# A STUDY ON THE FACTORS THAT CONTRIBUTED FOR THE FINANCIAL VIABILITY OF URBAN COOPERATIVE BANKS IN TAMIL NADU

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## Introduction

Cooperative credit institutions occupy an important position in the Indian financial system in terms of their reach, the volume of operations and the purpose they serve (*RBI 2001- 02, p. 148*). The cooperative credit institutions have extensive networks and localized operational base, especially in creating banking habits among the lower and middle-income groups. The structure of cooperative credit institution consists of rural credit institutions and urban credit institutions. Urban Cooperative Banks (UCBs) are an important segment in the urban cooperative credit institutional structure.

Historically, the UCBs movement is older than the Indian cooperative movement. The first urban cooperative credit society formed in Baroda in 1889 and is now a full-fledged urban cooperative bank. After the enactment of Cooperative Credit Societies Act 1904 efforts were made to organize UCBs in Urban Centers. Many Committees and Commission that were appointed by Government of India and Reserve Bank of India (RBI) also stressed the importance and recommended for establishment of such banks. For instance the Indian Central Banking Enquiry Committee (1931) felt that UCBs had a duty to help the small business and middle-class people. The Cooperative Planning Committee (1946) went on record to say that UCBs had been the best agencies for small people in whom joint stock banks were not generally interested. The first study on UCBs was taken up by the RBI in the year 1958-59. The report published in 1961 emphasized the need to establish UCBs in new centers and suggested that State Governments was to lend active support to their development. In 1963, Varde Committee recommended that

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such banks should be organized at all urban centers with a population of 1 lakh or more and not by any single community or caste. In 1960s there was much debate regarding the promotion of the small-scale industries. UCBs came to be seen as important players in this context. The Working Group on Industrial Financing through Cooperative Banks, (1968) known as Damry Group attempted to broaden the scope of activities of UCBs by recommending that these banks should finance the small and cottage industries. The Madhavadas Committee (1979) evaluated the role played by UCBs in greater details and drew a road map for their future role recommending support from RBI and Government in the establishment of such banks in backward areas and prescribed viability standards. Madhava Rao Committee (1999) focused on consolidation, control of sickness, better professional standards in UCBs. All these recommendations have severally contributed for the development of UCBs in India. However, variations have been noticed on the financial health of these UCBs due to several reasons. To identify the issues specific to banks and to suggest suitable measures, RBI (vide its Circular IPRCS/12.05.03/ 2003-04 of 25.06.2003 - Registrar of Cooperative Societies's letter No. Rc. "57357/ 2003 WBMC dated 07.05.2003) introduced a new system of awarding grades to UCBs i.e., Grade I, II, III and IV. While UCBs from Grades I and II can be considered as relatively stronger banks, the banks belonging to Grades III and IV can be classified as sick or weak banks *(RBI: 2008-09, p 159)*.

From the figures given in table-1, it is found that there was a reduction in the number of UCBs from 1813 in 2006-07 to 1574 2015-16. This declining trend was an outcome of the process of consolidation and merger of sick/ weak UCBs belonging to Grade III and IV. This is evident from the fact that the UCBs of grade I and II witnessed an increase in their share in total deposits as well as advances in recent years. At all India level, the position of deposits had been increased from Rs. 120983.21 crore in 2006-07 to Rs. 392179.81 crore during the year 2015-16. The improvement in public confidence in this sector is reflected in the rise of deposit base of the UCBs. Also, the loans and advances of UCBs at all India level had been increased from Rs 78660.54 to Rs 245013.18 crore as a result the CGR was 14.3 per cent.

It was found that in future, the deposit base of UCBs at all India level may increase to Rs 500043.32 Crore in 2020 and Rs 653371.65 crore in 2025. Similarly the level of loans and advances may increase to Rs 316369.10 in 2020 and Rs 412829.11 crore. At the same time the projections showed decreasing trend in the number of UCBs form1456 to 1299. With this background, this study attempted to analyse the factors that contributed for the financial viability of certain UCBs in Tamil Nadu. Also, an attempt is made to find out the factors that led to the financial weakness of certain UCBs in Tamil Nadu

**Progress of UCBs in Tamil Nadu**
In Tamil Nadu, UCBs were organized after their enactment of the Cooperative Credit Societies Act 1904. Tamil Nadu can be proved to be a fact that the "first urban bank, called "Kancheepuram Urban Cooperative Bank" was established at Kancheepuram after the enactment of this Act. The business performance of Tamil Nadu UCBs from (Ref.No.DCBS.CO.RIA cell/4246/09.39.003/2015-16) is given in table-2

At present in Tamil Nadu 120 UCBs are functioning with 322 branches. These UCBs have the strong deposit base of Rs 8022.07 crore in the year 2015-16 as against Rs 2892.73 crore in 2006-07. It was found that from the year 2010-11 on wards the contribution of deposits to working capital was more than 90 per cent. It showed the level of public confidence on the functioning of UCBs in Tamil Nadu. As on 31.3.2016 the loan outstanding was 4467.98. It was found that in future, the share capital would increase Rs. 273.86 crore in 2020 and Rs. 330.66 crore in the year 2025. Consequent to this trend the level of loans and advances may increase to Rs 5928.37 crore in 2020 and Rs 7630.94 crore in 2025.

**Statement of the Problem**
UCBs play an important role as financial intermediaries in urban and semi-urban areas in Tamil Nadu. These banks were traditionally centered around communities, localities workplace groups and they essentially lend loans to small borrowers. As UCBs are primarily cooperative societies, they are subject to dual control. While there has been an improvement in the financial performance of the UCBs in recent times, the high level of NPAs continues to pose a threat to the financial soundness of certain UCBs. These

trends slowly erode public confidence and posing a systematic risk, which affects UCBs adversely with regard to liquidity and impair their ability to render services to weaker sections. The weaker sections of the community who depend on UCBs alone for their credit requirements in urban areas are pushed to open market, wherein the usurious practices of money lenders dragged them to the valley of indebtedness. Further, they could not come out of the clutches of money lenders easily. The street vendors, petty traders, daily wage earners etc., who depend on UCBs are severely and severally affected due to the problem of the poor financial health of UCBs. If these UCBs are financially sound they could easily protect the interest of weaker sections by providing them needed banking services. However, certain other UCBs are financially sound and they are competitive in the industry. These UCBs could able to render better services to their members and justify their existence. With this background this study attempted to analyze the factors that contributed for the financially viability and financial weakness of sample UCBs in Tamil Nadu.

**Objective of the study**
The following are the objectives of the present study
1) To analyze the business profile of the UCBs in Tamil Nadu,
2) To analyze the business profile of the sample UCBs,
3) To identify the factors that led to the financiall viability of Grade-I sample UCBs in Tamil Nadu, and
4) To identify the factors that led to the financial weakness of the Grade-IV sample UCBs of Tamil Nadu.

**Methodology**
Survey method was followed. Both the primary and secondary sources of data were collected and used for the study. The data regarding membership, share capital, reserve fund, deposit, borrowings, loans and advances and investment were collected from annual reports and audit reports of the sample banks for the study period. Multi stage sampling method was adopted to select sample UCBs. At the first stage UCBs in Tamil Nadu were classified as per the norms of RBI as Grade I, II, III and IV. At the second stage the sample UCBs were selected from Grade I and Grade-IV UCBs. From each Grade 3 UCBs were selected purposively, and hence six UCBs were the sample UCBs for the study. The study covered the period between 2006-07 and 2015-16 *(Table - 3)*.

## Tools used for the study and frame work of analysis

Statistical tools like percentage, average and compound growth rate (CGR) were used to analyze the data and information collected for the study. Further, based on the norms of the RBI sample UCBs were classified as Grade I and Grade IV UCBs and their business performance were analyzed.

## Business profile of Sample UCBs

The UCBs were organized mainly for the purpose of inculcating the habit of thrift and savings among the persons of small means at the urban and semi urban areas and lend loans to these segments of population. The management of the sample UCBs were vested with the general body of members. Each member holds one vote regardless of his/her share. Since it is very difficult for the general body of members to be involved in the actual management of their society, all cooperative laws and rules entrust the responsibility of management to board of management composed of elected members. To a varying degree, this board delegates certain powers to paid executive such as managers, secretaries, accountants etc., From 09.05.2013 onwards, the elections were conducted to sample UCBs to elect the office bearers. The officer in the cadre of Deputy Registrar of Cooperative Societies has been serving as the Managing Director to assist the board of management. The chief Executives of UCBs manage day-to-day administration of UCB. The age wise classification of sample UCBs presents the origin of sample UCBs and the number of branches (Table-4)

Among the sample UCBs, the Periyakulam UCB is one of the oldest banks which had 116 years of banking services followed by Madurai Sowrastra, Tuticorin Melur, UCBs. Coimbatore UCB had more than 90 years of banking services at the same time the Namakkal and Valparai UCB had 85 and 67 years of experience in banking industry, respectively. The Namakkal and Tuticorin Melur had six branches, while Coimbatore had 4 branches. However, Madurai Sowrastra and Periyakulam UCB did not have any branch. The business performance of these sample UCBs are analyzed with variables viz., position of membership, share capital, deposit, loans and advances, NPA and profit or loss of sample UCBs.

**Membership**

Any individual who was residing in the area of operation of the bank (within the radius of 10 km) were admitted as members. It was found that the membership position of the sample UCBs showed that Madurai UCB had the highest level of members i.e., 31038 in the year 2015-16 as against 28210 in the year 2006-07 *(Table -5)*. The average position of membership had been more than twenty thousand in all sample UCBs except for Periyakulam UCB. This trend showed that the sample UCBs of Tamil Nadu had the strong membership base.

**Share Capital**

The position of share capital of sample UCBs is given table-6. The share capital position of the sample UCBs had been increasing except in Valparai UCB during the study period. A strong capital base would enable the banks to absorb the shocks occasioned by the incidence of overdue and it would add to the financial liquidity and stability of the UCBs *(Sinha S.K: 1998, p.59)*. It can be observed that the Grade-I UCBs have the strong share capital base compared to Grade-IV UCBs. Grade-I UCBs had average share capital more than Rs. 200 lakhs. This trend showed that the increase of share capital position directly increase the level of loans issued. It was found that the position of share capital in Grade-IV UCBs had showed slowly increasing trend up to the year 2010-11. Madurai and Periyakulam UCBs got the share capital assistance from the Tamil Nadu State Cooperative Bank to the tune of Rs 70 lakhs and 25 lakhs, respectively *(TNSC Bank's letter/ (C. No 21461/ ACS/ 2009-10 dated 19.03.2012)*. Thereafter the share capital position in these UCBs showed increasing trend.

**Deposit**

Deposit is an important tool for resource Mobilization. Mobilization of deposits at the institution level would also help to absorb overdue and keep up the flow of credit in an uninterrupted manner. Mobilization of deposits very much depends upon the degree of confidence through which such institutions enjoy in the eyes of their clients *(Dadhich C.L:1977, p.242)*. The Varde Committee had emphasized that the main object of UCBs being the promotion of thrift among members, efforts were primarily directed towards

tapping their savings. The table-7 depicts that the position of total deposit of sample UCBs in Tamil Nadu. The year wise analysis revealed that the position in the total deposit of all the sample banks showed fluctuating trend during the study period.

It was found that the average total deposit position of sample Grade-I UCBs was Rs 5820.90 lakhs in 2006-07, which was increased to Rs 14749.12 lakhs in 2015-16. The corresponding figure for sample UCBs in Grade-IV category was Rs 746.84 lakhs and Rs 1212.49 lakhs. Further the performance of Coimbatore UCBs was better while compared to other Grade-I sample UCBs in terms of the total amount of deposit mobilized. Whereas in the sample UCBs in Grade-IV the performance of Madurai Sowrastra was better than its counterparts. Further it was found that though the CGR was highest in the case of Namakkal UCB the position of total deposit came down from Rs 11089.43 lakhs (2013-14) to Rs 9122.00 lakhs (2015-16). This trend was due to decreasing growth in the fixed deposit mobilized by Namakkal UCB. The same trend was found in the case of Madurai UCB also, where the total deposits mobilized by this UCB came down from Rs 3046.73 lakhs (2013-14) to Rs 2453.70 lakhs (2015-16). This decreasing trend was due to the short fall in the fixed deposit mobilized by Madurai UCB. Above all during the field study it was found that the liquidation of Theni and Madurai UCBs (RBI: 2006, p.374) severely impacted on the performance of Periyakulam and Madurai UCBs. (The Registrar of Cooperative Societies, Chennai served Liquidation Order to Theni UCB on 24.12.2002 and Madurai UCB on 07.01.2005.) These liquidation orders had created negative impact among the general public on the functions of UCBs in particular and cooperatives in general. Because of this trend Periyakulam UCB and Madurai Sowrastra UCB slowly lost confidence in minds of their depositors.

**Working Capital**
As per the "Statistical Statements Relating to Cooperative Movement in India" (Government of India, 1942, p.15), working capital was considered as the total of paid-up share capital, reserve fund and other reserves, debentures, deposits and other borrowings. It includes all the major items on the liabilities side of the balance sheet. The table-8 shows the position of working capital of sample UCBs in Tamil Nadu. The position of working capital registered fluctuating trend in the study period.

It was found that the working capital position of Grade-I sample UCBs were strengthened by deposit mobilized from members and customers. While compared to other sample UCBs the working capital position of Coimbatore UCB was always been high. However, the CGR was highest (15.3 per cent) in the case of Tuticorin Melur UCB. In the case of Grade-IV sample UCBs it was found that Valparai UCB faced negative growth rate in its working capital position. It also to be remained here that the State Government's, efforts to strengthen the functions of sample Grade-IV UCBs by providing financial support had contributed significantly to their working capital.

## Loans and Advances

One of the most important sources of income of the UCB is its Loans and Advance Portfolio. It is one of the core functions or services of the bank towards the economic growth of the country more particularly in its area of operation *(RBI: 2008, p.45)*. The position of loans and advances made by sample UCBs had recorded an increasing trend during the study period. This trend could be witnessed from the figures given table- 9. It was found that more than 90 per cent of loan issued by sample banks were secured loans. It is also to be mentioned here that in the case of sample banks in Grade-I, secured loan means Jewel Mortgage Loan, Deposit Loan, Mortgage Loan, House Building Construction Loan, Surety Loan, Cash Credit Loan and Staff Loan. In the case of sample UCBs in Grade-IV secured loan means largely it was Jewel Mortgage Loan.

## Non-Performing Assets of sample UCBs

A Non-Performing Asset (NPA) was defined as credit in respect of which interest and/or installment of principal has remained 'past due' for a specific period of time. Non-Performing Asset means an asset of account of the borrower, which has been categorized by a bank or financial institution as sub-standard, doubtful or loss asset, in accordance with the directions relating to asset classification issued by RBI from time to time.

It was found that rate of growth in the NPA of Coimbatore UCB was comparatively higher than the rate of growth of NPA in other sample UCBs *(Table-10)*. From the trend in the position of NPAs of the sample UCBs it could be inferred that:

1) As there was increase in the loan operations there was increase in Gross NPA in Coimbatore UCB. However, this trend was within the norms prescribed by RBI.
2) Even financial viable UCBs could not be away from the problems of NPAs
3) Though the level of NPA was comparatively at low level in the sample UCBs in Grade-IV, this trend was higher than the norms prescribed due to decreasing trend in loan operations.

**Profit and Loss of sample UCBs**

Profitability is an indicator of the efficiency with which the operations of the banks are carried out. Poor operational efficiency results in poor profits. Members are interested to know the profitability of the banks as it indicates the return which they can get on their investments. Even though UCBs are not profit-making institutions, some amount of profit is to be earned in order to augment their own sources and to pay a reasonable return on its share capital. Besides, profit also helps in boosting public confidence. So, an evaluation of the profitability of the UCBs is dispensable which may indicate the overall efficiency of the banks. Table-11 revealed the profits and loss position of the sample UCBs. It was found that Coimbatore UCB had higher level of profit, while compared to its counterparts in Grade I. In the case of sample UCBs in Grade IV, it was found that though all these UCBs were not way from the problem of loss, Periyakulam and Valparai UCBs witnessed better trend during recent years.

**Financial Viability**

RBI has identified financial viability indicators separately for UCBs in different Grades *(Table -12)*. The important indicator chosen were CRAR, NPA, Net Profit and maintenance of CRR/SLR. Based on these norms it was found that Grade I sample UCBs could able to maintain their level of business performance above the norms prescribed for the chosen indicators, while the sample UCBs in Grade IV were in doldrums. During the field study it was found that certain managerial practices directly or indirectly contributed for the financial viability or otherwise of sample UCBs. These managerial practices were identified and documented in table 13 and 14 with supportive evidences from RBI Circulars. (RBI Circular No./2004-05/228), UBD. No. BPD.I.P. 24/12.05.01/ 2004-05 October 20, 2004.

## Conclusion

From the above analysis it is found that the trend in the growth indicators viz., share capital, deposits, working capital, loan outstanding, NPA and profit / loss showed relatively better position in the case of Grade I sample UCBs. This level of performance for these UCBs was possible because of the certain managerial practices adopted. Hence, the sample UCBs in Grade IV should also attempt to adopt these managerial practices so as to strengthen their financial viability.

## References

1) Dadhich, C.L (1997), *Overdues in Farm Cooperative Credit- A Study of Rajasthan*, Bombay Popular Prakashan, p.242.
2) Government of India (1942), *Committee on Banking Sector Reforms*, p.15
3) RBI (2001-02), *Report on Trend and Progress of Banking in India*, p. 148.
4) RBI (2008-09), *Report on Trend and Progress of Banking in India*, p. 45 and p.159.
5) Sinha, S.K. (1998), *Rural Credit and Cooperatives in India, Suneja Publishers, New Delhi,* p.54.

Table -1
**Business size of UCBs in India**          *( Rs. in crore)*

| Year | No. of UCBs | Deposit | Loans and Advances |
|---|---|---|---|
| 2006-07 | 1813 | 120983.21 | 78660.54 |
| 2007-08 | 1770 | 138496.57 | 88981.11 |
| 2008-09 | 1721 | 158733.75 | 97918.03 |
| 2009-10 | 1674 | 183150.59 | 112436.62 |
| 2010-11 | 1645 | 212031.16 | 136341.90 |
| 2011-12 | 1618 | 238500.23 | 158000.59 |
| 2012-13 | 1606 | 276830.99 | 181031.23 |
| 2013-14 | 1589 | 317769.27 | 200352.05 |
| 2014-15 | 1579 | 355134.45 | 224329.34 |
| 2015-16 | 1574 | 392179.81 | 245013.18 |
| **CGR** | **-1.6** | **14.3** | **14.3** |
| *Future Projections* | | | |
| 2020 | 1456 | 500043.32 | 316369.10 |
| 2025 | 1299 | 653371.65 | 412829.11 |

Source: Report on the Trend and Progress of Banking in India for various years

## Table- 2
## Progress of UCBs in Tamil Nadu  *(Rs. in crores)*

| Year | Share capital | Reserve fund | Deposit | Borrowings | Working Capital | Loans outstanding |
|------|------|------|------|------|------|------|
| 2006-07 | 142.42 (4.33) | 99.81 (3.04) | 2892.73 (88.11) | 28.29 (0.86) | 3283.25 | 1458.83 |
| 2007-08 | 146.58 (4.40) | 106.71 (3.20) | 2910.22 (87.33) | 88.82 (2.67) | 3332.33 | 1815.84 |
| 2008-09 | 148.33 (4.05) | 113.74 (3.11) | 3203.87 (87.50) | 95.46 (2.60) | 3661.40 | 2220.09 |
| 2009-10 | 151.40 (3.72) | 127.03 (3.12) | 3569.60 (87.71) | 121.59 (2.99) | 4069.62 | 2592.81 |
| 2010-11 | 154.22 (3.24) | 132.86 (2.79) | 4373.72 (91.87) | 139.74 (2.93) | 4760.54 | 2725.52 |
| 2011-12 | 173.32 (3.20) | 145.27 (2.68) | 4841.98 (89.47) | 171.52 (3.17) | 5412.09 | 3218.67 |
| 2012-13 | 182.09 (2.88) | 154.67 (2.44) | 5919.36 (93.64) | 155.05 (2.45) | 6321.17 | 3688.28 |
| 2013-14 | 202.86 (2.46) | 163.28 (1.98) | 7646.95 (92.73) | 123.59 (1.50) | 8246.68 | 3968.61 |
| 2014-15 | 224.07 (2.67) | 178.21 (2.13) | 7929.02 (94.72) | 114.10 (1.36) | 8371.40 | 4184.34 |
| 2015-16 | 247.75 (2.92) | 197.91 (2.33) | 8022.07 (94.40) | 99.94 (1.17) | 8497.67 | 4467.98 |
| **CGR** | **6.4** | **7.6** | **14.3** | **9.6** | **13.8** | **13.0** |
| Future Projections | | | | | | |
| 2020 | 273.86 | 230.81 | 10850.60 | 170.16 | 11450.05 | 5928.37 |
| 2025 | 330.66 | 283.11 | 14215.10 | 203.31 | 14923.25 | 7630.94 |

*Source:* Compiled from the records of RBI for various years
*Note:* Figures in brackets are percentage to working capital

## Table-3
## Sampling Framework  *(Figures in numbers)*

| S.No | UCBs | Number of UCBs in Tamil Nadu | Sample UCBs selected for the study |
|------|------|------|------|
| 1 | Grade-I | 27 | (1) Coimbatore UCB<br>(2) Namakkal UCB<br>(3) Tuticorin Melur UCB |
| 2 | Grade-II | 37 | Nil |
| 3 | Grade-III | 42 | Nil |
| 4 | Grade-IV | 14 | (1) Madurai Sowrastra UCB<br>(2) Periyakulam UCB<br>(3) Valprai UCB |
| | Total | 120 | |

Table-4
### Age-wise Distribution of the Sample UCBs *(Figures in numbers)*

| S.No | UCBs | Date of Registration | Date of the commencement | No. of Branches | Age of the sample UCBs (in years) |
|---|---|---|---|---|---|
| 1 | Coimbatore | 04.03.1925 | 07.04.1925 | 4 | 92 |
| 2 | Madurai Sowrastra | 4.11.1918 | 08.11.1918 | - | 98 |
| 3 | Namakkal | 25.03.1932 | 03.04.1932 | 6 | 85 |
| 4 | Periyakulam | 07.02.1909 | 06.03.1909 | - | 116 |
| 5 | Tuticorin Melur | 09.11.1921 | 06.12.1921 | 6 | 95 |
| 6 | Valparia | 29.10.1948 | 06.05.1949 | 2 | 67 |

*Source:* Compiled from Audit and Annual Reports of the Sample UCBs for Various Years

Table-5
### Position of Membership in Sample UCBs

*(Figures in numbers)*

| Year | Grade- I | | | Average per Grade-I UCB | Grade-IV | | | Average per Grade-IV UCB |
|---|---|---|---|---|---|---|---|---|
| | Coimbatore UCB | Namakkal UCB | Tuticorin Melur UCB | | Madurai Sowrastra UCB | Periyakulam UCB | Valparai UCB | |
| 2006-07 | 23589 | 19247 | 20839 | 21225 | 28210 | 7140 | 20155 | 18501 |
| 2007-08 | 23146 | 19064 | 20513 | 20907 | 28056 | 7140 | 20115 | 18437 |
| 2008-09 | 22786 | 18921 | 20190 | 20632 | 27908 | 7140 | 19871 | 18306 |
| 2009-10 | 22466 | 18787 | 19999 | 20417 | 27816 | 8987 | 19837 | 18880 |
| 2010-11 | 22243 | 18685 | 19799 | 20242 | 27749 | 9025 | 19817 | 18863 |
| 2011-12 | 22018 | 18606 | 19652 | 20092 | 27652 | 9025 | 19836 | 18837 |
| 2012-13 | 24837 | 21784 | 20473 | 22364 | 30529 | 9072 | 21161 | 20254 |
| 2013-14 | 24895 | 22692 | 21018 | 22868 | 30615 | 8987 | 21201 | 20267 |
| 2014-15 | 25548 | 23384 | 21283 | 23405 | 30960 | 9032 | 21275 | 20422 |
| 2015-16 | 25326 | 23793 | 22479 | 23866 | 31038 | 9040 | 21727 | 20601 |
| CGR | 1.2 | 2.8 | 0.7 | 1.6 | 1.4 | 3 | 0.9 | 1.4 |
| Future Projectis | | | | | | | | |
| 2020 | 27835 | 27761 | 23123 | | 33941 | 10139 | 22974 | |
| 2025 | 29892 | 31429 | 24387 | | 36379 | 11078 | 24212 | |

*Source: As in Table - 4*

## Table-6
## Position of Share Capital in Sample UCBs

*(Rs. in lakhs)*

| Year | Grade- I | | | Average per Grade-I UCB | Grade-IV | | | Average per Grade-IV UCB |
|------|-----------|---------|------------|---------|---------|-------------|----------|----------|
| | Coimbatore UCB | Namakkal UCB | Tuticorin Melur UCB | | Madurai Sowrastra UCB | Periyakulam UCB | Valparai UCB | |
| 2006-07 | 225.51 | 250.61 | 189.08 | 221.73 | 105.65 | 52.80 | 68.76 | 75.73 |
| 2007-08 | 213.98 | 254.50 | 186.72 | 218.40 | 106.57 | 53.20 | 63.60 | 74.45 |
| 2008-09 | 206.94 | 254.81 | 185.52 | 215.75 | 105.12 | 53.90 | 61.47 | 73.49 |
| 2009-10 | 200.56 | 256.63 | 185.00 | 214.06 | 108.56 | 65.13 | 60.33 | 78.00 |
| 2010-11 | 196.66 | 258.52 | 186.41 | 213.86 | 115.38 | 93.90 | 60.00 | 89.76 |
| 2011-12 | 193.06 | 265.87 | 191.28 | 216.73 | 202.38 | 97.42 | 60.06 | 119.95 |
| 2012-13 | 192.38 | 272.94 | 194.91 | 220.07 | 200.58 | 97.85 | 61.20 | 119.87 |
| 2013-14 | 205.26 | 297.47 | 221.65 | 241.46 | 201.85 | 97.43 | 62.26 | 120.51 |
| 2014-15 | 215.36 | 309.01 | 250.56 | 258.31 | 199.08 | 98.23 | 62.71 | 120.00 |
| 2015-16 | 214.67 | 314.50 | 291.60 | 273.59 | 200.27 | 99.75 | 63.18 | 121.06 |
| **CGR** | **1.2** | **2.8** | **4.5** | **1.6** | **10.2** | **8.9** | **-0.5** | **1.4** |
| Future Projections | | | | | | | | |
| **2020** | 214.95 | 357.22 | 328.56 | | 292.44 | 132.39 | 63.02 | |
| **2025** | 219.60 | 400.78 | 391.87 | | 362.63 | 162.45 | 63.43 | |

*Source:* As in Table - 4

## Table-7
## Position of Deposit of the Sample UCBs

| Year | Grade- I | | | Average per Grade-I UCB | Grade-IV | | | Average per Grade-IV UCB |
|------|-----------|---------|------------|---------|---------|-------------|----------|----------|
| | Coimbatore UCB | Namakkal UCB | Tuticorin Melur UCB | | Madurai Sowrastra UCB | Periyakulam UCB | Valparai UCB | |
| 2006-07 | 9712.94 | 4449.93 | 3245.84 | 5802.90 | 1535.02 | 350.01 | 355.49 | 746.84 |
| 2007-08 | 9635.84 | 5072.36 | 3363.06 | 6023.75 | 1598.11 | 430.31 | 315.78 | 781.40 |
| 2008-09 | 10777.10 | 5309.00 | 3738.80 | 6608.30 | 1824.37 | 480.34 | 274.01 | 859.57 |
| 2009-10 | 13652.39 | 6149.00 | 4713.09 | 8171.49 | 2006.44 | 530.90 | 216.99 | 918.11 |
| 2010-11 | 14431.74 | 6713.00 | 5277.97 | 8807.57 | 2310.36 | 596.30 | 205.81 | 1037.49 |
| 2011-12 | 16341.57 | 7842.26 | 6420.07 | 10201.30 | 2677.36 | 532.54 | 208.76 | 1139.55 |
| 2012-13 | 19916.19 | 9326.72 | 7696.73 | 12313.21 | 2823.90 | 599.11 | 214.91 | 1212.64 |
| 2013-14 | 22672.11 | 11089.43 | 9409.70 | 14390.41 | 3046.73 | 716.96 | 217.05 | 1326.91 |
| 2014-15 | 23545.10 | 11055.92 | 10041.57 | 14880.86 | 2863.78 | 809.90 | 246.41 | 1306.69 |
| 2015-16 | 24894.24 | 9122.00 | 10231.13 | 14749.12 | 2453.70 | 921.13 | 262.64 | 1212.49 |
| **CGR** | **1.2** | **2.8** | **0.7** | **13.0** | **1.4** | **3** | **0.9** | **6.9** |
| Future projections | | | | | | | | |
| 2020 | 35650.88 | 14689.52 | 15541.13 | | 3580.49 | 1155.94 | 221.69 | |
| 2025 | 45577.22 | 18350.03 | 20309.31 | | 4251.75 | 1454.19 | 205.18 | |

*Source:* As in Table - 4

## Table-8
### Position of Working Capital of the Sample UCBs

*(Rs. in lakhs)*

| Year | Grade- I | | | Average per Grade-I UCB | Grade-IV | | | Average per Grade-IV UCB |
|---|---|---|---|---|---|---|---|---|
| | Coimbatore UCB | Namakkal UCB | Tuticorin Melur UCB | | Madurai Sowrastra UCB | Periyakulam UCB | Valparai UCB | |
| 2006-07 | 10433.01 | 4584.34 | 3534.24 | 6183.86 | 1584.85 | 587.78 | 436.65 | 869.76 |
| 2007-08 | 10387.86 | 5288.06 | 3657.95 | 6444.62 | 1581.71 | 674.69 | 398.77 | 885.05 |
| 2008-09 | 11533.83 | 5511.68 | 4050.55 | 7032.02 | 1650.97 | 712.62 | 253.64 | 872.41 |
| 2009-10 | 14439.89 | 6448.00 | 5039.06 | 8642.31 | 1972.55 | 734.52 | 307.81 | 1004.96 |
| 2010-11 | 15257.06 | 7362.82 | 5618.61 | 9412.83 | 2365.92 | 813.89 | 318.30 | 1166.03 |
| 2011-12 | 17214.25 | 8161.00 | 6800.02 | 10725.09 | 2731.68 | 823.09 | 311.42 | 1288.73 |
| 2012-13 | 20847.90 | 10090.06 | 8111.26 | 13016.41 | 3037.52 | 1037.46 | 318.73 | 1464.57 |
| 2013-14 | 23639.04 | 11338.00 | 9873.05 | 14950.03 | 3272.78 | 1158.71 | 319.25 | 1583.58 |
| 2014-15 | 24556.08 | 11974.26 | 10555.24 | 15695.19 | 3065.68 | 1231.29 | 348.84 | 1548.60 |
| 2015-16 | 25713.91 | 12621.61 | 10825.95 | 16387.16 | 2606.26 | 1324.11 | 365.32 | 1431.89 |
| CGR | 12.2 | 12.7 | 15.3 | | 8.9 | 9.4 | -7.9 | |
| Future projections | | | | | | | | |
| 2020 | 36714.37 | 18064.99 | 16287.16 | | 3988.94 | 1772.54 | 359.14 | |
| 2025 | 46756.75 | 23150.46 | 21239.61 | | 4846.20 | 2220.79 | 377.15 | |

*Source:* As in Table - 4

## Table -9
### Position of Loans and Advances of the Sample UCBs

*(Rs in lakhs)*

| Year | Grade- I | | | Average per Grade-I UCB | Grade-IV | | | Average per Grade-IV UCB |
|---|---|---|---|---|---|---|---|---|
| | Coimbatore UCB | Namakkal UCB | Tuticorin Melur UCB | | Madurai Sowrastra UCB | Periyakulam UCB | Valparai UCB | |
| 2006-07 | 6799.05 | 3006.44 | 3067.54 | 12873.01 | 900.67 | 229.83 | 373.77 | 1504.27 |
| 2007-08 | 6745.08 | 3084.00 | 3117.5 | 12946.63 | 980.62 | 296.00 | 317.5 | 1594.12 |
| 2008-09 | 7543.97 | 3363.23 | 3535.76 | 14443.12 | 1009.33 | 298.03 | 288.79 | 1596.15 |
| 2009-10 | 9556.67 | 3861.45 | 4055.98 | 17474.10 | 1271.47 | 334.49 | 439.23 | 2045.19 |
| 2010-11 | 10102.2 | 4773.95 | 4976.66 | 19852.86 | 1535.23 | 347.04 | 526.32 | 2408.59 |
| 2011-12 | 11439.1 | 5623.72 | 5519.07 | 22581.93 | 1776.68 | 340.94 | 549.67 | 2667.29 |
| 2012-13 | 13941.3 | 7203.42 | 6456.64 | 27601.42 | 1930.75 | 507.26 | 654.54 | 3092.55 |
| 2013-14 | 15870.5 | 6742.67 | 6168.19 | 28781.32 | 1775.14 | 541.67 | 663.61 | 2980.42 |
| 2014-15 | 16481.6 | 5343.01 | 6229.67 | 28054.38 | 1413.7 | 527.61 | 673.46 | 2614.77 |
| 2015-16 | 17426 | 4818.78 | 6002.51 | 28247.35 | 1142.06 | 547.61 | 656.6 | 2346.27 |
| CGR | 12.7 | 8.6 | 9.6 | | 5.4 | 10.2 | 9.9 | |
| Future Projections | | | | | | | | |
| 2020 | 24955.67 | 7486.13 | 8503.80 | | 1675.89 | 773.41 | 939.35 | |
| 2025 | 31904.13 | 8873.70 | 10429.44 | | 1844.36 | 963.07 | 1172.26 | |

*Source:* As in Table - 4

## Table 10

## Position of NPA of the Sample UCBs

*(Rs. in lakhs)*

| Year | Grade- I | | | Average per Grade I UCB | Grade-IV | | | Average per Grade IV UCB |
|------|----------------|-------------|-------------------|---|---------------------------|------------------|-----------------|---|
| | Coimbatore UCB | Namakkal UCB | Tuticorin Melur UCB | | Madurai Sowrastra UCB | Periyakulam UCB | Valparai UCB | |
| 2006-07 | 316.15 | 258.84 | 310.55 | 295.18 | 60.88 | 92.58 | 312.99 | 155.48 |
| 2007-08 | 255.63 | 196.45 | 227.84 | 226.64 | 61.19 | 67.92 | 278.48 | 135.86 |
| 2008-09 | 242.16 | 226.45 | 165.53 | 211.38 | 60.55 | 48.54 | 262.30 | 123.79 |
| 2009-10 | 282.87 | 263.38 | 223.93 | 256.72 | 79.88 | 18.02 | 198.33 | 98.74 |
| 2010-11 | 174.76 | 128.97 | 170.47 | 158.06 | 66.43 | 34.47 | 161.07 | 87.32 |
| 2011-12 | 259.66 | 105.23 | 103.53 | 156.14 | 57.68 | 29.66 | 129.31 | 72.21 |
| 2012-13 | 301.13 | 110.56 | 115.51 | 175.73 | 57.36 | 38.20 | 117.18 | 70.91 |
| 2013-14 | 590.38 | 266.34 | 196.44 | 351.05 | 54.14 | 56.51 | 137.98 | 82.87 |
| 2014-15 | 598.28 | 251.64 | 234.23 | 361.38 | 59.83 | 47.06 | 151.81 | 86.23 |
| 2015-16 | 660.44 | 223.65 | 228.89 | 370.99 | 59.01 | 47.05 | 160.61 | 88.89 |
| CGR | 11.2 | -1.9 | -2.6 | | -1.4 | -3.5 | -9.6 | |
| Future Projections | | | | | | | | |
| 2020 | 952.89 | 275.29 | 229.83 | | 49.39 | 46.36 | 91.25 | |
| 2025 | 1244.98 | 309.86 | 251.51 | | 42.17 | 44.88 | 49.19 | |

*Source:* As in Table - 4

## Table-11
## Position of Profit and Loss in Sample UCBs

*(Rs. in lakh)*

## Table 12
## Financial Performance Indicators of sample UCBs

*(Figures average per year)*

| Indicators | RBI Norms | Grade-I | | | Grade-IV | | |
| --- | --- | --- | --- | --- | --- | --- | --- |
| | | Coimbatore UCB | Namakkal UCB | Tuticorin Melur UCB | Madurai Sowrastra UCB | Periyakulam UCB | Valparai UCB |
| CRAR | CRAR to be maintained 12% | | | | | | |

## Table-13
## Managerial Practices that contributed for the Financial Viability of Grade-I sample UCBs

3) TAMCO Loan Regulation
4) SHG Loan Regulation

| 3 | Emphasizing reduction in Gross NPAs rather than |

Table-14
## Managerial Practices that were not adopted by Grade-IV sample UCBs

| S. No | Managerial Practices | Practices adopted by Grade-I UCBs | Remarks |
|---|---|---|---|
| 1 | Emphasizing reduction in Gross NPAs rather than the Net NPAs | As per RBI norms the Madurai Sowrastra, Periyakulam and Valprai UCB could not reduce the Gross NAP during study period. | These Gra de-IV UCBs could not follow the RBI norms and maintains the level of Gross and Net NPA within accepted level. (RBI/ 2014-15/261, Cir.No.20/07.01.000/2014 15 Oct 13,2014) |
| 2 | The Y.H. Malegam Committee 2011 has recommended CRAR of nine per cent or more (This is also mentioned in RBI Circular /2014 - 15/323 DCBR.BPD.(PCB).Cir No.3/12.05.001/2014-15) | The Madurai Sowrastra , Periyakulam and Valparai UCB has failed to maintain the prescribed limit of nine per cent during the study period | The lower level of CRAR weak capital base of the sample Grade IV UCBs |
| 3 | The Madhava Das Committee 1978 has recommended an optimum CD Ratio 70 per cent (This is also mentioned in RBI Circular /2014 -15/323 DCBR.BPD.(PCB).Cir No.3/12.05.001/2014-15) | The Valparai and Periyakulam UCBs default ed to maintain the credit to deposit ratio at more than 70 per cent | The level of CD ratio indicated that the Grade IV sample UCBs failed to collect the deposit and loans |
| 4 | The Y.H. Malegam Committee 2011 recommended UCBs which incurred net loss es for the year of the last three consecutive years (This is also | The sample Grade IV UCBs failed to increase the profit | It is evident from the fact that accumulated losses of sample UCBs had been increasing which adversely affected the financial health of the sample UCBs in Grade IV |

*Source: As in Table 3*