

AN ANALYTICAL STUDY ON FINANCIAL PERFORMANCE OF DHARMAVARAM URBAN COOPERATIVE BANK, A.P, INDIA

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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 investigate the financial performance of Dharmavaram Urban Cooperative bank. The study employs exploratory research design which relies on secondary data. The analyzed data reveals that there was significant growth in the deposits mobilization, membership, loans and advances, working capital, reserves, owned funds, Total income, Total expenditure and over dues with reference to DUCB. There is no significant growth in share capital per member with CGR of 4.50. There was no significant increase in the total cash with the bank which is growing at CGR of 2.54. There was no significant growth in CDR with a CGR of 11.02. There was significant difference in the growth and composition of income. The total expenses were increasing significantly with CGR of 9.68. Even though there was increasing trend in the Total income earned during the study period except in the year 2006-07 it was statistically significant with CGR of 7.13 but the EPS of DUCB was not enhanced which is statistically significant during the study. Therefore the performance of DUCB was moderately satisfactory. For improving its performance, it has to concentrate on recovery performance, controlling expenses, robust risk management practices and diversifying their operations.

Keywords: DUCB (Dharmavaram Urban Co-Operative Bank), CDR (Cash Deposit Ratio), CGR (Compound Growth Rate), EPS, Financial performance, Loans and Advances and Net Profit.

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, Unbar Co-operative and state Co-operative Banks. At the end of March 2001, 100 commercial banks, 196 regional rural banks, 1853 urban co-operative banks and 16 state co-operative banks were operative in India. 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.

REVIEW OF LITERATURE

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 conducted 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 his 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) investigated 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) studied and suggested 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.

Amit Basak (2009) examined 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) analyzed 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) studied 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) analyzed 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 AndhraPradesh, India. Hence the research aims to fill the gap by analyzing the financial performance of Dharmavaram scheduled urban cooperative bank in Anantapur district of AndhraPradesh, India with some specified ratios and applying statistical tools to analyze the progress and profitability of Dharmavaram 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 investigate the financial performance of Dharmavaram Urban Cooperative Bank (DUCB) in Anantapur district of the state A.P, India.

Secondary Objectives:

1. To study the progress of Dharmavaram Urban Cooperative Bank in Anantapur district of the state A.P, India.
2. To know the growth of membership and share capital in the DUCB.
3. To analyze the growth and composition of Cash and Cash Deposit Ratio (CDR) in DUCB.
4. To study the growth and composition of Working capital in DUCB.
5. To analyze the growth and composition of Income and Expenditure of DUCB.
6. To study the Trends in Profits and Earnings per shareholder of DUCB.

HYPOTHESES

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

H₀₁: There is no significant in the growth of reserves during study with regard to Dharmavaram Urban Cooperative Bank

H₀₂: There is no significant in the growth of deposit mobilization during study with regard to Dharmavaram Urban Cooperative Bank

H₀₃: There is no significant growth in the loans and advances during the study with regard to Dharmavaram Urban Co-operative Bank.

H₀₄: There is no significant growth in the Total income of Dharmavaram Urban Co-operative Town during the study.

H₀₅: There is no significant in the increase in the growth of total expenditure with reference to Dharmavaram Urban Co-operative Bank.

H₀₆: There is no significant in the growth of Share Capital in the Dharmavaram Urban Co-operative Bank.

RESEARCH METHODOLOGY

The research article is based upon exploratory research. Secondary data such as Balance sheets with schedule and profit and loss account of Dharmavaram Urban Cooperative Bank were collected for the period 2005-06 to 2009-2010. 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

Table 1. The Progress of Dharmavaram Urban Cooperative Bank Ltd

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	LGR	CGR	't' value
Membership (000)	19.776	22.376	22.402	22.703	22.729	0.59	2.82	2.21*
Share Capital	38.24	49.88	50.09	48.48	47.66	1.88	4.50	1.17 ^{NS}
Reserves	31.92	47.38	52.87	47.19	59.96	5.61	13.44	2.87*
Owned funds	70.16	97.26	102.96	95.67	107.62	7.49	8.93	2.29*
Deposits	702.79	753.55	758.56	887.32	1108.73	81.19	9.55	3.87**
Working capital (in lakhs)	772.95	850.81	861.52	982.99	1216.35	88.68	9.49	4.36**
Loans and Advances (in lakhs)	504.28	534.73	481.72	615.13	771.29	53.40	8.87	2.54*
Over due	43.05	59.67	49.66	76.4	89.49	9.29	15.76	3.69*
Net Profit	24.52	5.07	5.16	4.57	5.85	-3.73	-24.91	-1.83 ^{NS}
% of over dues	8.54	11.16	10.31	12.42	11.60	0.61	6.32	2.23*

Note: NS: Not significant *Significant at 0.05 level **Significant at 0.01 level.

Source: Compiled from Annual reports of Anantapur UCB

The membership of Dharmavaram Urban Co-operative Bank steadily increased from 19776 in 2005-06 to 22729 in the year 2009-10. The table also reveals that the linear growth rate is 0.59 and the moderate “t” value was 2.21 which are significant. The compound growth rate also had positive value of 2.82. However, there is still a wide scope for Urban Co-operative Bank to increase the membership in Dharmavaram in urban areas.

The share capital, in 2005-06 was Rs.38.24 lakhs which went up to Rs.47.66 lakhs in 2009-10 an increase by Rs.9.42 lakhs. As against this, during the period from 2005-06 to 2007-08 share capital moved up from Rs.38.24 lakhs to Rs.50.09 lakhs showing an absolute increase of Rs.11.85 lakhs which constitutes 31 percent increase. The linear growth rate of 1.88 and the “t” value 1.17 was not significant. The compound growth rate is 4.50 percent.

The “reserves” is the indicator of financial position of the banks. The reserves also improved moderately from Rs.31.92 lakhs in 2005-06 to Rs.59.96 lakhs in 2009-10 with linear growth rate of 5.61 and with moderately significant t-value 2.87. The compound growth rate was 13.44. Another interesting point about the figure is that the reserves had accounted for 83 percent of share capital in 2005-06 and increased to 126 percent in 2009-10. One more fact worth noting is that the reserves and share capital are sufficient as their source. The Dharmavaram Urban Co-operative Bank never depended on the outside borrowings. It is remarkable achievement of this Urban Co-operative Bank.

Another indicator of progress of Dharmavaram Urban Co-operative Bank is the deposits mobilized by them. It indicates the trust and faith in the Urban Co-operative Bank. In 2005-06 deposits were around Rs.702.79 lakhs and in 2009-10 they rose to Rs.1108.73 lakhs a 57.76 percent increase in deposits. The linear growth rate of 81.19 indicates with significant “t” value 3.87 and the compound growth rate 9.55. The working capital has increased from Rs.772.95 lakhs in 2005-06 to Rs.1216.35 lakhs in 2009-10 with a linear growth rate of 88.68 and with a significant “t” value 4.36. The compound linear growth rate is 9.49 percent.

Loans operation is a source of income to banks. Loans and Advances were Rs.504.28 lakhs in 2005-06 and in 2009-10 they rose to Rs.771.29 lakhs indicating a rise in advances. The linear growth rate was 53.40 with “t” value 2.54 which was significant at 5 percent level. Even the compound growth rate was 8.87 percent.

Over dues, however, increased at the linear growth rate of 9.29 with “t” value of 3.69 which was significant, but the percent of over dues inclined by 8.54 lakhs in 2005-06 to 11.60 lakhs in 2009-10 with linear growth rate of 0.61 while compound growth rate of the over dues was 6.32 significant ‘t’ value 2.23.

Profits of Dharmavaram Cooperative Bank stood at Rs.24.52 lakhs in 2005-06. In 2009-10 it decreased to Rs.5.85 lakhs. The linear growth rate was -3.99 with not significant “t” value -1.83 and the compound growth rate was -24.91 percent.

Growth of Membership and the Share Capital

The membership and the share capital are two basic foundations for a bank and its development depends upon their growth. The growth of membership and share capital is presented in table 2.

Table 2. Growth of Membership and Share Capital in DUCB

Year	2005-06	2006-07	2007-08	2008-09	2009-10	LGR	CGR	't' value
Members	19776	22376	22402	22703	22729	590.6	2.82	2.21*
Share Capital (in lakhs)	38.24	49.88	50.09	48.48	47.66	1.88	4.50	1.14 ^{NS}
Share Capital per member (in lakh)	193.37	222.94	223.60	213.55	209.67	3.26	1.63	0.54 ^{NS}

Note: NS: Not significant, *Significant at 0.05 level and **Significant at 0.01 level

Source: Compiled from Annual reports of AUCB

The table reveals that the growth of membership was moderate more so in share capital. The membership rose from 19776 in 2005-06 to 22729 in 2009-10 with linear growth rate of 0.59 with a moderate significant "t" value of 2.21 and compound growth rate of 2.82. The share capital increased from Rs.38.24 lakhs in 2005-06 to Rs.47.66 lakhs in 2009-10. The growth of both membership and share capital has been steady without any fluctuations. Moreover, the growth of share capital has been higher than that of membership. Consequently the share capital per member showed a remarkable improvement from Rs.193.37 lakhs in 2005-06 to Rs.209.67 lakhs in 2009-10. The growth of share capital has been greater and not significant than that of membership. The share capital recorded a linear growth rate of 4.50 whereas the growth rates for membership and per member share capital were 2.82 and 1.63 respectively.

Cash Position and Cash Deposit Ratio

The maintenance of appropriate cash position in the bank is more important in a town particularly with varied economic activities. The cash position of the bank is shown in Table 3

Table 3. Growth and Composition of Cash and Cash Deposits Ratio (CDR) of DUCB

Year	2005-06	2006-07	2007-08	2008-09	2009-10	LGR	CGR	't' value
Cash with Bank	46.19 (62.13)	31.34 (34.63)	14.62 (18.21)	12.40 (16.24)	10.08 (15.4)	-7.22	- 26.24	-4.45 ^{NS}
Cash with other bank	28.16 (37.87)	59.17 (65.37)	65.65 (81.79)	63.96 (83.76)	55.30 (84.58)	5.43	14.45	1.34 ^{NS}
Total Cash	74.35 (100)	90.51 (100)	80.27 (100)	76.36 (100)	65.38 (100)	-1.79	2.54	-1.15 ^{NS}
Deposits	702.79	753.55	758.56	887.32	1108.73	81.19	9.55	3.87**
C.D.R.	10.58	12.01	10.58	8.61	5.90	-0.94	11.02	-2.83 ^{NS}

Note: Not significant, *Significant at 0.05 level and **Significant at 0.01 level

Source: Compiled from Annual reports of Anantapur UCB

The total cash position decreased moderately recording a linear growth rate of -1.79. It has increased from Rs.74.35 lakhs to Rs.90.51 lakhs between 2005-06 and 2006-07 and then decreased to Rs.65.38 lakhs in 2009-10. Consequently the cash deposit ratio also decreased from 10.58 to 5.90 during the period. Cash consists of cash with the bank and cash with other banks, the latter constituting a larger proportion than the former. However, there has been a drastic change in this composition. The cash with the bank decreased phenomenally from Rs.46.19 lakhs in 2005-06 to Rs.10.08 lakhs in 2009-10 recording a negative compound growth rate of -26.24 with not significant 't' value of -4.45 whereas cash with other banks recorded similar growth rate of 5.43 with 't' value 1.34 which is not significant and compound growth rate of 14.45. As a result the proportion of cash within the bank decreased from 62.13 per cent to 15.42 per cent whereas that of cash with other banks increased from 37.87 per cent to 84.58 per cent.

Growth of working capital

Table 4 shows the growth and composition of the working capital. Deposits were 702.79 lakhs in 2005-06. They rise up to Rs.1108.73 lakhs in 2009-10 recording a linear growth rate of 81.19 with more significant 't' value 3.87 and a compound growth rate of 9.55.

Table 4. Growth and Composition of Working Capital in the DUCB

Year	2005-06	2006-07	2007-08	2008-09	2009-10	LGR	CGR	't' value
Share capital	38.24 (4.9)	49.88 (5.8)	50.09 (5.81)	48.48 (4.93)	47.66	1.88	4.50	1.17 ^{NS}
Reserves	31.92 (4.4)	47.38 (5.56)	52.87 (6.13)	47.19 (4.8)	59.96	5.61	13.44	2.87*
Owned funds	70.16 (9.07)	97.26 (11.43)	102.96 (11.95)	95.67 (9.73)	107.62	7.49	8.93	2.29*
Deposits	702.79 (90.92)	753.55 (88.56)	758.56 (88.04)	887.32 (90.26)	1108.73	81.19	9.55	3.87**
Working capital	772.95 (100)	850.81 (100)	861.52 (100)	982.99 (100)	1216.35 (100)	88.68	9.49	4.36**

Note: Not significant, *Significant at 0.05 level and **Significant at 0.01 level

Source: Compiled from Annual reports of Anantapur UCB

Out of the total working capital, deposits constitute the largest proportion. Deposits were at 91 per cent in 2005-06 which increased to 94 percent in 2009-10. They showed a considerable linear growth rate of 81.19 with a moderate significant "t" value 3.87 and compound growth rate of 9.55. Owned funds increased from Rs.70.16 lakhs in 2005-06 to Rs.107.62 lakhs in 2009-10. The share capital increased at a linear growth rate of 1.88 and the reserves increased from Rs.31.92 lakhs to Rs.59.96 lakhs. As a result the proportion of share capital in owned funds decreased phenomenally from 55 to 44.28 percent i.e. from Rs.38.24 lakhs to Rs.47.66 lakhs, and that of reserves increased from 45.49 per cent to 55.71 percent i.e. from Rs.31.92 lakhs to Rs.59.96 lakhs. Thus, the working capital of Dharmavaram Urban Co-operative Bank shows an increasing trend and the bank has been depending largely upon owned funds for building working capital.

Analysis of Income

The trends of income go along with the trends of deposits, loans and advances and also cash position. The greater the loan and cash with other banks, the greater will be the income from interest on loans. The income trends of the Bank are shown in table 5

Table 5. Growth and Composition of Income in DUCB

Year	2005-06	2006-07	2007-08	2008-09	2009-10	LGR	CGR	't' value
Interest on loans and Advances	82.66 (81.26)	73.04 (79.29)	85.46 (78.88)	84.73 (74.88)	113.51 (79.09)	6.17	6.55	2.06 ^{NS}
Interest on Investments	8.41 (8.27)	8.26 (8.96)	11.97 (11.05)	14.22 (12.57)	12.64 (8.81)	0.846	8.49	2.91*
Miscellaneous Income	10.65 (10.47)	10.88 (11.80)	10.91 (10.07)	14.21 (12.56)	17.37 (12.10)	1.344	10.28	3.57*
Total Income	101.72 (100)	92.18 (100)	108.34 (100)	113.16 (100)	143.52 (100)	8.36	7.13	2.82*

Note: Not significant, *Significant at 0.05 level and **Significant at 0.01 level

Source: Compiled from Annual reports of Anantapur UCB

The income improved noticeably from Rs.101.72 lakhs in 2005-06 to Rs.143.52 lakhs in 2009-10 recording a compound growth rate of 7.13 with moderate significant 't' value 2.82. The analysis showed that interest on loans forms the largest proportion of the total income though it shows ups and downs during this period. The interest on loans was Rs.82.66 lakhs in 2005-06 and decreased to Rs.73.04 in 2006-07 and increased to Rs.113.51 lakhs in 2009-10. But the proportion of the percentage decreased from 81 percent in 2005-06 to 79 percent in 2009-10.

The interest on investments also showed mixed trends during this period i.e. from 2005-06 to 2009-10. In the year 2005-06, the proportion of interest on investments in total income was 8.27 percent, which increased to 12.57 percent in the year 2008-09 and declined to 8.81 percent in the year 2009-10. As a result, the growth rate was only 8.49 with moderate significant 't' value of 2.916.

The percentage of miscellaneous income, however, showed the mixed trend during this period. The percentage increased marginally from 10.47 to 12.10 percent as the income from this source increased marginally from Rs.10.65 lakhs to Rs.17.37 lakh and recorded a compound growth rate of 10.28 with a moderate 't' value of 2.82.

Analysis of Expenditure

Expenditures also showed increasing trends in the Dharmavaram Urban Cooperative Bank (DUCB) and they are shown in table 6

Table 6. Growth and composition of Expenditure in DUCB

Year	2005-06	2006-07	2007-08	2008-09	2009-10	LGR	CGR	't' value
Interest expenses	51.91 (68.62)	50.77 (63.12)	64.56 (65.70)	73.64 (75.64)	91.82 (76.48)	7.98	12.08	5.58**
Establishment expenses	15.57 (20.58)	18.10 (22.50)	18.09 (18.41)	14.60 (15.00)	14.59 (12.15)	-0.19	-1.29	-0.96 ^{NS}
Other expenses	8.17 (10.80)	11.57 (14.38)	15.62 (15.89)	9.12 (9.37)	13.64 (11.36)	1.09	10.79	0.83 ^{NS}
Total Expenditure	75.65 (100)	80.44 (100)	98.27 (100)	97.36 (100)	120.05 (100)	8.88	9.68	5.51**

Note: Not significant, *Significant at 0.05 level and **Significant at 0.01 level

Source: Compiled from Annual reports of Anantapur UCB

The table indicates that “other Expenses” have shown constant increase in the proportion of total expenses from 10.80 percent in 2005-06 to 11.37 per cent by 2009-10. The proportion of interest paid showed as increasing trend in the proportion of total expenses from 68.62 percent in 2005-06 to 76.48 percent 2009-10, and the linear growth rate shows 7.98 with more significant ‘t’ value of 5.58 and compound growth rate is 12.08. The establishment expenses decreased at a linear growth rate of -0.196 the percentage in total expenditure declined from 20.58 to 12.15 percent between 2005-06 and 2009-10. Total expenses were Rs.75.65 lakhs in 2005-06, which consistently increased to Rs.120.05 lakhs in 2009-10. The linear growth rate was 8.88 with a more significant ‘t’ value 5.51 and compound growth rate was 9.68 percent.

Establishment Charges

The average establishment charges for the period work out to Rs.16.19 lakhs. As per the norms the establishment charges should not exceed 30 percent of the Gross Profit and 2% of working capital whichever is less. The average 30% of the gross profit works out to Rs.6.34 lakhs and the average 2 percent of working capital for the period was Rs.18.48 lakhs. The average of actual establishment charges is greater than the 30% of gross profit (6.34) and less than the average of 2% of working capital (18.74). Hence the management has taking steps to curb establishment charges in future. The above interpretation is related to table 7.

Table 7. Establishment charges of Dharmavaram Urban Co-operative Bank

Year	2005-06	2006-07	2007-08	2008-09	2009-10
Actual establishment charges	15.57	18.10	18.09	14.60	14.59
Gross Profit	30.74	22.27	19.90	11.09	21.69
Working capital	772.95	850.81	861.52	982.99	1216.35
Gross Profit	9.22	6.68	5.97	3.33	6.51
% working capital	15.46	17.02	17.23	19.66	24.33

Source: Compiled from Annual reports of Anantapur UCB

Trends in profits

The Dharmavaram Urban Co-operative Bank has been showing mixed signs with regard to total profits and in earnings per share. The trends in profits are shown in Table 8.

Table 8. Growth of Profits and Earning per share of DUCB

Year	2005-06	2006-07	2007-08	2008-09	2009-10	LGR	CGR	't' value
No. of Shares	19776	22376	22402	22703	22729	1590.6	2.82	2.21*
Profits (in lakhs)	24.52	5.07	5.16	4.57	5.85	-3.73	-24.92	-1.65 ^{NS}
Earnings	123.99	22.66	23.03	20.13	25.73	-19.65	-26.98	-1.68 ^{NS}

Note: Not significant, *Significant at 0.05 level and **Significant at 0.01 level

Source: Compiled from Annual reports of Anantapur UCB

The data shows mixed trend in profits and earnings per share. The number of shares showed increased trend consistently from 2005-06 to 2009-10 i.e., 19776 to 22729. The Bank has showed high profits in the beginning of the period and then it decreased continuously, i.e. from Rs.24.52 lakhs to 5.85 lakhs by the year 2009-10. The earnings per share showed mixed trend during this period. In the beginning of this period the earning per share recorded highest value i.e. Rs.123.99 by 2005-06 and recorded Rs.25.73 by 2009-10. Thus it can be said that, the Dharmavaram Urban Co-operative Bank achieved mixed growth in profits and showed positive performance in banking operations in the last phase of this period i.e. from 2005-06 to 2009-10.

SUGGESTIONS AND CONCLUSION

The Dharmavaram Urban Co-operative Bank was setup in the early 20th century (1907), and completed 103 years, (2010). As such, the membership has improved phenomenally over the years. The share capital, reserves, owned funds, deposits; working capital, loans and advances and the percentage of over dues have increased during the period. H_{01} is not accepted which means that there is a significant growth in reserves of DUCB. H_{02} : There is no significant in the growth of deposit mobilization during study with regard to Dharmavaram Urban Cooperative Bank is not accepted. Therefore there is a significant growth in the deposit mobilization during study in DUCB. H_{03} : There is no significant growth in the loans and advances during the study with regard to Dharmavaram Urban Co-operative Bank is not accepted which indicates that there is a significant growth in loans and advances during the study period with regard to DUCB. H_{04} : There is no significant growth in the Total income of Dharmavaram Urban Co-operative n Bank during the study is not accepted which indicates that there is a significant increase in growth of Total income of DUCB. H_{05} : There is no significant in the increase in the growth of total expenditure with reference to Dharmavaram Urban Co-operative Bank is not accepted which shows that there is significant increase in growth of Total expenditure with reference to DUCB. H_{06} : There is no significant in the growth of Share Capital in the DUCB is accepted which indicates that even there is significant growth in the membership of DUCB, but there is no significant growth in the increase of its share capital. Moreover, there is a significant growth in the

increase of working capital of DUCB. There is also significant growth in increase of overdue of DUCB which is a great concern for the bank. There is no significant growth in the increase of net profit and earnings per share of the DUCB.

With regard to the deposits, the special deposits have assumed a prominent place followed by fixed deposits. Saving deposits, recurring deposits, current deposits have minimum significance. The percentage of deposits to working capital has increased from 90.9 percent to 91.2 percent during this period. The working capital showed a positive growth rate of 9.49 and the loans and advances showed a growth rate of 8.87. Out of the total loans and advances, jewel loans occupy a predominant position, followed by mortgage loans, deposits loans and other loans. The bank has been facing the problem of over dues during this period. It is suggested that the banking institution to have effective recovery machinery with plans. To this effect, the bank should provide staff with sufficient training. For improving its performance, it has to concentrate on recovery performance, controlling expenses, robust risk management practices and diversifying their operations.

The income of Dharmavaram Urban Co-operative Bank has been showing increasing trend. The interest on loans forms, the largest proportion of the total income, though it showed ups and downs during this period. The interest on investment also showed mixed trends during the period i.e., from 2005-06 to 2009-10. Expenditure also showed increasing trends. The Dharmavaram Urban Co-operative Bank has been showing declining trend with regard to profits in total and in earning per share. In the beginning of this period, the earning per share was recorded the highest value of Rs.123.99. But in 2009-10, it reduced to Rs.25.73. Thus it can be said that Dharmavaram Urban Co-operative bank achieved less growth in profits and showed moderate performance in banking operations in the last phase of this period.

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