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RESEARCH ARTICLE

AN EMPIRICAL STUDY ON FINANCIAL PERFORMANCE OF ANANTAPUR URBAN COOPERATIVE BANK

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ABSTRACT

The concept of "Financial Inclusion" is inbuilt in the structure of Urban Co-operative Bank. As Urban Co-operative Banks are mostly working in the rural and semi-urban areas. They are the back bone of banking system and contribute for growth of the nation. The researcher aims to analyze the financial performance of Anantapur Urban Cooperative bank. The study used exploratory research design which relies on secondary data. The analyzed data reveals that there was significant growth in the deposits mobilization, loans and advances, working capital, reserves and owned funds. There is no significant growth in membership but there was significant growth in share capital per member with CGR of 9.43. There was significant increase in the total cash with the bank which is growing at CGR of 12.44. There was no significant growth in CDR. There was significant difference in the growth and composition of income. The total expenses were increasing significantly with CGR of 16.61. Even though there was increasing trend in the Net Profits earned during the study period except in the year 2006-07 but it was statistically insignificant. The EPS of AUCB was enhanced which is statistically significant during the study. Therefore the performance of AUCB was satisfactory.

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INTRODUCTION

The scheduled banking structure in India consists of banks that are listed in the second schedule of the RBI Act 1934. The scheduled banks comprises of commercial, Rural, Urban Co-operative and state Co-operative Banks. During the year 2000/01, the Indian Banking sector continued to respond to the emerging challenges of increased competition and uncertainties. While the prudential and supervisory norms are being brought in conformity with international best practice, to further strengthen the stability of the banking system, the ongoing reforms provide greater operational flexibility to urban cooperative banks. In their business strategy, urban cooperative banks exhibited a greater emphasis on product diversification, customer orientation thrust towards retail banking, adoption of IT for improved service, better MIS and management and strategic mergers and acquisition across bank groups. The macroeconomic policy initiated by the Government Since July 1991 saw the economy performing in a much better way. The RBI has taken up various reform measures to improve the performance of Banks with an eye on the betterment of the society and economy:

They are:

1. Approval to several new banks to commence business.
2. Enabling legislation for public sector banks to restructure their capital and seek public subscription for augmenting capital.
3. Extensive regulatory power to SEBI for effective supervisor and control of the stock market.
4. Establishment of the Debt recovery tribunals including an appellate tribunal @ Bombay.
5. Introduction of CAR norms for financial institutions / non-banking financial institution.

6. Restructuring of regional rural banks on a selective basis.
7. Setting up of an independent board for financial supervisor and introduction of a supervisory reporting system enabling off-site surveillance of banks to be effected from 01.04.1995.

Several new banks commenced their operations mainly metropolitan centers with a strong technological base, which would enable computing in real-time environment at the branches besides providing connectivity between them. This in turn prompted other banks to embark on strengthening systems and sharpening skills in providing efficient customer service indicating far reaching beneficial changes to come in the banking sector in the near future. The purpose of this study is to discover by applying analytical tools to bank financial statements so that the Management and the public can identify the most critical problem inside each bank and develop ways to deal with those problems.

REVIEW OF LITERATURE

Pai (1990) in his study on "Cooperative Banks and Priority Sector Advances" observed that, out of the total priority sector advances of cooperative banks in India, the highest share was given for trade (24.4 per cent) followed by small-scale industries (23 per cent) and housing constituted only 6 percent. The significance of the cooperative banks was left even in the early part of this century. Many committees and working groups appointed by Government of India, Reserve Bank of India and State Governments have emphasized the importance of cooperative banks from time to time. Eric Girard in And Xie Ping (1997) conducted study on "Urban Credit Co-Operatives in China". It begins by putting the German, French, US and Japanese experiences into perspective, before constructing a macro-economic analysis of the operation, institutional context and the role of urban credit co-operatives within the savings and credit systems. A survey of 57 co-

operatives in eight Chinese towns is used to study credit co-operative activities at the micro-economic level. The survey shows that within their heterogeneity the credit co-operatives generally ignore the laws governing banking operations. Unsurprisingly, the most profitable are located in the fast-growing coastal regions, but they tend to use a large proportion of their funds for loans to the state, rather than the cooperative sector. Bhaskaran and Josh (2000) concluded that the recovery performance of co-operative credit institutions continues to be unsatisfactory which contributes to the growth of NPA even after the introduction of prudential regulations. They suggested legislative and policy prescriptions to make co-operative credit institutions more efficient, productive and profitable organization in tune with competitive commercial banking. Jain (2001) has done a comparative performance analysis of District Central Co-operative Banks (DCCBs) of Western India, namely Maharashtra, Gujarat and Rajasthan and found that DCCBs of Rajasthan have performed better in profitability and liquidity as compared to Gujarat and Maharashtra.

Singh Fulbag and Singh Balwinder (2006), in their study Funds Management in Central Cooperative Banks- Analysis of Financial Margin” attempted to estimate the impact of identified variables on the financial margin of the central cooperative banks in Punjab with help of correlation and multiple stepwise regression approach. The ratio of own funds to working funds and the ratio of recovery to demand were observed to be having positive significant influence on financial margin, whereas over dues to total loans were found to be negatively associated with the concerned parameter. A high percentage of own funds and timely recovery of previous loans outstanding, as a source of funding new loans by the bank, increased the financial margin in these banks. Mukul G. Asher (2007) in the article Reforming Governance and Regulation of Urban Cooperative Banks in India argued a case for a paradigm shift in the way urban cooperative banks (UCBs) are managed, governed, and regulated in India to enable them to enhance their contributions to achieving greater degree of financial inclusion, and more broad based growth. Design / methodology / approach. The paper finds that if the UCBs are to remain relevant and play a significant developmental role in India, they will require same quality of governance and regulation as well as professionalism and modernization as the mainstream commercial banks. The governance and regulatory structures need to be brought in conformity with India's current and prospective economic structure; and relevant laws modernized. This requires a paradigm shift in the role of UCBs. Shah Deepak (2007) analyzed on a case study of Sangli and Buldana District Central Cooperative Banks regarding the financial health of credit cooperatives in Maharashtra and found NPA or over dues as main culprit for deterioration in health of these banks. The study revealed that both these banks showed a decline in their financial health and economic viability during the late nineties as against the early nineties period. Dutta and Basak (2008) recommended that Co-operative banks should improve their recovery performance, adopt new system of computerized monitoring of loans, implement proper prudential norms and organize regular workshops to sustain in the competitive banking environment.

Kumar Sabina (2008) in her thesis examined on “Management of Non-Performing Advances-A Study of District Central Cooperatives Banks of Punjab”, A sample of ten DCCBs i.e. five with high level of NPAs and five with low level of NPAs, was taken for the study. It was found that despite the best efforts, Central Cooperative banks had not succeeded in diversifying their business. The NPAs in crop loan were found to be the lowest and in non -farm sector loan they were highest. On the basis of step wise multiple regressions, it was found that caste, education, amount and adequacy of loan were the main factors effecting repayment performance of the borrowers. She suggested that these banks should form a special cell to monitor NPAs and should take services of recovery agents. Amit Basak (2009) analyzed the case study on “Performance Appraisal of Urban Cooperative Banks: A Case Study” figured that though some UCBs have performed creditably in the recent years, a large number of them have shown discernible signs of weakness. The operational efficiency is

unsatisfactory and characterized by low profitability, ever-growing Non-Performing Assets (NPAs) and relatively low capital base. In this context, this paper makes an attempt to examine the working and financial performance of the UCBs. To make the analysis, the author takes up the Contai Co-operative Bank Ltd., one of the leading UCBs in West Bengal for a case study. The objective of the study is to identify and analyze the trend, progress and problems of this bank, to throw light on the problems of swelling NPAs and to offer some meaningful suggestions for improving the efficiency and effectiveness of this bank. Relevant data have been collected for the period from 1995-96 to 2006-07. This data have been analyzed with the help of statistical tools like ratios, percentages, averages and trend analysis, chi-square test, and multiple regression analysis. Chander and Chandel (2010) examined the financial efficiency and viability of HARCO Bank and found poor performance of the bank on capital adequacy, liquidity, earning quality and the management efficiency parameters. Dr. Gurcharan Singh and Sukhmani (2011) conducted study on “An Analytical Study of Productivity and Profitability of District Central Cooperative Banks in Punjab “focused on evaluating performance of cooperative banks in the state of Punjab. Six District Central Cooperation Bank (DCCBs) from the state of Punjab has been selected for the study. Their productivity and profitability have been studied for a period of nine years (1999-2000). It is found that profitability in all selected DCCBs of Punjab had shown a negative trend whereas the productivity improved significantly over the period of study. Dr.Mrs.Ratna and K.Nimbalkar (2011) conducted study on “A Study of NPA’s -Reference to Urban Co-Operative Bank” Focused On urban co-operative banks facing keen competition with public sector banks and private sector banks, particularly after globalization in 1991. At the same time these banks are facing the problem of Non-Performing Assets also.

RESEARCH GAP

The review of literature clearly reveals that no research was previously conducted on the financial performance analysis of scheduled urban cooperative banks in anantapur district of the Andhra Pradesh, India. Hence the research aims to fill the gap by analyzing the financial performance of Anantapur scheduled urban cooperative bank in Anantapur district of Andhra Pradesh, India with some specified ratios and applying statistical tools to analyse the progress and profitability of Anantapur Urban Cooperative bank in Anantapur district of the state A.P of India.

STATEMENT OF THE PROBLEM

Cooperative Bank failures have been relatively high in recent years. While each bank failure is a somewhat a unique experience, recent studies have identified a few factors that most failing banks seems to have in common. Most banks that fail seem to do so because of problems in their loan portfolio. Nonperforming loans grow to such an extent that revenues fall off and loan loss expenses as well as operating costs, absorb all the earnings that remain. The bad loan situation usually arises from a combination of factors. Failing banks often have inadequate systems of spotting problem loan early. Finally, failing banks frequently have expense control problems. Management may invest the banks money in lavish offices and enjoy handsome fringe benefits that the banks earnings simply cannot support. When the bank's troubles become evident to depositor, it must then pay higher interest rates to secure finding, further increasing its operating costs. Eventually expenses may erode what limited earnings are available and bank capital begins to fall.

OBJECTIVES OF THE STUDY

The researcher identified the following objectives as a part of the study:

Primary Objective: To examine the financial performance of Anantapur Urban Cooperative bank in Anantapur district of the state A.P, India.

Secondary Objectives

- i) To study the progress of Anantapur Urban Cooperative bank in Anantapur district of the state A.P, India.
- ii) To know the growth of membership and share capital in the AUCB.
- iii) To analyze the growth and composition of Cash and Cash Deposit Ratio (CDR) in AUCB.
- iv) To study the growth and composition of Working capital in AUCB.
- v) To analyze the growth and composition of Income and Expenditure of AUCB.
- vi) To study the Trends in Profits and Earnings per shareholder of AUCB.

HYPOTHESIS

Based on the objectives the following hypothesis are formulated and tested.

- H₁: There is no significant in the growth of Share Capital in the Anantapur UCB.
- H₂: There is no significant in the growth of deposit mobilization during study with regard to Anantapur Urban Cooperative Bank
- H₃: There is no significant growth in the loans and advances during the study with regard to Anantapur Urban Co-operative Bank.
- H₄: There is no significant growth in the Net Profit earning of Anantapur Urban Co-operative Bank during the study.

RESEARCH METHODOLOGY

The research article is based upon exploratory research. Secondary data such as Balance sheets with schedule and profit and loss account of Anantapur Urban Cooperative Bank were collected for the period 2005-06 to 2009-2010 (5 Years). Some of the data were collected from National Institute of Banking Management (NIBM)- Pune, RBI statistical department publication, Indian banks association publications, Published journals, news papers and Books.

TOOLS USED FOR ANALYSIS OF DATA

Analysis of data is made using certain tools and techniques such as Ratio Analysis, Averages, Standard deviation and t -test.

ANALYSIS OF THE STUDY

Progress of Anantapur Urban Cooperative Bank

Cooperative movement in Anantapur has got place of honour in Andhra Pradesh. Anantapur is ahead in providing financial help to the poor and the weaker sections of the Anantapur people. The Anantapur Cooperative Town Bank Ltd., was established as a non-agricultural credit society on 24.01.1916, and started its banking business from 13.02.1916. The bank has three branches and there is a proposal to start another branch. It is under "A" category as per audit classification. The bank functions in its own building in the municipal area and has competition from many commercial banks. It has locker facility also. Its progress in terms of banking variables is shown in Table 1. The Table clearly shows that the membership during this period decreased from 6625 in 2005-06 to 3240 in the year 2009-10. It shows that the people of Anantapur town did not show interest in the Urban Cooperative Banks. The membership shows different levels in this period. The linear growth rate is -0.67 and the compound growth rate is -13.33 with 't' value -4.21 which is not significant. The share capital in 2005-06 was Rs.50.70 lakhs which brought down to Rs.38.4 lakhs in 2009-10 after recording more fluctuations. The share capital has been gradually decreased during the period. It shows that the urban population did not show interest in cooperative banking. The share capital during this period has recorded a negative growth rate of 2.46 with a not significant 't' value. The reserves has been raising consistently from Rs.36.39 lakhs in 2005-06 to Rs.105.62 lakhs in 2009-10 with a linear growth rate of 13.85 and with more significant 't' value 7.8. Owned funds increased from Rs.87.09 lakhs to Rs.144.02 lakhs during this period, recording

the LGR and CGR of 11.39 and 10.58 respectively. The owned funds reached the highest level 144.02 in 2009-10. The deposits were Rs.1246 lakhs in 2005-06. They rose to Rs.2652.9 lakhs in 2009-10. Thus the increase in deposits was Rs.1407 lakhs which was 112.92 percent. The deposits constantly increased during the period. It recorded a compound growth rate of 16.31 with a more significant 't' value. Working capital also increased from Rs.1333.18 lakhs to Rs.2796.92 lakhs during the period 2005-06 to 2009-10, with a compound growth rate of 15.97 percent, which is significant. In 2005-06 the loans and advances were Rs.969.17 lakhs and in 2009-10 they rose to Rs.1833.55 lakhs indicating the compound growth rate (CGR) of 13.60 percent with a more significant 't' value 6.68. On the other hand it showed a gradual increase without any fluctuations. Hence that the Anantapur Urban Cooperative Bank stood at a considerable position in issuing loans. The over dues also showed increasing trend. It raised from Rs.93.27 lakhs in 2005-06 to Rs.131.34 lakhs in 2006-07. Then it decreased to Rs.90.22 lakhs in 2008-09 and then raised to 104.22 lakhs in 2009-10, with linear growth rate of 2.19 which is not significant. But percentage of over dues declined from 9.62 percent in 2005-06 to 5.67 percent in 2009-10 and recorded a negative compound growth rate of 10.03 which is not significant. This bank was facing mixed trend regarding the profitability from 2005-06 to 2009-10. In the beginning year i.e. in 2005-06 the bank enjoyed a profit of Rs.25.70 lakhs, and abnormally decreased to Rs.12.1 lakhs in 2006-07 and thereby subsequently increased to Rs.29.4 lakhs in 2007-08 and recorded the highest profit of Rs.38.1 lakhs in 2009-10. This mixed trend during this period shows the linear growth rate of 2.48 which is not significant and compound growth rate of 8.19. An overall analysis reveals that the people of Anantapur town did not take active part in urban co-operative banks, despite wide scope for urban co-operative banks to increase membership in Anantapur in urban areas. The share capital of Anantapur UCB shows that it had decreasing trend during this period. The reserves were enough as their source and the bank did not depend on the outside borrowings. It is a remarkable achievement. Regarding the deposits, there was constant increase which shows that the bank had enough resources, and it remained as an indicator of the trust, faith in the urban bank. The over dues in this period reveal the reducing trend from 2007-08 and shows that the bank staff were taking correct steps to collect the dues from the customers. After observing the profit analysis it can be noticed that the Anantapur Urban Cooperative Banks though had fluctuations in the beginning, it subsequently rose during the period.

Growth of Membership and Share Capital per Member

The trend in membership and share capital of a bank is largely governed by its age and status. It is more evident in the case of an Urban Cooperative Banks. All the people particularly the weaker sections within the area of Urban Cooperative Bank eligible to become members, stated otherwise membership is open to all and control is vested in members but not by capital. This is a unique characteristic feature of Urban Cooperative Banks "Man remain his master and cooperative organization his servant". This principle thrives on democraticism. Equity is the security in programs of Urban Cooperative Banks is a welcome feature for development of both former and latter which edify the movement. The growth of membership and share capital in Anantapur Urban Cooperative Bank is given in the Table 2. It may be observed from the table that the membership during this period decreased from 6625 in 2005-06 to 3240 in 2009-10. Hence recorded a negative linear growth rate of 0.67 which is not significant. It shows that the urban population did not show interest in cooperative banking business. Whereas the share capital showed an decreasing trend i.e. from Rs.50.7 lakhs in the year 2005-06 to Rs.38.4 lakhs in the year 2009-10. Over a period the decrease in the share capital witnessed a negative linear growth rate of 2.46 with a 't' value which is not significant. As against the share capital per member increased from Rs.765.01 lakhs to Rs.1186.49 lakhs from 2005-06 to 2009-10 of course, with the minor fluctuations. Later it has showed wide fluctuations touching the highest level of Rs.1208.48 lakhs in 2008-09 and lowest level of Rs.765.01 lakhs in 2005-06.

Table 1. Progress of Anantapur Urban Cooperative Bank Ltd

(From 2005-06 to 2009-10)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	LGR	CGR	't' value
Membership(000)	6.625	4.611	4.305	3.128	3.240	0.67	-13.33	-4.21 ^{NS}
Share Capital(in lakhs)	50.7	40.1	38.5	37.8	38.4	-2.46	-5.41	-2.81 ^{NS}
Reserves (in lakhs)	36.39	52.57	56.85	84.15	105.62	13.85	23.75	7.8**
Owned Funds(in lakhs)	87.09	92.67	95.35	121.95	144.02	11.39	10.58	4.73**
Deposits (in lakhs)	1246.09	1237.19	148.18	1921.30	2652.90	281.36	16.31	4.27**
Working Capital(in lakhs)	1333.18	1329.86	1576.53	2043.25	2796.92	292.75	15.79	4.3**
Loans and Advances (in lakhs)	969.17	1068.35	1208.26	1471.95	1833.55	172.88	13.60	6.68**
Over Dues (in lakhs)	93.27	131.34	98.66	90.22	104.22	2.19	2.24	-0.94 ^{NS}
Net profit (in lakhs)	25.7	12.1	29.4	32.6	38.1	2.48	8.19	1.86 ^{NS}
% of Over dues	9.62	12.29	8.16	6.13	5.67	-0.79	10.03	-2.23 ^{NS}

Source: Annual reports of UCBS in Anantapur District, NS: Not Significant,*Significant at 5% level & **Significant at 1% level

Table 2. Growth of Membership and Share Capital in the Anantapur UCB

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	LGR	CGR	't' value
Member(000)	6.625	4.611	4.305	3.128	3.240	0.67	-13.33	-4.21 ^{NS}
Share capital Amount in lakhs)	50.70	40.1	38.5	37.8	38.4	-2.46	-5.41	-2.18 ^{NS}
Share Capital per member	765.01	869.23	895.29	1208.48	1186.49	84.3	9.17	4.51**

Source: Compiled from Annual reports of Anantapur UCB ,NS: Not significant,*Significant at 0.05 level & **Significant at 0.01 level

Table 3. Growth and Composition of Cash and Cash Deposit Ratio (CDR) in Anantapur UCB

As on 31 st March	2005-06	2006-07	2007-08	2008-09	2009-10	LGR	CGR	't' value
Cash with bank	12.7 (25.65)	17.20 (29.47)	12.63 (22.16)	14.88 (14.94)	42.23 (47.47)	5.91	27.16	1.75 ^{NS}
Cash with other bank	36.81 (74.35)	41.17 (70.53)	44.37 (77.84)	84.74 (85.06)	46.74 (52.53)	1.99	4.89	1.05 ^{NS}
Total Cash	49.51 (100)	58.37 (100)	57.00 (100)	99.62 (100)	88.97 (100)	7.89	12.44	2.90*
Deposits	1246.09	1237.19	1481.18	1921.30	2652.9	281.40	16.32	4.27**
CDR	3.9	4.7	3.8	5.2	3.3	-0.12	-3.29	-0.26 ^{NS}

Source: Compiled from Annual reports of Anantapur UCB, NS: Not significant *Significant at 0.05 level & **Significant at 0.01 level

Table 4. Growth and Composition of Working capital in Anantapur UCB

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	LGR	CGR	't' value
Share Capital(in lakhs)	50.7 (3.8)	40.1 (3.02)	38.5 (2.44)	37.8 (1.85)	38.4 (1.37)	-2.46	-5.41	-2.81 ^{NS}
Reserves (in lakhs)	36.39 (2.7)	52.57 (3.95)	56.85 (3.61)	84.15 (4.12)	105.62 (3.78)	13.85	23.75	7.8**
Owned Funds(in lakhs)	87.09 (6.53)	92.67 (6.97)	95.35 (6.05)	121.95 (5.97)	144.02 (5.15)	11.39	10.58	4.73**
Deposits (in lakhs)	1246.09 (93.47)	1237.19 (93.03)	1481.18 (93.95)	1921.30 (94.03)	2652.90 (94.85)	281.36	16.31	4.27**
Working Capital(in lakhs)	1333.18 (100)	1329.86 (100)	1576.53 (100)	2043.25 (100)	2796.92 (100)	292.75	15.79	4.3**

Source: Compiled from Annual reports of Anantapur UCB, NS: Not significant,*Significant at 0.05 level & **Significant at 0.01 level

Table 5. Growth and Composition of Income of Anantapur Urban Cooperative Bank

Year	2005-06	2006-07	2007-08	2008-09	2009-10	LGR	CGR	't' value
Interest on loans and Advances	141.6 (83.55)	154.99 (84.20)	163.69 (84.30)	201.95 (82.20)	250.98 (80.02)	21.88	12.13	5.18**
Interest on Investments	21.41 (12.63)	22.83 (12.40)	20.86 (10.74)	32.05 (13.04)	48.92 (15.60)	5.5	17.97	2.82*
Other Income	6.46 (3.81)	6.26 (3.40)	9.63 (4.96)	11.69 (4.76)	13.75 (4.38)	1.46	16.31	6.85**
Total Income	169.47 (100)	184.08 (100)	194.18 (100)	245.69 (100)	313.65 (100)	28.84	13.10	4.67**

Source: Compiled from Annual reports from Anantapur UCBank ,*Significant at 0.05 & ** significant at 0.01 level.

Table 6. Growth and composition of Expenditure in Anantapur Urban Cooperative Bank

Year	2005-06	2006-07	2007-08	2008-09	2009-10	LGR	CGR	't' value
Interest expenses	96.1 (75.20)	118.4 (68.88)	109.8 (66.63)	149.4 (69.33)	212.4 (77.10)	23.26	17.19	3.56**
Establishment expenses	17.4 (13.62)	20.2 (11.75)	19.3 (11.71)	23.5 (10.90)	19.6 (7.11)	0.44	2.41	1.14 ^{NS}
Other expenses	14.25 (11.15)	33.33 (19.39)	35.75 (21.69)	42.63 (19.78)	43.5 (15.79)	5.85	25.01	3.74**
Total Expenses	127.8 (100)	171.9 (100)	164.8 (100)	215.5 (100)	275.5 (100)	29.54	16.61	5.16**

Source: Compiled from Annual reports of Anantapur UCB, NS: Not significant,*Significant at 0.05 level & **Significant at 0.01 level.

Table 7. Trends in Profits and Earnings per shareholder of Anantapur Urban Cooperative Bank

Year	2005-06	2006-07	2007-08	2008-09	2009-10	LGR	CGR	't' value
No. of Shareholders	6625	4611	4305	3128	3240	-677	-13.33	-4.21 ^{NS}
Profits (in lakhs)	25.7	12.1	29.4	32.6	38.1	2.48	8.19	1.86 ^{NS}
Earnings per share holder (Rs)	388	262.4	682.9	1042.2	1175.9	157.58	24.83	4.64**

Source: Compiled from Annual reports of Anantapur UCB, NS: Not significant, *Significant at 0.05 level & **Significant at 0.01 level.

The linear growth rate of share capital per member was 84.296 with more significant 't' value 4.51 and a compound growth rate of 9.17.

Cash and Cash Deposit Ratio

A bank's cash is the money which can be drawn at any time by the customers. It consists of cash within the bank and cash with other banks. This cash within the bank is necessary to meet the demands of the customers. The growth and composition of cash and cash deposit ratio at the Anantapur Urban Cooperative Bank may be observed from Table 3. Out of the total cash, the cash with other banks constitutes a greater proportion than the cash within the bank. It is evident from the table that Anantapur Urban Co-operative Bank tends to keep more cash with other banks as it earns interest. The total amount of cash has been fluctuating. During the period, the percentage of cash with bank increased from 25.65 percent to 47.47 percent with a LGR of 5.9 percent. Conversely the percentage of cash with other banks decreased from 74.35 percent to 52.53 percent and recorded a compound growth rate of 1.99 and a 't' value 1.05 which is not significant. Cash Deposit ratio is the ratio between bank's cash reserves and its total deposits. Since a bank should always be able to pay cash on demand to its customers, a certain amount of liquid cash is to be held for this purpose. With the development of banking and the use of cheques and drafts, demand for the liquid cash, this is known as statutory liquidity ratio requirement, decreased. As the deposits increased and cash decreased, in the beginning the ratio increased from 3.9 in 2005-06 to 5.2 in the year 2008-09 and then declined to 3.3 in 2009-10. Overall cash deposit ratio shows a negative compound growth rate of 3.29 with not significant 't' value -0.26. Total cash increased from 49.51 lakhs in 2005-06 to Rs.88.971 lakhs in 2009-10 with a compound growth rate of 12.44 and moderate significant 't' value 2.90. Regarding maintenance of cash, the bank shows satisfactory liquidity position.

Growth of Working Capital

Working capital is an important factor in the functioning of an Urban Cooperative Bank. The operation of any bank in terms of loans and advances and investments depends upon the quantum and nature of Working capital. Generally the higher is the working capital the higher will be the efficiency of a bank. The same is true with the Urban Co-operative Banks also. For the purpose of analysis of growth and composition, working capital considers the sum of deposits and owned funds, the latter being the total of share capital and reserve fund. The Table 4 shows the growth of working capital and its constituents during 2005-06 to 2009-10. The Table reveals that out of the total working capital, deposits constitute a greater proportion and their percentage increased from 93.47 percent to 94.85 percent whereas that of owned funds decreased from 6.53 percent to 5.15 percent during the study period. Out of the total owned funds share capital as a percentage decreased from 3.8 to 1.37 and that of reserve fund showed fluctuations between 2.7 and 3.78 percent during this period. The share capital showed decreased trend from 2005-06 to 2009-10 and hence recorded a negative compound growth rate of 5.41 with not significant 't' value. The Reserve fund had been increasing consistently, with a growth rate of 23.75 with more significant 't' value 7.80. Deposits, however, have showed a significant and consistent increase with a compound growth rate of 16.31 percent with more significant 't' value 4.27. As a consequence, the working capital increased from Rs.1333.18 lakhs to Rs.2796.92 lakhs, with a compound growth rate of 15.79 with moderately significant 't' value 4.30.

Analysis of Income

The Anantapur Urban Co-operative Bank has been actively striving in the mobilization of deposits and disbursement of loans. Therefore, the Bank's income position has been satisfactory as shown in Table 5. The total income increased at a linear growth rate of 28.84 from Rs.169.47 lakhs in 2005-06 to Rs.313.65 lakhs in 2009-10 with more significant 't' value of 4.67 and compound growth rate of 13.10. However there had been increasing trend in the composition of income over the period. Out of the total income, interest on loans formed the largest proportion of 83.55 percent followed by interest on investment 12.63 percent and other income 3.81 percent in 2005-06. The interest on investments recorded greater growth rate (17.97) than the interest on loans (12.13). Consequently, the proportion of the former decreased to 80.02 percent while that of the latter increased to 15.60 percent in 2009-10-. The proportion of other income increased to 4.38 percent.

Analysis of expenditure

The growth and composition of expenditure depends to a large extent, on the age and operations of the bank. If the bank is old and well established, the expenditure does not vary much. If the operations are stable, the expenditure also remains stable. This is true with Anantapur Urban Co-operative Bank as shown in Table 6. The analysis of the table shows that during this period, expenditure had been showing a continuously increasing trend. The total expenditure increased from Rs.127.8 lakhs in 2005-06 to Rs.275.5 lakhs in 2009-10 with a compound growth rate of 16.61 with more significant 't' value of 5.16. The interest paid and the establishment expenses constituted a major portion of it, as their growth rates were 17.19 and 2.41 respectively. The percentage of 'other expenditure' with linear growth rate of 5.85 with more significant 't' value 3.74 and compound growth rate of 25.01 increased from (11.15 percent to 15.79 percent). The percentage of interest paid was increased from 75.20 in 2005-06 to 77.10 percent in 2009-10 and the percentage of establishment expenses decreased from 13.62 percent in 2005-06 to 7.11 percent in 2009-10.

Trends in Profit

The Anantapur Urban Co-operative Bank has been experiencing positive trends in profits both in total volume of profits and in terms of profits per share as shown in Table 7. It may be observed from the table that in profits and earnings per share during this period the bank earned profits for the five years i.e., during 2005-06 to 2009-10. The linear growth rate for net profits was 2.48 with non significant 't' value of 1.86 and compound growth rate is 8.19. The earnings per share was Rs.388 in the year 2005-06, which rose to Rs.1175.9 in the year 2009-10 with significant 't' value of 4.64 and compound growth rate of 24.83. This shows that the performance of Anantapur Urban Co-operative bank in terms of profit variable has been satisfactory. However during the year 2005-06 a net profit of Rs.25.7 lakhs and in the year 2009-10 the net profit is Rs. 38.10 lakhs show that the bank was in a developing stage and if the same trend is continue, the bank will definitely earn more profits during the forthcoming years.

Conclusion

The Anantapur Urban Co-operative Bank has witnessed decrease in membership during this period 2005-06 to 2009-10 with a negative growth rate of 13.33 percent and the share capital during this period shows -5.41 percent of negative compound rate, with a not significant

't' value. So H1: There is no significant growth of Share Capital in the Anantapur UCB. is accepted Deposit mobilation Is an important activity of the bank. The deposits have increased from Rs.1246 lakhs to Rs.2653 lakhs, with 112.92 percent during this 5 years. The deposits of Anantapur Urban Co-operative Bank increased by 2 times. The total deposits of the Anantapur Urban Co-operative Bank have shown a high growth. The fixed deposits and special deposits constitute 90 percent in its total deposits. The increase in the volume of deposits during the decade has been higher due to the adoption of daily saving deposit scheme, the deposits have increased by 2 times in 5 years. The proportion of saving deposits has grown considerably, and the recurring deposits and the current deposits have recorded a marginal growth rate. The total deposits of Anantapur Urban Co-operative Bank represents 93 percent to 95 percent of its working capital. It recorded a compound growth rate of 16.31 with a more significant 't' value. So H2: There is no significant growth of deposit mobilization during study with regard to Anantapur Urban Cooperative Bank Is rejected. During this period, it has been witnessed that the Anantapur UCB is self reliant, and has not depended upon outside sources. As far as the total advances are concerned Jewel loans form the highest percentage followed by mortgage loans and deposit loans. The other loans form a small percentage of total loans and advances. The percentage of jewel loans increased during the period.

Though the amount of over dues has increased in the percentage has decreased. Loan and advance recorded compound growth rate of 13.6 percent with more significant 't' value so H_3 : There is no significant growth in the loans and advances during the study with regard to Anantapur Urban Co-operative Bank. - rejected. The Anantapur Urban Co-operative Bank has shown satisfactory trend with regard to loans and advances. The income of the Anantapur Urban Co-operative Bank has recorded increasing trend in the composition of income over the period. Out of the total income, interest on loans has formed the largest proportion. (80.02 percent), followed by interest on investments and other income. The expenditure of the Anantapur Urban Co-operative Bank's has been showing a continuously increasing trend. The total profits and the profits per share have been showing positive trend. However, in the year 2006-07, it recorded the low profit of Rs.12.1 lakhs but in the year 2009-10 the net profit was Rs.38.1 lakhs. This mixed trend during this period the linear growth rate 2.48 which is not significant so H_4 : There is no significant growth in the Net Profit earning of Anantapur Urban Co-operative Bank during the study is accepted. This shows that the bank is in developing stage and earns more profits during the forthcoming years.

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