CHAPTER-II

REVIEW OF LITERATURE

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

2.1 Findings of Existing Literature:

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

REVIEW OF LITERATURE

This chapter deals with the review of literature. In order to evaluate the objectives of the present study, an attempt is made to comprehend the existing research studies on the working, growth and performance of the urban cooperative banks as well as other cooperative institutions. Further, the findings of the studies are critically assessed and called out further research problems to be included in the present study.
Anand S.K. (1981) employed the solvency, stock turnover, working capital and profitability ratios to evaluate the financial position and performance of the state consumers co-operative federation, Maharashtra.

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

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

Shankarmurthy H.G. (1986) studied the performance of Karnataka State Co-operative Marketing Federation Ltd. He used different ratios to study the different aspects of financial position of the federation.
such as solvency, liquidity, turnover profitability efficiency and strength. He expressed that the ratio analysis would provide a better idea of the financial position of the federation.

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

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

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

N. Thanulingom and T.R. Gurumoorthy (1987). The authors analysed the financial performance of the thirty handloom co-operative societies in Paramakudi town in Tamil Nadu. The performance
has been analysed with the help of liquidity, profitability and turnover ratios. The study revealed that due to heavy accumulation of inventory and a large quantity of debtors, high current ratio was noticed and the gross profit margin was too little to meet the expenses to be incurred. It was concluded that the performance of the handloom co-operative societies was too poor to improve the profits for the societies.

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

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

The study revealed that the profitability of the bank has decreased over a decade. The spread ratio declined as a result of fall in
interest earned ratio coupled with rise in interest paid ratio. The correlation
test revealed that the spread ratio is more associated with profitability and
the burden ratio is negatively correlated.

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

Sukumaran A. and Shaheena P. (1991) analysed the spread,
burden and profitability management in Palghat District Co-operative bank
in Kerala. The period for the study was 1977 to 1987. The results revealed
that the profitability and the interest expenditure of the banks showed a
fluctuating but unfavourable trend during the study period. Analysis of the
spread ratio and the burden ratio also indicated some deficiency in the fund
management within the bank. The reserves and surplus management of the bank thrown a light on the idle reserves indicating ineffective management. In nutshell, the management of spread, burden and profitability within the bank was not much effective and called for necessary steps to improve the bank’s position.

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

T. Paranjothi and A. Mayilmurugan (1994) studied the overall trading and financial operations of the Madurai District Pandian Consumers’ Co-operative Wholesale Stores Ltd, Madurai. The study used the ratio analysis statistical tool to analyse the liquidity, profitability and
solvency aspects of the society for a period of 5 years from 1988-89 to 1992-93. The results of the analysis disclosed that the current and the liquidity ratios have not satisfactory. These ratios were even below the standard ratios. The debtors, and the creditors turnover ratios were found satisfactory and the store suffered a very high net loss during the period 1987-88 to 1989-90.

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

Bankim Chakraborty (1996) the author examined the performance of Maharashtra State Co-operative Bank for the period 1989-90 to 1992-93. The variables for the study were: working capital structure and composition, deposit mix, credit mix, credit-deposit ratio, loan outstanding, overdues and profitability. The findings of the study were: the working capital mix indicated a major share of deposits and
borrowings; deposits contributed 70 percent in working capital and among various deposits, the fixed deposits alone contributed 69 percent; the credit mix was rational; high degree of relationship between the credit and the deposits; excellent performance in recovery and an upward trend in profit.

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

A comparative analysis of three banks revealed that the Kodungallur Town co-operative Bank (KTCB) made a commandable profit during the study period as it had a very good spread ratio. The profitability of Guruvayur urban co-operative bank (GCUB) had came down due to the low interest income and high manpower and other expenses, and the Irijalakuda people's co-operative bank (ICPB) had no spread in most of the years and remained under loss. The liquidity performance of the banks shows that all the banks are keeping excess liquid assets and liquid cash over and above the minimum requirements. A comparative performance of the banks in relation to the credit deposit
ratio, owned fund to borrowed fund ratio and overdue and demand ratio shows that KTCB and GCUB were found satisfactory and the poor performance was witnessed in IPCB. The author suggested that the excess amount held in liquid assets and in cash assets must be reduced at the desired level and the excess fund kept idle could be utilised for profitable deployment.

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

Devads Bhorali (1978) the author evaluated the progress of Nagaland State Co-operative Bank Ltd. for the period from 1972 to 1976. He considered the share capital, owned funds, working capital, investment, outstanding loans, advances and overdues for assessing the performance. Nevertheless, the assets and liability position was satisfactory, there was a need to build a strong base of self generated capital resources.
John D’Silva (1984) studied the working of Abhyudaya co-operative Bank Ltd. in Mumbai, for the period from 1964 to 1984. The variables chosen for the study were: membership, paid up share capital, deposits, advances, working capital and the number of branches. The study revealed an excellent growth in all its selected variables during the study period. The author remarked that the dedicated service rendered by the bank in its short span of life of two decades has earned a place of pride among the urban co-operative banks in the country especially in Maharashtra.

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

The study exhibited a phenomenal increase in all the selected performance indicators of both the state and primary societies during the study period. On the contrary, an increasing trend of loans outstanding and overdues, a declining trend of owned funds to the working capital, around 62 percent of the societies running either under loss or without profit etc. were observed. Further, despite of an increase in the number of societies, the construction activities did not pace with this increase.
Subba Rao A.R. (1985) analysed the performance of Central Arecanut Marketing and Processing Co-operative Limited, Mangalore. The share capital, membership and the total assets were the main variables for the study. He employed both exponential and modified exponential form of growth functions as indicated below:

\[ y = a b^t \] - exponential function and he also used ratio analysis such as solvency ratio, liquidity ratio and profitability ratio.

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

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

\[ Y_t = Y_o (1+r/100)^t \]

where \( Y_o \) = Base Year Value
\( Y_t \) = \( t^{th} \) year value
\( t \) = Number of years.
\( r \) = compound growth rate
He found that the banks with the limited loan transactions did not make any marked impact in the field of agricultural credit.

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

The straight line trend equation presented as under:

\[ Y = a + bx \]

where \( Y \) = adjusted index number of moving averages  
\( x \) = time  
\( b \) = linear growth rate per annum.

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

M.B. Patil (1985) analysed the growth of the urban co-operative banks in India and their advances to the various priority sectors
of the economy in accordance with the national plan priorities for the period from 1978 to 1982. The study revealed that the deposits grew by 25.5 percent per annum which was higher than the deposits grew in commercial banks during the same period. The loans and advances also registered more than threefold rise. Over 60 percent of their advances were made to priority sector and percentage of overdues to loans outstanding was below 9 percent.

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

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

The results of the analysis disclosed that all the banks recorded 6 1/2 times growth in deposit mobilisation by all the banks during the study period. Further deposits per 100 population also increased over the years. On the contrary, poor and unattractive services, no effective efforts towards deposit mobilisation as all the registered primary
co-operative societies compulsorily have to deposit all their appropriations of profits with the DCC bank which was worked out around 60 percent of the DCC Banks' total deposits and lack of training for the managers etc. were noticed.

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

\[ Y = a + bx \]

where

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

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

S.G. Hundekar (1986) the author evaluated the growth of the urban banks in India for the period from 1967 to 1979, soon after the
urban cooperative banks were brought under the perview of Banking Regulation Act as applicable to co-operative banks. The study indicated a considerable growth in the present in respect of the number of banks, membership, paid up share capital, reserve funds, deposits and advances as compared to the past. He highlighted the role of the staff members in improving the quality of service.

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

S.G. Hundekar (1989) evaluated the performance of Nipani Urban Co-operative Credit Bank Ltd., Nipani in the Belgaum District of Karnataka State. The study period was 7 years from 1981-82 to 1987-88. The indicators selected for the study were membership, deposit mobilization, loans and advances, credit-deposit ratio, profit, manpower, share capital, reserves, branch expansion and the management. The study concluded that the bank registered a successful growth in all its performance indicators among all the urban co-operative
B.V. Bhatt, R.L. Shiyani and N.M. Patel (1989) analysed the credit and deposit performance Junagarh District central co-operative bank (JDCCB) Ltd. in Gujarat. The study period was 1975-76 to 1986-87. The variables selected for the study were: deposits, total outstanding loan, net outstanding loan, apex bank loan, credit deposit ratio and effective C.D. ratio. They used regression technique to work out the growth rates.

The model fitted for the study was \( Y = a + bx \)

where \( Y = \) adjusted index number
\( x = \) independent variables (time)
\( b = \) estimated annual growth rate.

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

Mettigatti R.M. (1990) studied the performance of Milk Producers Co-operative Societies and their impact on dairy farming in Dharwad District. The author selected a number of physical and financial
indicators to evaluate the performance. He opined that both the physical and financial indicators of the societies showed a significant growth in their values.

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

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

Sujata K.S. et al (1993) analysed the efficiency of Ernakulam District Central Co-operative Bank, with regard to the mobilisation, deployment of funds and profitability. A compound growth rates were calculated for the various indicators. The results indicated that
the deposits, advances and the reserves were increasing at 18 percent, 15 percent and 18 percent respectively. The spread, burden and profitability ratios were also found satisfactory.

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

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

\[
\text{LGR} \quad \text{CGR}
\]

\[
Y = a + bt \\
\text{where } a = \frac{Y}{n} \quad b = \frac{yt}{t^2} \\
r = \frac{(b/a) \times 100}{N = \text{Number of years.}}
\]

\[
\log Y = \log a + \log b \\
\log a = \frac{\log Y}{n} \quad \log b = \frac{\log yt}{t^2}
\]

\[
r = \frac{(b - 1) \times 100}{n = \text{Number of years}} \quad r = \text{The Growth Rate.}
\]

The study revealed a considerable increase in number of offices, share capital, deposits, loans advanced and outstandings. The growth rate of overdues during the study period was significantly high.
The authors suggested an effective measures need to be urgently taken by incentives and disincentives against the defaulting societies so as to bring down the overdue percentage.

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

Symbolically the line equation is represented by:

\[ Y = a + bx \]

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

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

Reddy Indrasena (1994) assessed the working of Malkanoor Co-operative Rural Bank. The indicators selected for the study were share capital, reserves, deposits and borrowings for the period 1978-79 to
1992-93. The compound growth rate were calculated with the help of the Least Square Method of fitting an exponential function $Y = abx$. The study revealed that the growth rates were relatively higher for the deposits, reserves, investments, credit and non-credit services of the bank.

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

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

B. Veeresh (1995) evaluated the performance of Mahila Co-operative Bank Ltd. in Bangalore city of Karnataka State, for the period of 14 years from 1979-80 to 1992-93. The variables selected for the study were membership, share capital, deposits, loans and profits. The
study indicated a successful operation of the bank during the 14 years period. All the variables registered an increasing growth over a period. Author suggested the bank to provide non-credit service to its members.

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

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

S.B. Hosmani (1995) analysed the performance and impact of Malaprabha Grameen Bank (RRB) in Karnataka for the period from 1976 to 1994. The author selected 11 physical and 20 financial variables for the study. He employed various analytical tools viz. ratio analysis technique, growth rates, principal component, cluster analysis and others to evaluate the performance of the bank.
The analysis revealed the followings: the bank had favourable liquidity ratio and sufficient solvency position, borrowings were well within the norm of 3 times of working funds, the profitability ratios were far from satisfaction, a substantial growth rate in the important variables and the officials, non-officials and borrowers expressed a favourable opinion about the bank’s performance.

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

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

B.S. Ghuman and Anil Monga (1987) The authors analysed the financial as well as physical performance of Co-operative Sugar Factories in Punjab. The period of study was '15 years from 1969-70 to 1983-84. The indicators selected for the study were: capital structure,
profit and loss account, sugar cane crushed and sugar produced. They concluded that the co-operative mills were running into losses during the study period due to internal as well as external factors. The authors suggested that the political interference should be minimized and the mills should be located in the area having a sufficient quantity of sugar cane.

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

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

K. Asaithambi (1988) analysed the performance of Andaman and Nicobar State Co-operative Bank for the period from 1982-83 to 1985-86. The performance indicators selected for the study were
Jaya S. Anand (1989) examined the operational efficiency of the State Co-operative Bank for the period 1975-76 to 1984-85. The study disclosed that the bank was efficient in mobilizing funds but not in disbursement of credit. The profitability position was found unstable and a higher level of liquid assets were maintained by the bank. The norms of the NABARD, Government and RBI were coming in the way of diversification of its activities.

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

B.Subburaj (1990), The author examined the sales perfor-
mance of the Regional office of Cooptex (Tamil Nadu Handloom Weavers’ Co-operative Society Ltd.) Madurai in Tamil Nadu. The study revealed an impressive sales performance of all the sales depots during the study period (1986 to 1988). Further cash sales was found to be less than 30 percent to total sales.

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

K. Padmanabhan (1991), studied the performance efficiency of cane jaggery marketing and the scope for co-operative marketing in North Arcot district in Tamil Nadu. For the purpose of the study, the author selected 120 sample producers of jaggery and 50 traders consisted of wholesalers, commission agents and retailers from Tirupattur and Vellore markets with the help of a multistage random sampling. The variables namely pricing efficiency; operational efficiency and price
spread were considered for evaluating the performance. The results of the study indicated the following: the existing market is not in favour of the producer sellers, market margin was found high, most of the firms were not operationally efficient, a small quantity of jaggery sold through the regulated markets. The author suggested the establishment of co-operative marketing society to overcome all the shortcomings.

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

Satyanarayan K. (1994), analysed the capital adequacy position of all the public sector banks and a sample of 14 private sector banks. The results revealed that the public sector banks have achieved the capital adequacy norm of four percent one year earlier than the time prescribed by RBI. The private sector banks and SBI group did not achieve this norm though their profitability levels were higher.
Sinha et al, (1994), analysed the pattern of income, expenditure, profits or loss and a break even levels for deposits and loan business of the Central Co-operative Bank and the Regional Rural Bank (RRB). The results revealed that the income and expenditure of co-operative bank were higher than the RRB, but the establishment expenses was higher in case of RRB due to the deputation of higher salaried staff from the sponsoring bank. The co-operative bank earned profits throughout the period where as RRB incurred losses during the corresponding period. Break-even-analysis indicated the co-operative bank was operating above the break-even-level where as RRB was operating below the break-even-level.

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

N. Patro (1994), inquired into the performance of Kancheepuram Central Co-operative Bank, Chingleput MGR district in
Tamil Nadu and stressed the need of cost and performance audit for central co-operative banks. So as to measure the quantitative and qualitative accomplishment of all the performance of the bank set forth in performance budget with the actual achievements.

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

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

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

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

N. Narayana (1979), studied the performance and the problems of overdues of the Land Development Bank of Anantapur in Rayalseema region of Andhra Pradesh for the period 1970-71 to 1977-78. The study exhibits that the collection and recovery performance of the bank is far from satisfactory and loans outstanding increased rapidly. The percentage of overdues to the demand has increased from 22 percent in 1970-71 to the peak level of 78 percent in 1976-77. The burden of
overdues can be attributed to the inability of the farmers to repay the loans due to frequent droughts besides the policies and procedures adopted by the bank.

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

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

Rama B.R. and J.V. Venkatram (1989), the authors evaluated the working performance of the Farmers Service Co-operative
Society (FSS) Ltd., Singanyakanahalli, Bangalore north taluk in Karnataka state, for a period from 1977 to 1982. They found the membership had increased two folds, the share capital increased about five fold, a considerable rise in short term and medium term loans for the different agricultural purposes, more than 50 percent recovery during all the years, as against the poor recovery performance in most of the societies in the country.

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

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

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

Pradeep Kumar G.S. (1992) studied the performance of Horticultural Producers Co-operative Marketing and Processing Society Ltd., (HOPCOMS). He employed principal component analysis to develop a composite index of performance based on the 15 ratios considered to explain the performance of HOPCOMS. The results revealed that four dimensions associated with assets, profits, sales and activity were important to explain the performance of HOPCOMS.
V. Alagappan and V. Rengasamy (1989), analysed the factors influencing profitability in the Tamil Nadu State Co-operative Bank Ltd. The period for the study was 11 years from 1975 to 1985. The variables considered for the study were; interest rate spread, salary and other expenses. The author used Linear Multiple Regression statistical tool to achieve the objective of the study.

Linear Multiple Regression is computed by using the following formula:

\[ Y = b_0 + b_1x_1 + b_2x_2 + b_3x_3 \]

where \( Y \) = Net Profit
\( x_1 \) = Interest Rate Spread
\( x_2 \) = Salary
\( x_3 \) = Other Expenses
\( b_0 \) = Intercept
\( b_1 \) to \( b_3 \) are Regression Coefficients

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

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

1. Majority of the studies were noticed to be more or less of a descriptive or a narrative in nature. Just narrated over all picture of an organisation. There was hardly an attempt made to analyse in detail the performance with regard to one or a few performance indicators. As a result, no constructive suggestions or policy implications were observed. The studies highlighted more on achievements and a little emphasis was made on deficiencies in the working and performance.

2. The methodology adopted was not so scientific and it was given less importance which resulted in a less accurate findings. Similarly, the analytical tools and techniques were not made use abundantly in some of the studies.

3. The reviewed literature under the heading of Ratio analysis exhibited a poor financial performance of all the co-operative institutions and indicated a very low ratios. Most of the studies on the performance evaluation of urban co-operative banks focussed only on certain
selected parameters. For instance, current asset position in relation to current liabilities; liquid asset position in relation to liquid liabilities; debt equity position; profitability; working capital position; deposit mobilisation etc. The studies have scarcely covered other aspects which are more relevant and have a close association with the efficiency and performance of the urban co-operative banks. For example, percentage of liquid assets to total deposits, percentage of cash assets to total deposits, cost of deposits and its share in the total expenses and yield on advances and its share in the total income etc.

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

5. The capital adequacy of the urban co-operative banks was generally judged with the help of debt equity ratio in all the earlier studies.
However, based on the recommendations of Narasimham Committee on financial sector reforms, the Reserve Bank of India (RBI) introduced the internationally accepted capital to Risk Assets Ratio (CRAR) for Indian banks. This ratio has now become an important tool for evaluating the soundness and solvency of the banks. But no study has examined the capital adequacy of the banks as per the new capital adequacy norms.

6. Though there were studies on the performance evaluation of number of banks together, but hardly an attempt was made to compare the financial performance of one bank with another in order to identify the relative strengths and weaknesses in the working and performance of the urban banks.

7. Since 1991-92 when the recommendations on the financial sector reforms were introduced, the main focus of the reform process has been on the profitability and efficiency of the banks. The studies hitherto did not stress much on the profitability performance and the factors that are influencing the profitability of the banks.

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