Chapter Seven
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Major Findings, Conclusions and Suggestions

The study has revealed some significant trends, facts and interrelations of variables relating to the financial performance of the urban cooperative banks covered by the study and they have led to some useful inferences and conclusions. These important findings and conclusions have been summarized to provide a comprehensive and compact picture of the evolution, growth and performance of these co-operative banking institutions which have a direct bearing on their future prospects.

Major Findings and Conclusions:

1.1 Financial sector reforms triggered off by the economic liberalization measure pursued by the Government would be one of the turn around events of this century. The urban cooperative banks could not remain unaffected by the ongoing change in the banking sector. Under the New liberalized policy in a free market environment only those banks which are fiercely competitive, innovative and have the ability to adapt quickly to the environmental changes are likely to survive.

1.2 Urban Cooperative Banks were looked upon as small man's banks. They were once considered as the exclusive bankers for certain segments of urban population like salary earners, small traders, artisans etc., However the niche in the banking market is no longer the sole preserve of urban
Cooperative Banks with the nationalization of commercial banks in 1969 the public sector banks have started encroaching the areas of UCBs and they have penetrated into small towns and semi urban centers. The fields so far reserved for Cooperatives have been opened to commercial banks. This in many cases has led to duplication of the services and competition between different financial institutions.

1.3 However UCBs enjoy certain characteristic features like open membership, member participation in managements, the local feel and familiarity, mutual knowledge, personalized and courteous services etc all of which are eminently suitable to cater to the needs of small men and small sectors of industries.

UCBs on the one hand are faced with new challenges and on the other hand a number of opportunities are thrown open to them.

1.4 Despite sickness of some of the urban Cooperative Banks and continuous efforts of the Reserve bank of India and the respective state federations for the past many years to impart strength for better working of the urban Cooperative Banks in future it is widely accepted that urban Cooperative Banks are most suitable agencies as an ingredient of multi agency system of routing the credit to mobilizing the savings of middle class masses.

2.1 The evolution of the cooperative credit system in India is traced to the year 1883 when Sir Henry Stark advocated for introduction of cooperative credit system. Other names mentioned in this context are Sir Raymond West,
and F.H Nicholson and their suggestions for introducing of Raiffesian model of Cooperative societies.

2.2 Madras Government pioneered to introduce village banks as an experiment followed by the initiation of other states like UP Punjab and Bengal in this direction. The efforts of Prof Vithal Laxman alias Bhausaheb Kavathekar in starting the 'Annyonya Sahakari Mandal' are cited in this regard.

2.3 The First cooperative legislation in India was enacted in 1904 for the formation of urban cooperative credit societies. The new Cooperative Credit Societies Act was passed in 1912 to overcome the inadequacies of the 1904 Act. The Maclagan Committee Report in 1915 suggested for setting up of agricultural and non-agricultural credit societies.

2.4 The banking crisis of 1913-17 and the Manteque Chemsford constitutional reforms of 1919 resulted in further impetus to the growth of the cooperative credit societies and cooperation become a state subject. The Bombay state passed its own cooperative Act in 1925 followed by Madras (1932), Bihar and Orissa (1935), Coorg (1936) and Bengal (1940).

2.5 The economic boom created by the second world war (1939-45) provided a stimulus to the growth of urban banks in India. The urban cooperative credit societies started taking up new avenues of financing of artisans, small businessman and small trader for productive purposes.
2.6 The progress of the urban cooperative credit system has been very fast in the post independence period and after the application of the provisions of the 1949 Banking Regulation Act to the urban cooperative banks in 1966. The number of UCBs rose from 1397 in 1991 to 2084 in 2004; the number of branches rose from 3391 to 7368, women banks from 40 to 117 and scheduled banks o 51 in 2004. The deposits rose from Rs. 10157 crores to Rs. 93958 crores and loans from Rs. 8003 crores to Rs. 51090 crores during the corresponding period.

2.7 There has been a great thrust in the priority sector lendings by the UCBs in India. As at the end of March 2000 about 86 percent of UCBs had lent more than 60 percent of their loans to priority sector.

The UCBs had relatively lower percentage of their loans as NPAs as compared to commercial banks.

2.8 The major problem areas of UCBs relate to (i) the dual control of the state Government and the RBI (ii) limited area of operations (iii) concentration of UCBs in certain areas and also in some states in India (iv) small and uneconomic size of the UCBs (v) competition from large commercial banks (vi) weak financial strength (vii) inadequate autonomy (viii) lack of professional management (ix) domination of political and government leaders etc.,
2.9 The first cooperative credit institution in Karnataka was started in Betageri in the erstwhile Dharwad district in 1905 in Bombay Karnataka area. The Bangalore City Cooperative Credit society was registered in December 1905.

A separate state level Federations of Cooperative urban banks was organized at Davangere in 1965 and shifted to Bangalore in 1981. The Mysore Cooperative Societies Act 1959 was passed and came into force in June 1960 Karnataka with 302 UCBs occupies third place in the country as regards cooperative banking movement was concerned.

2.10 The growth of UCBs in Karnataka has been tremendous during the last 90 years. Starting with 13 UCBs in 1900-1910 the number of UCBs in the state rose to 70 in 1930-40, 107 in 1950-60, 207 in 1970-80 and 302 in 2002-03.

The total number of branches of UCBs rose from 253 in 1993-94 to 858 in 2002-03, and the number of members rose from 1209581 to 2365820 during the corresponding period. The paid up share capital rose from Rs. 63 crores in 1993-94 to Rs. 357 crores in 2002-03 and reserves and other funds rose from Rs. 132 crores to Rs. 853 crores during the same period. Owned funds rose from Rs. 195 crores to Rs. 1210 crores and deposits rose from Rs. 1045 crores to Rs. 7991 crores between 1993-94 and 2002-03. The working capital of the UCBs rose from Rs. 1271 crores to Rs. 9382 crores and loans and advances rose from Rs. 800 crores to
Rs. 5365 crores during the corresponding period. Priority sector advances rose from Rs. 455 crores to Rs. 3690 crores during the same period. The net profits of the UCBs rose from Rs. 33 cores to Rs. 139 crores during the period from 1993-94 to 2002-03.

2.11 The number of Mahila UCBs was 28 during March 2001 to March 2003. The number of branches declined from 16 in 2001 to 13 in 2003 while the number of members rose from 130371 in 2001 to 147186 in 2003. The paid up share capital rose from Rs. 1316 lakhs in 2001 to Rs. 1613 lakhs in 2003 and reserves and other funds rose from Rs. 988 lakhs to 1932 lakhs during the same period. Owned funds of the Mahila UCBs rose from Rs. 2304 lakhs to Rs. 3545 lakhs. Deposits of the 28 Mahila UCBs rose from Rs. 16896 lakhs in 2001 to Rs. 22910 lakhs in 2003, Working capital rose from Rs. 19483 lakhs to Rs. 27023 lakhs during the same period. Loans and advances rose from Rs. 10197 lakhs in 2001 to Rs. 15163 lakhs in 2003 and loans to priority sector rose from Rs. 6118 lakhs to Rs. 11639 lakhs during the same period. Net profits of the 28 Mahila UCBs rose from Rs. 274 lakhs in 2001 to Rs. 366 lakhs in 2003.

2.12 The overdues of the UCBs in Karnataka declined from 10 percent of the total loans to 8 percent between 1993-4 to 2002-03.

2.13 The organizational structure of the UCBs indicates that these institutions have bread based membership with democratic management having a duly elected board of directors.
The UCBs organizational structure comprises of policy making and executive wings. The policy making wing includes (i) General body (ii) Board of management (iii) Executive committee and (vi) President and vice president.

The Executive wing includes General manager under whom there are 5 sections viz. Administrative Establishment Section, Loans and Operations Section, Planning and Development Section, Branch and Account Section and Branch Control Inspection.

There are other functionaries like Section Manager, Office Superintendent, Section Officer, Inspection and Office Assistants.

The UCBs have got unitary structure. They have to work exclusively without any support from any higher level financing institution.

2.14 Membership of the UCBs is of three types viz. Regular members, Associate or Nominal members and small scale industry members. The regular members alone contribute towards the share capital of the UCBs. Associate members do not have voting rights and they are not required to contribute to the share capital. An UCB is an association of individuals and not an association of capital. They work on the basis of one man one vote.

2.15 The area of operation of UCBs differ from one state to another state. Usually the area of operation is determined by the by law. In small towns the area of operation of an UCB covers the entire municipal area. This
policy is followed in Tamil Nadu. In states like Maharashtra and Gujarat many UCBs have been started in the same town.

The committee on problems of Urban Cooperative Banks in Maharashtra in 1976 did not favour a UCB beyond a district. The RBI in 1973 observed that the area of operation of an UCB should ordinary be confined to a town or city. In metropolitan cities the area of operation should be confined to contiguous towns. Varde Committee suggested that the area of operation of an UCB should be restricted to municipality or Taluka town. Madhavadas Committee was against widening the area of operation beyond the prescribed limits.

2.16 The objectives of UCBs are listed in the by laws. However the Committee on Urban Cooperatives (1979) has listed three main objectives of UCBs viz.

i) Promotion of thrift and mobilization of resources from the community they serve.

ii) Provision of credit at reasonable rates to small borrowers.

iii) Provision of banking and other subsidiary services.

2.17 Profit making is subordinate with UCBs, Contribution made by a member to the share capital of an UCB is more in the nature of an advance payment for future service rather than an investment for earning profit.

UCBs are allowed to pay dividend to members on their paid up share capital at the rate permitted by the Acts and the profit to depositors

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in the form of higher interest on their deposits and to the borrowers in the form of rebate in the interest chargeable.

2.18 The financial resources of UCBs are obtained from the following.

(1) Share capital  (2) Deposits  (3) Borrowings from RBI State or Central Cooperative bank  (4) Refinance from RBI, NABARD / IDBI  (5) Rediscount of Bills with IDBI on which discount is paid.

2.19 The UCBs deploy their resources as per the by laws of the banks, governing body of the bank and the RBI directions. However there are statutory obligations for the UCBs according to which three percent of their deposits is to be kept as liquid cash under compulsory cash reserves and another 25 percent of the deposits is to be kept in the form of liquid assets. The remaining amount of the banks resources is available for lending or investment.

The unsecured loans of the UCBs are not to exceed the limit fixed by RBI which is 33 ½ percent of time and demand liabilities. Further 60 percent of the advances should be lent to the priority sector of which not less than twenty five percent of the loans should be to the weaker sections. Surplus if any after meeting the needs of the members may be invested with higher financing institutions or as permitted by law/banks byelaws.

3.1 The profiles of the 35 UCBs in 7 districts covered by the study indicate that a few of them were started as early as the first decade of the last century immediately after the passing of the cooperative societies Act of 1904. A
few of them have large membership while the others have a limited number of members. It is significant to note that all the 35 UCBs covered by the study have been assigned 'A grade as per the audit classification.

3.2 The number of employees of the 5 UCBs in Belgaum district varied between a minimum of 14 to a maximum of 70. In 5 UCBs in Bijapur district the number varied between 11 and 199, in Bagalkot from 10 to 72 in Dharwad from 15 to 89 in Gadag from 7 to 20; in Haveri from 6 to 23; and in Uttar Kannada district the number of employees of the 5 UCBs varied from 7 to 144.

3.3 The number of branches of the 5 UCBs in Belgaum district varied from a minimum of 1 to a maximum of 5; in Bijapur from 1 to 12, in Bagalkot from 1 to 8; in Dharwad from 1 to 8, in Gadag 1 branch each, in Haveri 1 to 4 and in Uttar Kannada the number of branches of the 5 UCBs covered by the study varied from 1 to 17.

3.4 The Gokak UCB was the earliest to be started in 1906 and Davidnya UCB is the latest to be started in 1997 among the 5 UCBs in Belgaum district. The Bijapur Dist. Government officials UCB was started in 1909 and the Chaitanya Mahila UCB of Bijapur in 1995, in Bijapur district. Sri. Basaveshwar UCB Bagalkot was started in 1912 and; The Kittur Channamma UCB Bagalkot in 1998. The SSK UCB Hubli in 1921 and Vishwakalyan UCB in 1994; The Ron Taluka Teachers UCB in 1923 and The Azad UCB in 1966, The Gajanan UCB in 1918 and Sri. Siddeshwar
UCB Ranebennur in 1977 and The urban Cooperative Bank Karwar was started in 1912 and The Vikas UCB Yellapur in 1997 in the Uttar Kannada district.

4.1 The average growth of deposits of Davidnya Sahakari Bank Niyamit Belgaum was the highest at 28.06 percent during the ten years from 1993-94 to 2002-03 followed by Mahalaxmi Pattan Sahakari Bank Ltd., Bailhongal (21.38 percent) Bailhongal Merchants UCB (16.33 PC), The Gokak UCBs (15.89 PC) and the Maratha UCB Belgaum (13.81 PC). The growth of deposits has varied from year to year during the ten year period for the 5 UCBs covered by the study.

The growth of deposits of the 5 UCBs in Bijapur district has been substantial during the ten years. Sri. Siddeshwar UCB registered a maximum growth of 30.63 percent in 99-2000 The Chaitanya Mahila UCB Bijapur, 64.22 percent in 97-98, The Bijapur District Govt. Officials UCB 58.46 percent in 99-2000 Sri. Basaveshwar UCB Basavana Bagewadi 43.29 percent in 99-2000 and the Bijapur Mahalaxmi UCB registered a maximum growth of deposits of 30.54 percent in 1999-2000.

Maximum growth of deposits of the 5 UCBs in Bagalkot district have been 58.58 percent by Sri. Basaveshwar UCB Bagalkot in 98-99, Bagalkot UCB Bagalkot 56.71 percent in 94-95, Rakkavi UCB Rakkavi 71.32 percent in 2001-02, Vijaya Mahantesh UCB of Hungund 70.47 percent in
99-2000, and Kittur Channamma Mahila UCB Bagalkot registered the highest growth of deposits of 34.36 percent in 2001-02.

Growth of deposits of 5 UCBs in Dharwad district has been substantial during 1993-94 to 2002-03. Navakalyan UCB Hubli registered maximum growth of deposits of 38.56 percent in 99-2000. The Vishwakalyan UCB 94.24 percent in 99-2000. The SSK UCB 55.04 percent in 97.98, The Vardhaman UCB 29.55 percent in 98-99 and The Mahalaxmi UCB Dharwad registered maximum growth of deposits of 55.94 percent in 97-98.

The 5 UCBs of Gadag district had registered good growth of deposits during the 5 years. The Merchants UCB registered the highest growth of deposits of 16.70 percent in 95-96, Ron Taluka Teachers UCB 12.09 percent is 98-99, The Laxmi UCB Gajendragad 9.01 percent in 97-98, The Azad UCB 33.01 percent in 98-99 and the Merchants Liberal UCB Gadag registered a maximum growth of deposits of 18.44 percent in 97-98.

The deposits of 5 UCBs in Haveri district have increased substantially. The Haveri UCB registered highest growth deposits of 48.01 percent in 96-97. The Hangal UCB 42.08 percent in 94-95. The Gajanan UCB 48.17 percent in 97-98. The Akki Alur UCB 61.47 percent in 97-98 and Sri. Siddeshwar UCB Ranebennur registered highest growth of deposits of 56.03 percent in 99-2000.
The growth of deposits of 5 UCBs in Uttar Kannada district has been substantial during the 5 years from 1993-94 to 2002-03. The Karwar UCB registered highest growth of deposits of 39.58 percent in 94-95. The Ankola UCB 44.09 percent in 97-98, The Sirsi UCB 49.17 percent in 1997-98, The UCB of Yellapur 34.32 percent in 99-2000 and The UCB at Siddapur registered maximum growth of deposits of 35.87 percent in 2000-01.

4.2 Composition of deposits of the 35 UCBs in the 7 districts of North Karnataka comprised of current deposits, savings deposits, fixed deposits, cumulative deposits, pigmy deposits, cash certificates and other deposits. Fixed deposits accounted for the major part of the total deposits of these UCB followed by savings deposits, current deposits and pigmy deposits.

Maratha Urban Cooperative Bank Ltd., Belgaum led the other four UCBs in Belgaum district in mobilising maximum amount of current deposits during the ten years from 1993-94 to 2002-03. The Bank also collected maximum amount of savings deposits compared to the other 4 UCBs in the district during the corresponding period. Maratha Urban Cooperative Bank Ltd., Belgaum again led the other four UCBs in the district in mobilizing maximum amount of fixed deposits during the ten years from 1993-94 to 2002-03.
The Daivdnya Sahakari Bank Ltd., Belgaum mobilized the maximum amount of cumulative deposits followed by Maratha urban Cooperative Bank Ltd., Belgaum, The Gokak Urban Cooperative Bank Ltd., Gokak, and the Bailhongal Merchants Cooperative Bank Ltd., Bailhongal. The Daivdnya Sahakari Bank Ltd., Belgaum also led the other four UCBs in the District in mobilizing savings through pigmy deposits.

The Bailhongal Merchants Cooperative Bank Ltd., Bailhongal and the other four UCBs in the district had mobilized good amount of deposits through cash certificates.

The composition of deposits of 5 UCBs in Bijapur district too conformed to the same pattern. The Siddeshwar UCB Bijapur led the other 4 UCBs in the district in mobilizing current savings, fixed and pigmy deposits during the ten years from 1993-94 to 2002-03. The Bijapur District Government official Cooperative Bank Ltd., Bijapur led the other 4 UCBs in mobilizing cumulative deposits while the Chaitanya Mahila UCB led the other four UCBs in mobilizing deposits through cash certificates.

The 5 UCBs in Bagalkot district have made good efforts in mobilizing different type of deposits Sri. Basaveshwar UCB Bagalkot mobilized maximum amount of savings deposits, cumulative deposits and pigmy deposits. The Bagalkot UCB mobilized maximum amount of current deposits. The Vijaya Mahantesh UCB mobilized maximum amount of fixed deposits and cash certificates.
It is found that Navakalyan UCB Hubli in Dharwad district mobilized maximum amount of deposits through pigmy and cash certificates while Vishwakalyan UCB mobilized maximum amount of cumulative deposits. The SSK UCB Hubli mobilised maximum amount of current and savings deposits during the ten years period from 1993-94 to 2002-03.

The five UCBs in Gadag district have mobilized deposits of different types during the ten years. The maximum average of current and savings deposits were mobilized by The Merchants Liberal UCB Gadag. The Azad UCB Gadag mobilized maximum average annual fixed deposits. The Merchants UCB Gadag mobilized maximum average annual amount of cumulative deposits. The Merchants Liberal UCB of Gadag had also mobilized maximum annual average amount of deposits through pigmy and cash certificates.

The Composition of deposits among the five UCBs of Haveri district indicates that the Haveri urban Cooperative bank Ltd. Haveri had mobilized highest average annual amount of savings, fixed and pigmy deposits during the 10 years from 1993-94 to 2002-03. The Hangal UCB Hangal mobilised maximum annual average amount of cumulative deposits and deposits through cash certificates. Maximum annual average amount of current deposits were mobilised by Sri. Gajanan UCB Byadagi.
The five UCBs in Uttar Kannada district have made good progress in mobilizing deposits of different types. The Sirsi UCB had the highest annual average amount of current savings and fixed deposits during the ten years from 1993-94 to 2002-03. The Vikas UCB Yellapur had the maximum annual average amount of pigmy deposits during the corresponding period compared to the other 4 UCBs in the district. The Siddapur UCB had the highest annual average amount of deposits through cash certificates.

4.3 There is wide range of variations in the growth of per capita deposits of the 35 UCBs covered by the study in the 7 districts of North Karnataka.

The per capita deposits of the Maratha UCB Belgaum ranged between Rs. 62474.03 in 1999-2000 and Rs. 77596.72 in 2001-02 during the five years from 1999-2000 to 2003-04. This is the maximum level of per capita deposits compared to the other four UCBs in Belgaum district. The lowest range of per capita deposits was in case of Mahalaxmi Pattan Sahakari Bank Ltd., Bailhongal.

The Per capita deposits of Sri. Siddeshwar UCB Bijapur was at a much higher level compared to the per capita deposits of the other four UCBs in Bijapur district covered by the study. The growth of per capita deposits of the Bijapur District Government officials UCB Bijapur was lowest compared to the other 4 UCBs.
The per capita deposits of Sri. Basaveshwar Urban Cooperative bank Ltd., Bagalkot and Sri. Vijaya Maantesh Urban Cooperative Bank Ltd., Hungund have been much above the per capita deposits of the other three UCBs covered by the study in Bagalkot district.

The SSK UCB Hubli had the highest per capita deposits compared to the other four UCBs in Dharwad district during five years from 1999-2000 to 2003-04. The per capita deposits of Vishwakalyan UCB was relatively at a lower level compared to the other four UCBs in the district.

The per capita deposits of the Merchants UCB Gadag and The Laxmi UCB Ltd., Gajendragad were relatively higher compared to the other three UCBs covered by the study in Gadag district during the five years from 1999-2000 to 2003-04.

The Haveri Urban Cooperative Bank Ltd., Haveri Urban Cooperative Bank Ltd., Haveri and The Gajanan Urban Cooperative Bank Ltd., Byadagi had a relatively higher per capita deposits compared to the other three UCBs covered by the study in Haveri district during the five years.

The Sirsi Urban Cooperative Bank Ltd., Sirsi had a very high level of per capita deposits compared to the other 4 UCBs covered by the study in Uttar Kannada district during the 5 years from 1999-2000 to 2003-04.

4.4 There has been a substantial rise in the working capital of the 35 UCBs covered by the study in North Karnataka.
The working capital of the Maratha UCB Belgaum and the Gokak Urban Cooperative Bank Ltd., Gokak have been at much higher level compared to the other three UCBs in Belgaum district covered by the study during the ten years from 1993-94 to 2002-03. The rising trend of working capital of the other three UCBs is also observed for the above period.

Sri. Siddeshwar UCB Ltd., Bijapur and The Bijapur District Government officials UCB had relatively higher amount of working capital compared to the other three UCBs covered by the study in Bijapur district.

Sri Basaveshwar urban Cooperative Bank Ltd., Bagalkot led the other four UCBs in Bagalkot district in terms of the amount of working capital during the ten years. The Bagalkot UCB and The Rabkavi UCB increased their working capital by more than four and five times respectively during the ten years. Vardhaman UCB Hubli and Mahalaxmi UCB Dharwad enhanced their working capital by more than four times and six times respectively. The SSK UCB Hubli increased its working capital by more than hundred percent during the ten years from 1993-94 to 2002-03.

The working capital of 5 UCBs in Gadag district has gone up considerably during the ten years from 1993-94 to 2003-04. The working capital of Merchants UCB Gadag rose by more than four times, while that of Ron Taluka Teachers UCB by more than six times. The rise in working capital of Laxmi UCB Gajendragad, The Azad UCB Gadag and the Merchants Liberal UCB Gadag and the Merchants Liberal UCB Gadag
rose by more than three, ten and ten times respectively during the above period.

The average annual working capital of Haveri UCB was Rs. 18448400.00 during the ten years. The respective figures for Hangal UCB, Gajanan UCB, Byadagi: The Akki Alur UCB and Sri Siddeshwar UCB Ranebennur were Rs. 53851000=00, Rs. 123761.08, Rs. 39262000=00, and Rs. 23166000=00.

The annual average working capital of The Karwar UCB, The Ankola UCB, The Sirsi UCB was Rs. 2955595.02, Rs. 3427000.00, and Rs. 1688334000=00 respectively. The annual average working capital of Vikas UCB Yellapur and The Siddapur UCB was Rs. 104812000=00 and Rs. 23300600=00.

4.5 The Share of deposits in working capital of the 5 UCBs in Belgaum district varied between a minimum of 0.01 percent in 2001-02 for The Gokak UCB and a maximum of 18.39 percent in 2002-03 for The Maratha UCB Belgaum.

Bank wise the Maratha UCB Belgaum had the maximum and minimum of 18.39 percent and 12.85 percent share of deposits in its working capital during the five years from 1999-2000 to 2003-04. The banks share of deposits in its working capital was the maximum compared to the other four UCBs in the district.
The share of deposits in working capital of all the 5 UCBs in Bijapur district was very close and varied marginally between 11 percent to 12 percent.

A relatively higher share of deposits in the working capital of Rabkavi UCB is found during the five years compared to the other four UCBs in Bagalkot district.

The Share of deposits in working capital of Navakalyan UCB Hubli and the Mahalaxmi UCB Dharwad higher compared to the other UCB in Dharwad district during the five years.

The Ron Taluka Teachers UCB Ron had a higher share of deposits in its working capital compared to the other four UCBs in Gadag district covered by the study The Laxmi UCB Gajendragad has the lowest share of deposits in its working capital compared to the other four UCBs in Gadag district.

A relatively higher level of the share of deposits in the working capital is observed in case of the Haveri UCB compared to the other four UCBs in Haveri district during 1999-2000 to 2003-04.

The Vikas Urban Cooperative Bank Ltd., Yellapur had higher share of deposits in its working capital while The Sirsi UCB had lower share of deposits in working capital compared to the other UCBs in Uttar Kannada district covered by the study.
4.6 The reserves and other funds of the 35 UCBs in North Karnataka covered by the study have increased substantially during the 10 years from 1993-94 to 2002-03. However, the rate of increase has shown wide variations from year to year. This indicates an inconsistent performance of the UCBs.

The Maratha UCB Belgaum had better performance in enhancing its reserves and other funds during two years (1996-97 and 2001-02) while the performance was poor during the other 8 years. The reserves and other funds of Mahalaxmi Pattan Sahakari Bank Belgaum have remained stable while for the other three UCBs the reserves and other funds have fluctuated during the ten years.

The reserves and other funds of Sri. Siddeshwar UCB Bijapur and the Bijapur District Government officials UCB Bijapur rose by more than six times and two times respectively during the ten years while those of Bijapur Mahalaxmi UCB rose by two and half times.

The increase in reserves and other funds of Basaveshwar UCB Bagalkot, The Bagalkot UCB Bagalkot and The Rabkavi UCB Rabkavi was more than four times, ten times, and four times respectively.

The reserves and other funds of the Kittur Channamma UCB Bagalkot and Vijaya Mahantesh UCB Hungund rose by more than hundred percent and by more than three times respectively during the ten years.
The increase in reserves and other funds of Navakalyan UCB Hubli, Vishwakalyan UCB Hubli and the SSK UCB Hubli rose by more than three times, two times and three times respectively during the above period, The reserves and other funds rose by more than ten times in case of Vardhaman UCB Hubli and by more than five times in case of Mahalaxmi UCB Dharwad.

The Merchants, UCB Gadag enhanced its reserves and other funds by more than hundred percent during 1993-94 to 2002-03 while there was more than three times increase of reserves in case of Ron Taluka Teachers UCB Ron. The reserves of Laxmi UCB Gajendragad, The Azad UCB Gadag and The Merchants Liberal UCB Gadag increased by more than two times, nine times and twenty times respectively.

The Haveri UCB Haveri, The Hangal UCB Hangal and The Gajanan UCB Byadagi increased their reserves and other funds by more than three times, ten times, and four times respectively during the ten years from 1993-94 to 2002-03. The reserves and other funds grew by more than two times in case of The Akki Alur UCB and by more than ten times in case of Sri. Siddeshwar UCB Ranebennur.

The reserves and other funds of The Karwar UCB and The Ankola UCB rose by more than three times during the decade while the reserves and other funds of Sirsi UCB rose by more than seven times. The growth of
reserves and other funds of Vikas UCB Yellapur and the Siddapur UCB was more than eight times and more than three times respectively.

4.7 The owned funds of Maratha urban Cooperative Bank Ltd., Belgaum were the maximum compared to the annual average owned funds of the other four UCBs in Belgaum district. The Gokak UCB had the second largest owned funds.

Sri Siddeshwar UCB Bijapur had the largest annual average owned funds compared to the other four UCBs in Bijapur district covered by the study. The Chaitanya Mahila UCB Bijapur had the minimum annual average amount of owned funds.

The Basaveshwar UCB Bagalkot had the maximum annual average amount of owned funds compared to the other four UCBs covered by the study in Bagalkot district. Kittur Channamma UCB had the minimum annual average owned funds compared to the other four UCBs covered by the study in Bagalkot district.

The SSK UCB Hubli had the largest annual average owned funds and the Navakalyan UCB Hubli had the minimum annual average owned funds compared to the other UCBs in Dharwad district covered by the study.

The Merchants' Liberal UCB had the largest annual average amount of owned funds compared to the other four UCBs in Gadag district.
The Haveri UCB had the maximum annual average owned funds compared to the other four UCBs in Haveri district.

Sirsi UCB had the largest annual average amount of owned funds compared to the other four UCBs in Uttar Kannada district.

4.8 The profit position of all the 35 UCBs covered by the study indicates a positive trend during the ten years from 1993-94 to 2002-03. However net profits of these UCBs have fluctuated in absolute terms as well as percentage wise.

The annual average net profits of the Maratha UCB Belgaum was the maximum during the ten years from 1993-94 to 2002-03 compared to the other four UCBs in Belgaum district. The Gokak UCB had the second highest annual average net profits followed by Daivdnya UCB Belgaum.

The Bailhongal Merchants UCB and the Mahalaxmi Pattan Sahakari Bank Ltd., Bailhongal.

The annual average net profits of Sri Siddeshwar UCB Bijapur was much higher than the other four UCBs in Bijapur district covered by the study. The annual average net profits of the Basaveshwar UCB Bagalkot was the maximum in relation to the other 4 UCBs in Bagalkot district. Similarly The SSK UCB of Hubli in Dharwad district and the Azad UCB of Gadag in Gadag district had the highest annual average net profits in Dharwad and Gadag district respectively. The Haveri UCB of Haveri and the Sirsi UCB of Sirsi had earned the highest annual average net profits
in Haveri and Uttar Kannada district compared to the other four UCBs covered by the study in the respective districts.

4.9 The annual average distribution of dividend of the five UCBs in Belgaum district varied between a minimum of 13.36 percent by the Mahalaxmi Pattan Sahakari Bank Ltd., Bailhongal and a maximum of 20.90 percent by the Maratha UCB Belgaum during the ten years from 1993-94 to 2002-03. The annual average distribution of dividend by the 5 UCBs in Bijapur district varied between a minimum of 8.00 percent by The Chaitanya Mahila UCB of Bijapur and a maximum of 19.09 percent by Sri. Siddeshwar UCB Bijapur while the minimum and maximum annual average distribution of dividend by the 5 UCBs of Bagalkot varied between 10.12 percent and 18.05 percent by Kittur Channamma Mahila UCB Bagalkot and Sri. Viajay Mahantesh UCB hungund respectively. The Vishwakalyan UCB Hubli distributed the minimum annual dividend of 8.07 percent and The SSK UCB Hubli distributed the maximum annual average dividend of 17.42 percent. The annual average distribution of dividend by the 5 UCBs in Gadag district varied between a minimum of 8.22 percent by the Ron Taluka Teachers UCB Ron and a maximum of 16.33 percent by The Laxmi UCB Gajendragad. Sri. Siddeshwar UCB Ranebennur in Haveri district distributed a minimum annual average dividend of 10.00 percent and The Akki Alur UCB distributed a maximum annual average dividend of 18.37 percent. The Ankola UCB distributed a
minimum annual average dividend of 9.11 percent and The Sirsi UCB distributed the maximum annual average dividend of 20.11 percent during the ten years from 1993-94 to 2002-03.

4.10 There has been a substantial increase in the income and expenditure of the 35 UCBs in the 7 districts of North Karnataka during the ten years from 1993-94 to 2002-03. The major sources of income of these UCBs are the interest income, commission receipts and other income, while the major items of expenditure are the interest payment on deposits and borrowings, payment of salary and allowances and other expenditures.

The maximum annual average income from interest earnings was realized by the Maratha UCB Belgaum in Belgaum district, Sri. Siddeshwar UCB Bijapur in Bijapur district, Sri. Basaveshwar UCB Bagalkot in Bagalkot district, The Mahalaxmi UCB Dharwad in Dharwad district, The Merchants' Liberal UCB Gadag in Gadag district, The Haveri UCB Haveri in Haveri district and The Sirsi UCB Sirsi in Uttar Kannada district among the 35 UCBs in 7 districts covered by the study.

The seven UCBs among the 35 UCBs in 7 district had maximum annual average income from commission during the ten years. They are The Martha UCB Belgaum, Sri. Basaveshwar UCB Basavana Bagewadi, Sri. Basaveshwar UCB Bagalkot, The SSK UCB Hubli The Ron Taluka Teachers UCB Ron. The Haveri UCB Haveri and The Sirsi UCB Sirsi.
The seven UCBs with maximum annual average income from other sources in their respective districts covered by the study are; The Gokak UCB Gokak, Sri Siddeshwar UCB Bijapur, The Rabkavi UCB Rabkavi, The Vardhaman UCB Hubli, The Merchants' Liberal UCB Gadag, The Akki Alur UCB Akki Alur and The Sirsi UCB Sirsi.

4.11 The Maratha UCB had the highest annual average expenditure on interest payment salary and allowances and other expenditure during the ten years from 1993-94 to 2002-03. Similarly The Siddeshwar UCB Bijapur and The Merchants Liberal UCB Gadag too led the other four UCBs in their respective districts covered by the study in the above three major areas of expenditure.

Sri Basaveshwar UCB Bagalkot, The Vardhaman UCB Hubli, Sri Gajanan UCB Byadagi and The Sirsi UCB Sirsi had incurred maximum annual average expenditure on payment of interest among the 5 UCBs covered by the study in the respective districts.

Sri. Basaveshwar UCB Bagalkot, The SSK UCB Hubli, The Haveri UCB Haveri and the Sirsi UCB Sirsi had incurred maximum annual average expenditure on salary and allowances compared to the other four UCBs each covered by the study in the respective districts.

Vijaya Mahantesh UCB Hungund, The SSK UCB Hubli. The Hangal UCB Hangal and the Siddapur UCB Siddapur had incurred maximum
annual average expenditure on other items compared to the other 4 UCBs each in the respective districts covered by the study.

5.1 There has been a substantial increase in the loans and advances of the UCBs covered by the study. However the ratio of increase of the loans varied widely from year to year in the same bank as well as from one UCB to another UCB in the same district.

The annual average amount of loans and advances of the Maratha UCB during the ten years from 1993-94 to 2002-03 was Rs. 293941538.01, Rs. 121000270.06 for Daivdnya Sahakari Bank Belgaum, Rs. 11842303.09 for The Mahalaxmi UCB Bailhongal, Rs. 34680000 for The Bailhongal Merchants UCB and Rs. 169030189.05 for The Gokak UCB Gokak.

The Bijapur District Government officials UCB Bijapur had the highest annual average loans and advances, and The Chaitanya Mahila UCB Bijapur had the lowest annual average loans and advances during the ten years among the 5 UCBs covered by the study in Bijapur district.

The Rabkavi UCB had the highest annual average loans and advances among the 5 UCBs covered by the study in Bagalkot district during the ten years.

The SSK UCB Hubli had advanced maximum annual average loans among the 5 UCBs covered by the study in Dharwad district during the decade.
The Merchants UCB Gadag had the highest annual average amount of loans and advances among the 5 UCBs covered by the study in Gadag district during the ten years.

The Gajanan UCB Byadagi had made maximum annual average loans and advances among the 5 UCBs covered by the study in Haveri district. The Karwar UCB Karwar, The Ankola UCB Ankola and the Sirsi UCB Sirsi had very high amount of loans and advances during the ten years from 1993-94 to 2002-03 among the 5 UCBs covered by the study in Uttar Kannada District.

5.2 The average loan per member during the ten years from 1993-94 to 2002-03 was maximum in case of The Gokak UCB Gokak among the 5 UCBs covered in Belgaum district. The Bijapur District Government officials UCB Bijapur, The Vijaya Mahantesh UCB Hungund, The Mahalaxmi UCB Dharwad, The Merchants UCB Gadag, The Haveri UCB Haveri and The Sirsi UCB Sirsi had the highest average loan per member among the 5 UCBs each covered by study in the respective 7 district.

5.3 The performance of the UCBs covered by the study in providing loans of varying terms – short, medium and long terms shows some significant trends. The Gokak UCB had advanced highest annual average amount of short term loans while the Maratha UCB had given maximum annual average amount of medium and long term loans compared to the other 4 UCB is Belgaum district. In Bijapur district Sri. Siddeshwar UCB had
given maximum annual average loans of short medium and long term
duration. Similarly Sri. Basaveshwar UCB Bagalkot led the other 4 UCBs
in Bagalkot district in providing maximum annual average short, medium
and longterm loans. The Vardhaman UCB Hubli. The Mahalaxmi UCB
Dharwad and the SSK UCB Hubli advanced maximum annual average
short term, medium term and long term loans respectively. The
Merchants Liberal UCB Gadag provided maximum amount of short and
medium term loans and The Merchants UCB Gadag gave maximum
amount of longterm loans among the 5 UCBs covered by the study in
Gadag district. In Haveri district The Gajanan UCB Byadagi provided
maximum annual average short term loans and The Haveri UCB Haveri
advanced maximum annual average medium and longterm loans among
the 5 UCBs covered by the study. The Sirsi UCB Sirsi provided
maximum annual average short term and medium term loans and The
Ankola UCB led the other 4 UCBs in providing maximum annual average
long term loans in Uttar Kannada district.

5.4 The Maratha UCB Belgaum among the five UCBs covered by the study in
Belgaum district led the other UCBs in providing maximum annual
average amount of priority sector loans, during the ten years from 93-94
to 2002-03. Similarly Sri. Siddeshwar UCB Bijapur, The Vijaya
Mahantesh UCB Hungund, The SSK UCB Hubli, The Merchants Liberal
UCB Gadag, The Gajanan UCB Byadagi, and the Sirsi UCB Sirsi have
provided maximum annual average loan to priority sector compared to the other 4 UCBs each covered by the study in the respective districts.

5.5 The recovery of loans has been quite satisfactory in case of the majority of the UCBs covered by the study in the 7 districts of North Karnataka. The maximum recovery of loans of 97.51 percent was achieved by the Maratha UCB Belgaum in 2003-04 and the minimum recovery was 74.32 percent by the Mahalaxmi UCB Bailhongal in 2003-04 among the 5 UCBs covered by the study in Belgaum district.


5.6 The problem of overdues has been severe in some of the UCBs covered by the study. The annual average overdues was maximum in case of Maratha UCB Belgaum, Sri. Siddeshwar UCB Bijapur, Vijaya Mahantesh UCB Hungund, The SSK UCB Hubli, The Merchants Liberal UCB Gadag, The Hangal UCB Hangal and The Sirsi UCB Sirsi during the five years from 1999-2000 to 2002-03.
5.7 The non-performing assets were maximum in case of The Mahalaxmi Pattan Sahakari UCB Bailhongal (20 percent), Sri. Siddeshwar UCB Bijapur (27.12 percent), The Rabkavi UCB Rabkavi (24.50 percent), The SSK UCB Hubli (70.17 percent), The Merchants Liberal UCB Gadag (16.39 percent), The Hangal UCB Hangal (29.38 percent) and The Siddapur UCB Siddapur (38.90 percent).

5.8 The annual average investment was maximum in case of The Maratha UCB Belgaum, Sri Siddeshwar UCB Bijapur, Sri. Basaveshwar UCB Bagalkot, The Mahalaxmi UCB Dharwad, The Azad UCB Gadag, Sri Siddeshwar UCB Ranebennur and The Ankola UCB Ankola in relation to the other 4 UCBs each covered by the study in the respective district.

The ratio analysis has provided some major implications for the financial performance of the urban cooperative banks covered by the study. The following major observations have emerged from the ratio analysis.

6.1 All the 35 urban cooperative banks covered by the study had high ratio of total expenditure to total income. This indicates that there is need for controlling expenditure to enhance the profitability of these banks.

6.2 The UCBs had the burden of paying large part of their total income towards the interest on their deposits and their borrowings leaving smaller part of their total income for their development. This trend is indicated through a high ratio of interest paid to total income.
6.3 Interest earned to total income ratio is also high for majority of the UCBs. This indicates greater dependence of these banks on loans and interest earnings. This may expose these UCBs to risks of loan defaults and overdues affecting their liquidity.

6.4 Liquid assets to deposits ratio is high in case of a few UCBs. This trend is not favourable since high liquidity may result in funds remaining idle.

6.5 A general trend observed through the analysis is that the investment to deposit ratio is low in case of many UCBs. This again reduces the income from investment and makes the banks to depend more on loaning and interest income alone.

6.6 Credit to deposit ratio of majority of the banks is high indicating excess loaning and involving the funds into loans of high risk areas.

6.7 The ratios of owned funds to deposits call for maintaining balance between the two financial parameters.

6.8 There is a trend of low ratio of net profit to deposits and net profit to total assets. There is need for improvement in these areas.

6.9 The analysis has indicated a satisfactory position of the majority of UCBs in relation to net profit to spread.

6.10 The ratio of total income to working capital is satisfactory in case of majority of the UCBs.

6.11 The burden coverage ratio of some of the UCBs is favourable and satisfactory.
Results of the Study in Relation to Hypothesis:

1. The hypothesis that Urban Cooperative Banks in the study area have a strong financial base is found to be partially true since some of the UCBs covered by the study have less than optimal share of owned funds and reserves while the other UCBs have maintained a balance in this direction.

2. The second hypothesis that The Urban Cooperative banks in Karnataka have sound financial management with professional touch is not vindicated by the findings of the study. Heavy reliance on deposits and borrowed funds for credit deployment have exposed the banks to risk of high level of over dues and NPAS. Investment portfolio is narrow and non-interest income is limited.

Suggestions:

1. The resource base of the majority of the 35 urban cooperative banks covered by the study is inadequate. Hence the urban cooperative banks must explore non-conventional avenues for augmenting their resources for modernizing their operations and for meeting adequately their working capital requirements. In this context it is desirable to issue non-voting shares and to borrow from financial institutions and the public.

2. The UCBs should try to attract more savings and deposits from institutions like schools, colleges, Associations and Trust. Such
deposits will remain with the banks relatively for longer period without attracting high level of financial risk associated with other type of deposits.

3. The UCBs should computerize their operations and should adopt state of the art technology. They should employ professional experts for managing their affairs. UCBs should introduce automation through adopting of modern technology.

4. There is need for professional management of money, manpower and material resources by the UCBs. It is found that UCBs are grossly mismanaged under managed or not managed at all. It should be remembered that India has the largest network of cooperatives in the world and their resources are worth thousands of crores of rupees which are wasted annually.

5. The UCBs should give greater attention to maintain financial viability. This requires professionalisation of management increasing the volume of business, diversification of products/services, improvement in the quality of products/services, reduction in costs, ability and willingness to adopt their product and operating policies to the changing needs and expectations of the members and the changing national and international environment.

6. The UCBs should identify new areas avenues and expand existing areas where commercial banks may not like to enter particularly
financing weaker sections. Adequate finances to weaker sections have not been given by the UCBs covered by the study. The weaker sections comprise of a very large part of the population in the country and there is tremendous scope for larger credit to this sector.

7. Innovative schemes should be devised by UCBs for cottage and small scale industries. They can provide marketing and counseling support wherever possible. UCBs should consolidated their operations in areas with recognised business potential and can help their clientele in facing competition.

8. The UCBs should try to improve their processing, delivery and recovery systems and reduce their transaction costs. They should seek the help of Self Help Groups in this direction.

9. It is desirable to give UCBs the status of central cooperatives in Urban and Semi Urban areas and all Non-agricultural credit societies, salary earners credit societies and consumers cooperative societies should be affiliated to the Central Urban Cooperative Bank at the district level The UCBs should be allowed to function as higher financing agency for the above mentioned category of societies.

10. The Urban Cooperative Banks have to reposition themselves against the backdrop of the banking sector reforms, and consequent to the fast changing regulatory frame work and the new cooperative environment. There has been a change in the Indian market due to opening up to the
Indian economy to foreign financial and commercial enterprises and banks. The UCBs should reassess their position, streamline their operations and find out innovative ways and means to perform their functions. It is likely that the entry of new banks and financial institutions with adequate capital and adoption of latest technology sophistication in techniques and development of new instruments of savings and investment is expected to take some of the business from the existing banking industry including urban banks. The UCBs should change their traditional conservative approach in their working and change according to changing situations without giving up their cooperative character.

11. It is necessary to use technology for value addition, cost reduction and attract customers. Technology would render man power as surplus in many banks. The surplus workers could be deployed for marketing and penetrating into a deeper market. A gainful use of manpower would help in building volumes and translate the same into greater income.