the Regional Rural Banks in India, in the light of their branch expansion, deposit mobilization, credit-deployment and profitability position. A comparison between the performance of RRBs and that of other banking institutions working in the country revealed that in spite of registering a high growth rate with respect to most of the indicators of banking development, in some aspects, the former continued to lag behind the later.

Another study relating to Regional Rural Banks was carried out by Sharda (1980)\textsuperscript{54}. The researcher analyzed the progress made by first 48 RRBs, covering 87 districts of the country, during the period 1975-78. The analysis pointed out that these RRBs made a mark in their respective regions in terms of branch expansion, deposit mobilization and deployment of credit.

Reddy and Laxminarayana (1996)\textsuperscript{55} published a study on over dues in co-operatives, a case study in Andhra Pradesh. The viability and self reliance of co-operatives can be brought about only through a more professional approach adopted by co-operatives in the sanction and recovery of various loans. The researcher states that co-operatives should function as efficient business units,

motivated by a sense of social purpose based on the fundamental principles of cooperation.

Biswa Swarup Misra (2006)\textsuperscript{56} pointed out that since their inception; regional rural banks (RRBs) have taken deep roots and have become a sort of inseparable part of the rural credit structure in India. The financial viability of the RRBs has, however, been a matter of concern since the 1980s, just five years after their existence. A number of committees have gone into the issue of their financial viability and possible restructuring. This study follows a deductive approach. First the extent of the problem of the loss making RRBs has been studied to analyse if the problem is confined to some particular sponsor banks or states. Subsequently, an attempt is made to enquire as to factors that influence the performance of the RRBs and the role-played by the sponsor banks. The empirical analysis has been couched in terms of profit and loss making RRBs for a reasonably long (10-year) period to draw robust policy inferences.

Amit K. Chakrabarty, et al (2009)\textsuperscript{57} studied the progress of rural development through the performance of a rural co-operative. Random sample of 100 members of the co-operative have been selected. The opinion of sample members has been collected personally through questionnaire and also direct


interview. Secondary data were collected from the published annual reports of the co-operative. The data, both primary and secondary have been tabulated in a suitable sheet prepared for the purpose. Analyzing and interpreting the collected data, conclusion has been drawn. The study reveals that the rural co-operative has been able to improve the living standard of the rural people of the studied area, thus the rural co-operative accelerated the process of rural development in remote India.

Ramesh Chander (2010) the study was conceptualized to examine the financial viability, efficiency and performance of four District Central Co-operative Banks (DCCBs) operating in Gurgaon division in Haryana (India), viz. Gurgaon, Faridabad, Mahendergarh and Rewari for a period of twelve years (1997-98 to 2008-09) by financial analysis and z-score analysis. The financial parameters here taken are profitability, liquidity, efficiency, solvency, risk and bankruptcy. The results reveal that four DCCBs with approximately fifty branches have not been performing well on all financial parameters taken for study. The banks performed well on one parameter but deteriorated on another and in different years as well. All the banks have been a part of bankruptcy zone (weak performance zone) throughout the study period. The banks need to visualize their operations, policies and strategies for effective utilization of available financial and human resources.

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58 Ramesh Chander, “Financial Viability And Performance Evaluation Of Co-Operative Credit Institutions In Haryana (India)” International Journal Of Computing And Business Research (IJCBR) Volume 1, N. 1 December - 2010
M. Syed Ibrahim (2010)\textsuperscript{59} investigates whether the merger/amalgamation of Regional Rural Banks in India, undertaken in 2005-06 has helped improve their performance. Several committees have emphasized the need to improve the performance of these banks which play an important role in the rural credit market in India. The study is diagnostic and exploratory in nature and makes use of secondary data. The study finds and concludes that performance of rural banks in India has significantly improved after amalgamation process which has been initiated by the Government of India.

Chandra Mohan Patnaik, B., et al., (2010)\textsuperscript{60} investigates the relationship between emotional intelligence and work performance of executives. The present emotional intelligence, emotional quotient has been used as the measure. The sample for the study was executives of middle and top level management from executives working in the Co-operative bank and Gramya Banks in Odisha. For the purpose of confidentiality the name of units has not been disclosed. Odisha was selected for the study from the point of view of accessibility of the researcher to collect the data and able to finish the research within a stipulated period. It is felt that Odisha’s organizational entities are considered as organizations within organizations. The data on performance of these executives were collected from Banks. The objective is to study the perception of employees of co-operative banks and Gramya banks to EI. In support of

\textsuperscript{59} Dr. M. Syed Ibrahim “Performance Evaluation Of Regional Rural Banks In India”, International Business Research Vol. 3, No. 4; October 2010, pp.203-211.

research 216 questionnaires were distributed to the employees of the bank under study, of which 169 responded. To measure the perception level of participants with regard to EI, various variables were identified and assigned perception score to different options. Final score for each variable are calculated by multiplying the number of response by the weight of the corresponding response. The conclusion from this is that the performance appraisal process of banks itself needs evaluation. The perception level of the employees of Co-operative bank and Gramya banks under study seems to be a matured one. High EQ is necessary for better performance in the banking sector. But, high EQ cannot be the only requirement for good performance of the job. Hence, the findings to that extent are reasonable. This will definitely reflect in dealing with the customers day to day life. However, it differs from person to person from attitude point of view depending upon the background and environment from where the individual born and brought up. This is all because of “unpredictable human element with in human”

Dr. Seema Sant, et al., (2012)\textsuperscript{61} evaluate the performance of Urban Co-operative banks for the period, 2004-2009. Financial ratios are employed to measure the profitability, liquidity and credit quality performance of Ten Urban Co-operative banks from Jalgaon and Greater Mumbai. The study found that the overall bank performance has increased considerably in the years of analysis. A significant change in the trend is noticed at the onset of the global financial

crisis in 2007, reaching its peak during 2008-2009. This resulted in falling profitability, less liquidity and deteriorating credit quality in the Indian Banking sector.

2.7 EMPIRICAL STUDIES ON OPERATIONAL AND FINANCIAL PERFORMANCE OF URBAN CO-OPERATIVE BANKS IN INDIA

Krishna (1999)\textsuperscript{62} analyzed the challenges of New Millennium before Urban Co-operative Banks. The researcher has brought into light that the urban co-operative banks are not very well placed when compared to commercial banks as far the proportion of non fund based income to their interest income (from advances and investments) is concerned. With increasing competition, the inter-mediation cost will naturally come down as the spreads keep getting narrower day by day unless the urban banks develop avenues for fee based income out of their non-fund based operations, their profitability would gradually go down inspite of increased turnover. This aspect is directly connected with diversification, innovation and technological upgradation. Further, their efforts to gear up for the challenge would essentially require (a) setting the priorities clearly, choosing their areas of business with great care; (b) building further on their existing strengths like their personalized relationship with customers to assess and service their needs better; and (c) planning carefully their growth strategies, using their limited resources to optimum advantage.

Dash (2000)\textsuperscript{63} conducted a study on “Financial Performance Evaluation Through Ratio Analysis – A case study of Nawanagan Co-operative Bank, Jamnagar (Gujarat). A period of five years starting from 1993-94 to 1997-98 has been studied for the purpose. A number of ratios have been computed under four broadheads namely, operational ratios, profitability ratios, productivity ratios and solvency ratios. It was concluded that, despite satisfactory financial performance, there are certain grey areas which need immediate attention. Effective steps are required for improving the profitability of the bank. The capital base needs have to be strengthened by increasing the membership, which has remained stagnant. It is high time that the bank should hire professionals in order to give a new dimension in its function. Considering the emerging industrialization in the nearby areas, the bank has enormous scope for growth. The bank should explore new horizons in introducing innovative products and diversifying its activities.

Gupta (2002)\textsuperscript{64} submitted a report to UGC on the Working of Scheduled Urban Co-operative Banks: Problems and Prospects. The conferment of scheduled status on the banks has certain advantages and at the same time, it casts greater responsibility on the banks in the maintenance of book of accounts and submission of return etc. According to him the problems faced by scheduled urban co-operative banks are dual control, frequent challenges in the top


management, no qualified staff, small area of operation, limited product base, limited resources, lack of infrastructure, lack of proper support from the government, problem of recoveries of overdues etc. He has also given some suggestions to tackle the problems, they are membership criteria should be simplified, professional management should be encouraged, the dual control should be removed and the management of scheduled urban co-operatives banks should be left to the bank.

K Ramesha (2006)\(^6\) clearly establishes the relationship between the extension/tightening of prudential standards and performance of UCBs. On one hand the share of deposits and advances of UCBs to the total of the banking system has shown a declining trend on the other the tightening of prudential standards particularly after 2000-01 has resulted in a significant structural break in the direction of growth rates of key variables. This trend, if continued for next 4-5 years would not only further reduce the contribution of UCBs, but also may result in failures on a much larger scale. It must be recognized that UCB’s basic organization is driven by the philosophy of co-operation and in an increasingly competitive environment an urban bank becomes more vulnerable on account of factors like size, location and compulsions to lend to a sector and thus, is deprived of scale economies. Rather than tackling the ever-increasing number of weak and sick UCBs through restructuring and rehabilitation

\(^6\) Dr K Ramesha, “Financial Sector Reforms and Performance of Co-operative Credit Organizations: A Study of Urban Co-operative Banks in India”, National Institute of Bank Management Kondhwa Khurd, NIBM Post Office Pune 411048, India, Paper presented at 13th Conference of International Association for the Economics of Participation, July 13-15, 2006, Faculty of Business Studies, Mondragon University, Spain
programs, the Government/RBI must revisit the idea of setting up of a separate regulatory body for UCBs and promote professionalism and governance, so that to some extent the impact of size related disadvantages of UCBs are minimized. For smaller UCBs, a different set of norms may be carved out from the existing prudential standards and for larger UCBs having multi-state presence and offering full range of banking services, perhaps appropriate regulatory and supervisory mechanism is a pre-requisite for the extension of prudential standards on par with other players.

Mukul G. Asher, (2007)⁶⁶ argue a case for a paradigm shift in the way urban co-operative banks (UCBs) are managed, governed, and regulated in India to enable them to enhance their contributions to achieving greater degree of financial inclusion, and more broad-based growth. The study first surveys the quantitative importance of the UCBs in India, and their key performance indicators. Various official reports by the country's Central Bank, the Reserve Bank of India (RBI), and other relevant organizations are used extensively. The study then identifies key areas of reforms, centering primarily on the current business model, governance and regulation practices, and capital adequacy. It then argues for a change in the paradigm shift by the UCBs, and how better governance and regulatory structure can assist this shift. The study finds that if the UCBs are to remain relevant and play a significant developmental role in India, they will require the same quality of governance and regulation as well.

as professionalism and modernization as the mainstream commercial banks. The governance and regulatory structures need to be brought in conformity with India's current and prospective economic structure and relevant laws modernized. This requires a paradigm shift in the role of UCBs.

Amit Basak (2009)\(^{67}\) pointed out that the urban co-operative banks are one of the vital segments of the banking industry of the country. They essentially cater to the credit needs of persons of small means. Though some UCBs have shown credible performance in the recent years, a large number of banks have shown discernible signs of weakness. The operational efficiency is unsatisfactory and characterized by low profitability, ever-growing non-performing assets and relatively low capital base. Probably the biggest challenge facing the banking sector, especially the UCBs is the non-availability of good quality assets. The large-scale sickness in the UCBs has shaken the public confidence in co-operative banks.

Ravneet Kaur (2011)\(^{68}\) pointed out that the Urban Co-operative Banks (UCBs), though not formally defined, refers to primary co-operative banks located in urban and semi-urban areas. These banks, till 1996, were allowed to lend money only for non-agricultural purposes. This distinction does not hold today. These banks were traditionally centered around communities, localities and


work place groups. They essentially lent to small borrowers and businesses. Today, their scope of operations has widened considerably. A feature of the urban banking movement has been its heterogeneous character and its uneven geographical spread with most banks concentrated on the states of Gujarat, Karnataka, Maharashtra, and Tamil Nadu. While most banks are unit banks without any branch network, some of the large banks have established their presence in many states when at their behest multi-state banking was allowed in 1985. Some of these banks are also Authorised Dealers in Foreign Exchange.

The study attempts to analyze the recent trends in deposit mobilization by urban co-operative banks in India.

Sanjay Kanti Das (2012) the objectives of this study are to access the growth and structure of co-operative credit societies in the North Easter Region of India. Further, to access the financial health and to identify overall performance of Meghalaya Co-operative Apex Banks is another objective of this study. The study is exploratory research in nature. The study covers 8 years from 2002-03 to 2009-10. This study tries to explore the growth and current status of Meghalaya Co-operative Apex Banks in particular and State Co-operative Banks in North Eastern Region in general. It also aims to study the financial performance and financial health of Meghalaya Co-operative Apex Bank through descriptive statistics and ratio analysis of some selected financial

indicators. The following parameters are taken to evaluate the performance of MACBs: 1) Owned Funds parameters: a. Share Capital b. Reserves. 2) Business Parameters: a. Deposits b. Loans and Advances (Outstanding). 3) Recovery Performance Parameters: a. Demand b. Collection c. Overdues. However, it is observed that SCBs in North Eastern Region are not at par with the rest of the country. The Meghalaya Co-operative Apex Bank is the exception in this context but still faces some common problems that are suffered by other State Co-operative Bank in the region. Low Credit-Deposit (C-D) ratios, high overdues, high volume of Non-Performing Assets etc are common to all State Co-operative Banks in the North Eastern Region of India. But among the rest of all State Co-operative Banks in North Eastern Region, the Meghalaya Co-operative Apex Bank is performing very well in terms of profitability and operational efficiency.

A. Ramachandran, et al., (2012)\textsuperscript{70} focused their attention to study the financial performance of Urban Co-operative banks in India, which were covered under schedule II of RBI Act. In this regard, schedule II of RBI Act consists of 55 Urban Co-operative banks. The researchers aim to analyze the financial performance of 10 Urban Co-operative banks for sample study. The Urban co-operative banks exhibited a greater emphasis on product diversification, customer orientation thrust towards retail banking, adoption of IT for improved service, better MIS and management and strategic mergers and acquisition

across bank groups. The relative performance of each bank has been assessed in the context of Resources Deployed, Assets Quality, Management Productivity and Earning Capacity variables.

2.8 EMPIRICAL STUDIES ON OPERATIONAL AND FINANCIAL PERFORMANCE OF CO-OPERATIVE BANKS IN TAMILNADU

Ambiga Devi (1996)\(^1\) measured the inter-district disparities and the level of banking development in Tamilnadu during the years 1990 and 1991. Ten indicators relating to different banking aspects were used to capture the level of banking development. The co-efficient of variation and weighted composite index were used to find out the extent of variations. The analysis pointed out very wide inter-district variations with respect to branch expansion, priority sector lending’s and per capita advances in the State. The overall pattern of banking development revealed five districts (viz., North Arcot, Coimbatore, Tiruchirappalli, South Arcot and Madras) as highly banked and three (viz., Kanyakumari, Ramnathapuram and Dindigul) as low banked districted of the State.

Rengaswami and Subbiah (1997)\(^2\) analyzed the comparative performance of different bank groups in financing priority sector in Kamarajar district of Tamil Nadu. The analysis, which covered a period from the year 1985 to 1988, were

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carried out with the help of the ‘Kruskal-Wallis Test’, on the basis of the study, the performance of public sector commercial banks was found to be better as compared to the regional rural and private sector commercial banks in lending to the agriculture sector. But, in financing the industrial sector, the performance rating of the private sector banks was found to be quite high as compared to the regional rural as well as public sector commercial banks.

Rengaswami and Ramanath (2002)\textsuperscript{73} conducted a study on the agricultural sector financing by the Madurai District Central Co-operative Bank (MDCC). The district credit plan prepared by the lead bank is an important phase of the service area approach. The major aim of the district credit plan is to regulate the flow of priority sector credit in each district in accordance with plan priorities. The analysis reveals that the performance of MDCC bank is as good as the performance of other financial agencies in the agricultural lending in the Madurai district. Hence, it is concluded that the MDCC bank has evinced greater interest in lending to agricultural sector in the district.

Samwel Kakuko Lopoyetum (2004)\textsuperscript{74} has made a study on performance appraisal with special reference to profitability and viability dimension of Uthamapalayam urban co-operative bank, Theni district. The study was conducted with a major objective of studying the growth of business


operations, profitability and viability of Uthamapalayam urban co-operative
bank for the period 1992-2001. The study found that there had been a steady
growth in membership, share capital, reserves, loans and advances over the
period. There were fluctuations in loan recovery. The researcher used a
number of ratios to measure the performance of the bank and inferred that the
success of the bank was due to better quality of services and effective
management.

S.Sreekala, et al., (2005)\textsuperscript{75} concluded that the bank’s performance is
satisfactory. In some area they are lacking in banking position. If they improve
their customer service and technology they will come up with the standard
level. According to the least square method the Net Profit is expected to
increase in the next five years. This study reveals the findings and
recommendations which would be useful for the development and
improvement of the bank.

Samwel et al., (2005)\textsuperscript{76} made a study on financial analysis of urban co-
operative banks in Dindigul district in the new economic environment. The
study is an attempt to investigate into financial analysis of urban co-operative
banks in Dindigul district of Tamilnadu. The study revealed that deposits
(80.13\%) were the major source of funds of UCBs in the district, of which
51.20 percent were deployed in the form of credit. The solvency position and

\textsuperscript{75} S.Sreekala and V. Santhi, “A Study on Asset and Liability Management in Salem Co-operative
\textsuperscript{76} S.K Lopoyetum, Markkandayan and K.G. Selvan, 2005, “Financial Analysis of Urban Co-operative
Banks in Dindigul District in the New Economic Environment”, Co-operative perspective, pp.38-47.
recovery position of the banks were found sound. The study suggests innovative loan schemes, diversification and intervention in new markets for additional income generation by UCBs. Besides, the study urged for adequate fund management, linking salary to productivity, efficient and effective business skills and debureacratization of co-operative banking systems to achieve competitive edge in the era of economic liberalization and globalization.

Seetharamu (2005)\textsuperscript{77} in his paper on “Need for corporate governance in urban co-operative banks” pointed out that, in recent years, the functioning of UCBs has come into sharp focus of the Government of India and the regulatory and supervisory authorities viz., Reserve Bank of India. The weakness which have crept into the urban co-operative banking system, over the years, leading to failure of some of them, have posed systematic threat and shaken the confidence of the general public in the system. The problems faced by urban co-operative banks are mismanagement, financial impropriety and poor credit investment decisions. The Reserve Bank of India is concerned with the deteriorating health of the system and is now focusing its supervisory attention more closely for consolidation of the system. Further, the author concluded that all the four pillars of the organization viz., Board of management, CEO/senior management, operating staff and shareholders should contribute to the bank’s performance and its overall health.

E. Gnanasekaran, et al., (2011) examine the working and financial performance of the UCBs. To make the analysis simpler and presentable the researcher takes Urban Co-operative banks in Vellore District only. The study is based on secondary data and other information provided by the bank in its published annual reports. The relevant data have been collected for the period from 2003-04 to 2008-09. This data have been analyzed with the help of statistical tools like ratios, percentages, averages and trend analysis, chi-square test, and multiple regression analysis. The financial statement analysis of the Urban Co-operative Banks (UCBs) has shown the significant progress made by the Bank during the study period. The UCBs has powers to organize and bring together the middle and working classes in the urban area of Vellore District. These banks are functioning independently and prospering well because of its efficient management. It is maintaining close and cordial relations with the public by providing credit and deposit facilities. At present, the UCBs has reached a stage where it could be thinking more effectively in helping the development of the other co-operative activities. The aim of the present study is to analyze the financial assistance of the UCBs to the weaker sections of the society in Vellore District. The UCBs has done a marvelous job of not only providing the banking facilities but also the agency functions to its members. The healthy activities of the UCBs are highly commendable and the bank is in

a position to give stiff competition to the other commercial banks in the urban area of Vellore District.

E. Gnanasekaran, et al., (2012)\textsuperscript{79} examine the growth and success of the urban co-operative banks in Vellore District through statistical analysis. The overall financial performance of the UCB’s in all fronts namely, Membership, Share Capital, Deposits, Loans and Advances, Profit and Reserve Funds, Working capital, Overdues, Loans issued etc., are showing a significantly and undisturbing trend through the application of different statistical tools applied in the study. Therefore it may be un-doubtfully concluded that the UCB’s are the road of progress. This also clears that, the UCB is enjoying a predominant position in the banking industry occupying the eighth place in the banking institution serving in Vellore District.

2.9 CONCLUSION

A review of the various studies on the working performance of banks reveal that the empirical research on operational and financial performance of urban co-operative banks in Thanjavur district of Tamilnadu is not yet attempted. The present study “operational and financial performance of urban co-operative banks in Thanjavur district of Tamilnadu” attempts to fill this research gap. The results of the study are very useful to effective functioning of urban co-operative banks in India in the global competitive scenario.