



## SOURCES AND APPLICATIONS OF FUNDS OF THE URBAN CO-OPERATIVE BANKS IN THANJAVUR DISTRICT

**Dr. R. Kalaichelvan**

*Professor and Head, PG and Research Department of Commerce, Adaikalamatha College, Thanjavur.*

### **Abstract**

*Co-Operative banks are contributing the constituent part in the India's banking and financial system. The Urban Co-Operative Banks have to play an important role in meeting the requirements of small traders, weavers, agriculturists and other lower and middle income group of people. This is an empirical survey, based on secondary data. For this study, Thanjavur district is selected as the geographical area and selected Urban Co-Operative banks are taken for the research study. All the banks have maintained the reserve funds as per the Banking Regulations Act, 1949 and the RBI guidelines. Public sector banks and private sector banks are concentrating on major expansion activities both vertically and horizontally.*

**Key Words:** *Urban Cooperative Bank, Sources and Applications of the Fund.*

### **Introduction**

The progress of the Urban Co-Operative Banks consists a detailed and systematic assessment of its selective variables like share capital, deposits, loans and advances etc. In this paper, the researcher wants to predict the role of the UCB's in future through forecast analysis by using SPSS 20. Such a growth analysis involves the collection, observation and analysis of data relating to the selective variables. Growth analysis helps in understanding not only the past achievements but also the future aspirations of the UCB's. It leads to the comparison of the actual performance with that of the expected. The researcher has selected the following statistical tools to evaluate the growth analysis of UCB's.

Co-Operative banks are contributing the constituent part in the India's banking and financial system. The role of cooperatives in Urban areas has been increased in a sufficient part nowadays due to increase of primary Co-Operatives there but their main role of financing the rural areas is also going on increasing (Amardeep Walia, 2003). The Co-Operative banks origin can be drawn out in the 1904 when the efforts are made to open financial concerns based on Co-operation's principles for solving the peculiar problems of Indian Economic Environment. The rural areas are imposing the main effect on the Co-Operative banks. The rural area requires funds for two reasons viz. Working capital through short terms needs and agriculture and other bearing activities through long run requirements. The agricultural and other than agricultural processes in the rural areas is typically seasonal. The households required credit to work seasonal activities in earning and expenditure. A Co-Operative movement plays a major role in development of social and economic environment in India. But, the Government of India has not provided a good support to the cooperatives due to which many problems have been faced by them. Thus an attempt has been made to elaborate the problems and the relative perspective of Co-Operative banks in the Indian Economy. (Amardeep, C., 1993).

### **Significance of the Study**

Urban Co-Operative bank comes under primary Co-Operative societies at the base level of the three tiered pyramidal structure. The urban Co-Operative banks are the only institutions in Co-Operative credit structure which are very helpful to meet the requirement of small farmers and small scale industrial concerns as UCBs are formed on the principle of Co-operation. Thus, right from their establishment, UCBs are solving the economic problems of lower middle income group of people and thereby contributing to the economic development of the country. However, the failure of Urban Co-Operative Banks in the Co-Operative sector has made an adverse impact on the economy as well as on the functioning of scheduled urban Co-Operative banks also. A need at the present juncture has therefore created the necessity to study the financial Performance of scheduled urban Co-Operative banks. (Rathod, 2000).

The Urban Co-Operative Banks have to play an important role in meeting the requirements of small traders, weavers, agriculturists and other lower and middle income group of people. Recently, the UCB's have been directed to concentrate their efforts towards the industrial development and other priority sectors of the economy.

### **Statement of the Problem**

Nowadays bank failures have been relatively high due to the inefficiency in managing and utilizing funds in banks. The Urban Co-Operative Banks have to mobilize the available resources, funds and utilize them in the most efficient and profitable manner. Hence efficiency in Fund management is very important for urban Co-Operative banks since it is small scale banking focused on many customized schemes. (Ratna and Nimbalkar, 2011).



In spite of the governmental support, the UCBs face financial crisis and it leads to survival problem. Their capital structure and working capital position are not in a position to meet financial and other challenges (Sreekala S.P., 2011).

The financial situation of cooperative banks in India cannot be claimed sound at present. Many banks became insolvent and others are on the verge of mergers or acquisition. Various scams have been surfaced in this sector. The present study takes its role on fund management of the selected UCBs. The study has identified the following difficulties, faced by the banks:

- Deposit mobilization is not attained by these banks at full fledged level. Even the UCBs offer more interest than the commercial banks; it is not possible to attract the investors beyond a certain level.
- The banks cannot curtail operating expenses so that the financial standing of the bank is disturbed very much in this regard.
- Capital structure of the banks is not restructured as per requirements for a long period.
- Non-interest income is very low while comparing it with other commercial banks. The UCBs function in the lines of traditional banking business so that they cannot earn very much in this area.

### Objectives of the Study

1. To study the various sources and application of funds of the Urban Co-Operative Banks in in Thanjavur District.
2. To examine performance of the Banks towards the sources and application of funds of the Banks.

### Research Methodology

This is an empirical survey, based on secondary data. For this study, Thanjavur district is selected as the geographical area and selected Urban Co-Operative banks are taken for the research study. The period of the study has been taken-up from the financial year 2006-07 upto 2015-16. The financial year starts from 1st day of April of a year and ends on 31st day of March of next year.

### Framework of Analysis

The analysis was conducted by using secondary data of five Scheduled Urban Co-Operative banks in Thanjavur with their financial data for a period of years from 2002-2003 to 2011-2012. The Analysis of data is made by using certain tools and techniques such as Ratio Analysis, Averages and Standard Deviation etc.

### Universe and Selection of Banks for the Research

There are five Urban Co-Operative Banks functioning in Thanjavur district viz., 1. The Nicholson Co-Operative Town Bank Ltd., 2. The Karunthattankudi Dravidian Co-Operative Urban Bank Ltd., 3. Papanasam Co-Operative Urban Bank Ltd., 4. Pattukottai Co-Operative Urban Bank Ltd. and 5. Kumbakonam Co-Operative Urban bank. Two banks namely The Nicholson Co-Operative Town Bank Ltd., and The Karanthatangudi Dravidian Co-Operative Urban Bank Ltd., are functioning in Thanjavur town. The remaining banks are running in rural areas of Thanjavur district. Keeping in view the problem and the scope of the study, the researcher has decided to include Urban Co-Operative banks functioning in Thanjavur. The researcher selected all the urban Co-Operative banks of the Thanjavur district.

### Data and Sources

Secondary data such as balance sheets with schedule and profit and loss account of banks were collected for the period 2006-07 to 2015-16. They were collected from the records of the selected banks.

### Tools Used for the Study

Various accounting ratios have been used in the analysis of financial data of the five study banks. The ratios enable to interpret the real financial performance and position of the banks in the analysis section. From this analysis it is possible to evaluate the financial viability of the banks and to judge the performance of the banks during the study period. The ratio analysis has been utilized to probe into past performance of the banks. In order to see the future trend of the study banks towards the financial aspects, forecasting technique has been used in the analysis section. For this estimates, the SPSS 20 was used to make such forecasting.

### Discussion and Findings

#### Sources of Funds: Share Capital

Share Capital constitutes as one of the primary constituents of internal sources of finance. It is a convenient and cheap source of finance as no payment of interest is involved. The size of the share capital of co-operative organization indicates the stake of members and their eventual loyalty to the organization.

**Table 1: Share Capital of Urban Co-Operative Banks in Thanjavur District**  
(Rs. in lakhs)

YEAR	NTCOB	KDCUB	PAPCUB	PATCUB	KCUB
2006-07	167.16	230.53	232.65	319.13	458.36
2007-08	144.15	253.64	238.56	327.37	455.33
2008-09	253.65	261.40	340.24	333.28	556.32
2009-10	261.90	371.43	340.52	437.63	559.33
2010-11	264.25	371.83	340.54	440.11	559.33
2011-12	267.50	370.39	340.79	440.00	559.69
2012-13	269.56	365.31	341.60	439.01	560.36
2013-14	274.00	362.35	343.20	439.95	560.96
2014-15	389.25	364.14	443.95	436.71	561.23
2015-16	398.00	343.38	459.77	534.81	662.31

Source: Annual Reports of the Urban Co-Operative Banks

The selected banks of the present study have retained their share capital properly. The NTCOB's share capital starts from Rs.167.16 lakhs. There have not been any drastic fluctuations in it during the study period. The KDCUB's position is alike. Its position was Rs.230.53 and it ends with Rs.343.38 in the last year (2015-16). In the case of PAPCUB, its share capital was Rs.232.65 lakhs and its share capital was Rs.459.77 lakhs. The PATCUB has maintained its share capital as Rs. 319.13 lakhs in 2006-07. It was Rs.534.81 lakhs in 2015-16. The KCUB has kept its capital as Rs.458.36 lakhs in 2006-07 and it was Rs.662.31 lakhs.

#### Reserve Fund

The important purpose of reserves is to meet unforeseen losses, to supply a source of income which may be drawn in lean years and to fortify outside confidence. Hence, there is a need for the cooperative institutions to build-up inadequate reserves. Reserves are created by the banks by appropriating required amounts out of net profits whereas provisions are created by charging to the profit and loss account. The bye-laws of Urban Co-Operative banks in conformity with the Co-Operative Societies Act/Rules specify the manner in which the net profits are to be appropriate towards the various reserves, provisions etc. and the manner in which the reserves are to be invested and the method of their utilization

**Table 2: Reserve Fund of Urban Co-Operative Banks in Thanjavur District**  
(Rs. in lakhs)

YEAR	NTCOB	KDCUB	PAPCUB	PATCUB	KCUB
2006-07	147.01	137.07	719.76	195.89	412.36
2007-08	145.34	167.58	102.56	102.08	412.96
2008-09	164.48	179.23	125.78	115.97	398.32
2009-10	199.61	120.53	145.75	148.21	36.9.21
2010-11	198.74	162.23	168.89	194.16	412.55
2011-12	199.63	205.53	185.27	217.14	521.32
2012-13	187.59	249.86	197.63	244.97	529.36
2013-14	189.63	264.81	221.40	228.82	536.21
2014-15	199.20	275.78	229.09	361.86	589.13
2015-16	102.00	249.43	250.88	370.14	596.32

Source: Annual Reports of Urban Co-operative Banks

The Reserve fund of the study banks are shown in the table 2. All the banks have maintained the reserve funds as per the Banking Regulations Act, 1949 and the RBI guidelines. The NTCOB has maintained it as Rs.147.01 lakhs in the first year (2006-07). It was Rs.102.00 lakhs in the 2015-16. The KDCUB maintained it as Rs.137.07 lakhs and it was Rs.249.43 lakhs. The PAPCUB also maintained its position safely in the case of maintaining the reserve fund. It was Rs. 719.76 lakhs in 2006-07 and it was Rs.250.88 lakhs in 2006-07. The PATCUB has kept the reserve fund as Rs.195.89 lakhs (2006-07) and Rs.370.14 lakhs (2015-17). The KCUB's reserve fund was Rs.412.36 lakhs in 2006-07 and it was Rs. 596.32 lakhs in the 2015-16.

#### Deposits

In the category of external sources of finance, deposits constitute the main component. Deposits are the mainstay of a bank and they constitute its life-blood. It is the size of the deposits that largely decides the lending activities of the bank. The

sources of deposits of urban cooperative banks have been broadly classified under four heads viz. (i) Individuals, (ii) Other societies, (iii) Central Co-Operative Banks, and (iv) The residue grouped under the item Miscellaneous. Similarly, deposits mobilized by urban cooperative banks have been categorized into three types, viz. (i) Fixed deposits, (ii) Savings deposits and (iii) Current deposits.

**Table 3: Deposits of Urban Co-Operative Banks in Thanjavur District**  
(Rs. in lakhs)

YEAR	NTCOB	KDCUB	PAPCUB	PATCUB	KCUB
2006-07	1299.39	682.77	212.76	490.71	654.23
2007-08	1981.50	878.20	215.36	819.67	569.78
2008-09	2575.73	1026.24	212.97	917.30	871.25
2009-10	2734.33	1124.74	312.47	922.78	856.32
2010-11	3077.15	1227.45	314.15	101.81	859.45
2011-12	2993.90	1194.59	317.05	100.64	893.21
2012-13	3042.86	1220.30	321.88	105.43	912.36
2013-14	1308.19	1099.01	326.34	966.98	918.23
2014-15	3203.92	1238.47	331.53	983.14	918.96
2015-16	3422.94	1489.42	250.88	822.32	919.58

Source: Annual Reports of the Urban Co-operative Banks

In the case of deposits of the study banks, the NTCOB has mobilized the deposits worth Rs.1299.39 lakhs in 2006-07. It shows increasing trend during the study period and it ends with Rs. 3422.94 lakhs in 2015-16. The KDCUB has collected it as Rs. 682.77 lakhs in 2006-07. Its deposits were Rs. 1489.42 lakhs. The PAPCUB has mobilized the deposits as Rs. 212.76 lakhs (in 2006-07) and the deposits reached as Rs. 250.88 lakhs. The PATCUB has mobilized the deposits as Rs. 490.71 lakhs (in 2006-07) and it was Rs.822.32 lakhs in 2015-16. The KCUB mobilised the deposits as Rs. 654.23 lakhs and the bank collected Rs.919.58 lakhs in the 2015-16.

#### Analysis of Applications of Funds : Loans & Advances

Loans and Advances effectively convert the deposit mobilization into significant income. The banks and financial institutional fix a maximum gap between interest receivables and interest paid to lend their money to the customers' needs. It is one of the primary lucrative operations of all the banks.

**Table 4: Loans & Advances of Urban Co-Operative Banks in Thanjavur District**  
(Rs. in lakhs)

YEAR	NTCOB	KDCUB	PAPCUB	PATCUB	KCUB
2006-07	102.86	381.94	695.32	405.67	652.36
2007-08	122.46	351.35	989.21	523.19	459.63
2008-09	140.29	235.18	856.31	611.65	789.21
2009-10	150.10	154.88	563.21	654.58	651.23
2010-11	152.43	22.740	896.41	688.73	689.85
2011-12	155.08	755.54	789.32	718.93	789.36
2012-13	169.38	346.37	789.32	673.70	788.25
2013-14	201.04	155.91	725.63	698.56	965.21
2014-15	231.87	113.35	895.32	798.66	932.12
2015-16	259.96	525.75	980.78	928.58	900.31

Source: Annual Reports of Urban Co-Operative Banks

The loans and advances of the NTCOB were Rs.102.86 lakhs in 2006-07. But, the loans were Rs.259.96 lakhs in 2015-16. The loans and advances have crossed fluctuations during the study period. The KDCUB has made loans and advances as Rs. 381.94 lakhs in 2006-07; it granted Rs.525.75 lakhs in 2015-16. The PACUB lent Rs.695.32 lakhs as loans and advances in 2006-07. The loans were Rs.980.78 lakhs in 2011-12 lakhs. The PATCUB lent Rs.405.67 lakhs in 2006-07. The quantum of loans was Rs.928.58 lakhs in 2015-16. The KCUB has lent Rs.652.36 lakhs (2002-03) and Rs.900.31 lakhs (2015-16).

#### Investment

Generally, the banks invest a sizeable portion of their working funds, in government and trustee securities, But own investments constitute the third line of defence in times of liquidity crunch, the first line of defense being cash, a non-earning asset and the second being Money at Call and Short Notice lent to fellow bankers, which, unlike cash, earns interests. If the

investments are judiciously made, keeping the following main four principles namely safety, income yields, marketability and price stability.

**Table 5: Investments of Urban Co-Operative Banks in Thanjavur District**  
(Rs. in lakhs)

YEAR	NTCOB	KDCUB	PAPCUB	PATCUB	KCUB
2006-07	115.20	162.78	724.19	116.56	100.36
2007-08	235.20	164.79	789.20	115.52	105.23
2008-09	255.20	177.81	553.14	169.87	108.96
2009-10	255.52	197.81	530.83	174.83	108.32
2010-11	475.52	167.81	400.27	102.93	109.32
2011-12	475.52	167.91	546.52	107.12	125.39
2012-13	475.52	215.94	955.86	112.49	158.36
2013-14	475.52	210.97	899.89	111.93	118.36
2014-15	530.52	211.04	549.00	111.88	116.74
2015-16	525.22	211.04	274.11	138.09	120.36

Source: Annual Reports of Urban Co-operative Banks

In respect of the investment of the banks, the NTCOB has total investments of Rs.115.20 lakhs in 2006-07. The bank invested Rs.525.22 lakhs in 2015-16. During the study period the investments showed steady increase. The KDCUB has invested Rs.162.78 lakhs in 2006-07 and it was Rs.211.04 lakhs. The PAPCUB's investment was Rs. 724.19 lakhs in 2006-07. It was Rs.274.11 and it showed decline in the investments. The PATCUB's investment was Rs.116.56 lakhs in 2006-07. The bank invested Rs.138.09 lakhs in 2015-16. The investment of the KDCUB was Rs.100.36 lakhs and it reached Rs.120.36 lakhs in 2015-16 after meeting fluctuations.

#### Fixed Assets

Fixed assets of the banks include mainly building, equipments, office appliances and furniture. The block of fixed assets represents the prosperity of the banks and it is really add the value of the net work of the banks.

**Table 6: Fixed Assets of Urban Co-Operative Banks in Thanjavur District**  
(Rs. in lakhs)

YEAR	NTCOB	KDCUB	PAPCUB	PATCUB	KCUB
2006-07	14.01	11.25	24.37	24.85	28.36
2007-08	13.88	12.22	36.85	24.57	28.39
2008-09	12.86	12.32	61.75	24.31	32.65
2009-10	13.16	12.58	24.94	23.87	32.61
2010-11	11.80	12.34	22.09	24.25	45.12
2011-12	10.99	12.14	21.51	24.43	48.23
2012-13	20.06	11.99	18.90	24.78	49.26
2013-14	20.46	12.24	18.43	26.73	48.96
2014-15	19.77	16.41	19.82	35.14	60.23
2015-16	20.80	29.08	15.08	27.67	61.25

Source: Annual Reports of Urban Co-operative Banks

In the case of fixed assets, the NTCOB has possessed Rs.14.01 lakhs as the fixed assets. The position improved to Rs.20.80 lakhs (in 2015-16) and it showed remarkable one. The KDCUB's fixed assets were Rs.11.25 lakhs in 2006-07. It reached Rs.29.08 lakhs in 2015-16. The PAPCUB has invested Rs.24.37 lakhs in the fixed assets in 2006-07. The bank has invested Rs.15.08 lakhs in 2015-16. The PATCUB's fixed assets were Rs.24.85 lakhs and the bank had Rs.27.67 lakhs as the fixed assets. The position of the KCUB was also the same as the other banks. It has fixed assets Rs.28.36 lakhs (2006-07) and the bank has possessed fixed assets worth Rs. 61.25 lakhs.

#### Conclusion

The selected banks of the present study have retained their share capital properly. All the banks have maintained the reserve funds as per the Banking Regulations Act, 1949 and the RBI guidelines. Public sector banks and private sector banks are



concentrating on major expansion activities both vertically and horizontally. The growth of Co-Operative banks depends on transparency in control and operation, governance, customer-centric policies, technology upgradation and efficiency.

## **References**

### **Annual Reports**

1. Annual Reports (2006-07 TO 2015-16) of the study Banks.
2. Amardeep Walia, 2003, "Funds Management in Central Cooperative Banks – A case study of Jalandhar Central Cooperative Bank Ltd., Cooperative Perspective, Vol. 27, No.4, January-March, 44-54.
3. Amardeep, C., (1993), Profits and Profitability in Commercial Banks, Deep & Deep Publications, New Delhi, p.25.
4. Rathod (2000), Financial Ratios and the Probabilistic Prediction of Bankruptcy, Journal of Accounting Research, No. 18, 109-131.
5. Ratna and Nimbalkar(2011), Efficiency of Urban Co-Operative Banks of Maharashtra: A DEA Analysis, The ICFAI Journal of Management, Vol. 5, Issue 4,pp.48-63.
6. Sreekala S.P., (2011),A Study on Asset and Liability Management in Salem Co-Operative Bank, Namex International Journal of Management Research 2 Vol. 1, Issue No.1, December, 2011, pp.1-10.