

Working of Urban Co-operative Banks in the Coastal Andhra Region of Andhra Pradesh

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Abstract

The urban co-operative movement was active in the Coastal Andhra region of Andhra Pradesh when it was a part of the Madras State. Though all the districts in the region are geographically identical, other variables like demographic characteristics, number of towns, and industrial progress vary from district to district. They have had a significant effect on the setting-up and distribution of Urban Co-operative Banks among different districts of the region. Working capital may be regarded as the life blood of a business. The extent of business operations of Urban Co-operative Banks depend on the volume of working capital and net profit. The greater the working capital, the greater is the efficiency of the bank ; thus, the working capital is an important factor in the functioning of urban co-operative banks. The present study was a fact finding and comparative study aimed at analyzing the working of selected (8) Urban Co-operative Banks in the Coastal Andhra region of Andhra Pradesh over a period of 10 years (i.e. from 2003-04 to 2012-13) with the help of select indicators like share capital, reserves, deposits, owned funds, working capital, loans and advances, and net profit of the sample banks.

Keywords: share capital, reserves, owned funds, deposits, working capital, loans and advances, net profit, co-operative banks

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The origin of the urban co-operative credit movement in India can be traced to the close of the nineteenth century, encouraged by the success of urban credit institutions organized by Herman Schulze in Germany and Luigi Luzzatti in Italy during the period from 1855- 1885. In India, the first urban credit society was started in 1889 in the erstwhile Baroda State. However, the urban credit movement in India picked up momentum only after the Maclagan Committee drew attention to its potential. As a result of the recommendations of the Maclagan Committee and the banking crisis of 1913-17, which saw the failure of many commercial banks, the urban co-operative banks (UCBs) began to grow in India. The economic boom created by the Second World War (1939-45) subsequently provided a stimulus to the growth of UCBs in India. They grew both in number and size, and diversified their activities considerably. The utility of UCBs in financing artisans, small traders, businessmen, factory workers, salaried people with limited fixed income in urban or semi-urban areas, and the middle classes was recognized by various committees and working groups. Thus, the UCBs were started in India to meet the chief object of catering to the banking and credit requirements of urban middle classes. Besides protecting the middle classes and persons of modest means from the clutches of the money lenders, the UCBs are also expected to inculcate the habit of thrift and savings amongst them. The urban co-operative movement has provided the frugal sections of the community an opportunity for investing their savings, and thus has enabled the hard-pressed people to tide over the period of stress and strain.

UCBs, organized on the basis of the Schluze-Delitzsch model of co-operative principles, are now an integral part of the co-operative credit structure in India. Co-operative credit institutions are subject to multiple controls by the Central Bank as well as by the State or the Central Government depending upon whether the institution

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operates in one or more than one state. One of the significant developments relating to UCBs in India is the extension of certain provisions of the Banking Regulation Act, 1949 to UCBs from March 1966. With this, the UCBs are regulated and supervised by both, the State government, through the Registrar of Co-operative Societies, and by the Reserve Bank of India. The Registrars of State Co-operative Societies exercise powers in regard to incorporation, registration, management, amalgamation, reconstruction, or liquidation. In case of banks having a presence in more than one state, the Central Registrar of Co-operative Societies, on behalf of the Central Government, exercises such powers. The banking-related functions such as issue of licenses to start new banks or branches, matters relating to interest rates, investments, prudential norms, maintenance of cash reserves and liquid assets, regulation of loans and advances, publication of audited balance sheets & profit and loss accounts, and so forth are regulated and supervised by the Reserve Bank of India. UCBs in India, at present, are subject to the dual control mechanism.

Review of Literature

A number of committees and commissions appointed by the RBI, Central, and State Governments have submitted their reports on UCBs, incorporating therein several invaluable suggestions to improve the functioning of the UCBs in India.

The first and foremost study with regard to urban co-operatives was made by the Maclagan Committee (1915, published in 1957) on co-operation. The development of urban co-operative societies did not receive much attention until 1915, when the Maclagan Committee referred to the potentialities for the organization of such societies as a means of training the upper and middle classes in ordinary banking principles. The failure of local joint-stock banks in the country at that time gave an impetus to the growth of urban co-operative credit societies. It was felt by the committee that urban credit societies were eminently suitable institutional agencies for collecting local savings and could be used to provide relief to those who were in the clutches of the money lenders by providing them with financial accommodation.

The Mehta-Bhansali Committee (1939) made an attempt to define an urban co-operative bank. In the beginning, most of the urban banks in India were organized as credit societies and later were converted into urban banks. According to this committee, all urban credit societies having a paid-up share capital of ₹ 20,000 and above and accepting deposits of money on current account or otherwise subject to withdrawal by cheques, drafts, or order came within the category of UCBs. However, in many provinces, this term was used for credit societies working in urban areas irrespective of the size of share capital or the nature of deposits accepted by them.

The Varde Committee (1964) recommended that a credit co-operative society registered under the State Co-operatives Act in urban or semi-urban areas, having a minimum paid-up share capital of ₹ 50,000, and undertaking the provision of banking facilities could be termed as an 'urban co-operative bank' and indicated that urban credit societies and banks are important features of the urban co-operative movement in India and made up, to some extent, for the absence of joint-stock banking facilities in the smallest towns. The Committee also observed that the credit co-operatives in the non-agricultural sector covered a wide field. These included UCBs where deposits were withdrawn by cheques and they carried out normal banking functions.

The Marathe Committee (1992) was constituted by the RBI under the chairmanship of Marathe on the policies relating to the licensing of new UCBs and other related matters. The committee report focused its attention on registration and licensing of new UCBs, inclusion of primary (urban) co-operative credit societies in the list of UCBs, viability of UCBs, licensing of existing UCBs, area of operation, rehabilitation of weak banks, role of state co-operative banks and national/state federations, and other institutions connected with UCBs.

The Reserve Bank of India appointed a high power committee (1999) under the chairmanship of K. Madhava Rao, to review the performance of UCBs and to suggest necessary measures to strengthen this sector. The committee recommended that the existing quantitative criteria of viability standards should be dispensed with, and they should be replaced by qualitative norms like CRAR, tolerance limit of NPAs, and operational efficiency.

The committee recommended that irrespective of the size of the operations, the banks need to run on professional lines, and the UCBs were no exception to this rule. The committee suggested that RBI should extend to the UCBs the same freedom and discipline (as was applicable to commercial banks) in opening branches; institutional mechanisms like State Level Rehabilitation Review Committee (SLRRC), and Bank Level Rehabilitation Review Committee (BLRRC) to review the performance of weak banks.

The Malegam Committee (2011) was constituted by the RBI on Licensing of Urban Cooperative Banks under the Chairmanship of Sri. Y.H. Malegam. The committee submitted its report with many observations as well as with very valuable recommendations. The Reserve Bank followed the liberal licensing policy between May 1993 and March 1999. However, many UCBs licensed during this period became financially weak. In the Annual Policy Statement for 2004-05, the RBI announced the licensing discontinuance and entered into a MOU with State Governments for co-ordination of regulatory policies. The setting up of TAFUCBs resulted in a significant improvement in the health of the UCB sector. Since then, there has been considerable improvement in the functioning of the UCBs.

The RBI has been conducting meetings of the Standing Advisory Committee (SAC) for UCBs annually. The first meeting was held on May 23, 1983. On various aspects of the UCBs' functioning, such as organizational matters ; mobilization of resources, and their deployment in various aspects ; modalities on the rehabilitation of weak banks ; introduction of professional management ; training and education of personnel of the UCBs, the Reserve Bank of India issues (from time to time) instructions/guidelines regarding operations and functioning of UCBs which are published in the form of Compendium of Instructions/Guidelines issued by RBI.

Some individual studies have also been carried out at the macro and micro level to evaluate the performance of co-operative credit movement in general and the urban co-operative banks in particular. Jawahar Babu and Selkhar (2012) studied the emerging problems faced by urban co-operative banks in India. The authors were of the opinion that there are some major problems faced by UCBs like restrictions relating to share capital, automatic conversion of credit societies, dual control, and regulations by the RBI and respective state governments on UCB lead to delay and difficulties, lack of professionalism, and so forth. Gupta and Jain (2012) suggested that co-operative banks should adopt the modern methods of banking like Internet banking, credit cards, ATM, and so forth; the banks should plan to introduce new schemes for attracting new customers and satisfying the present ones; plan for expansion of branches; the banks should improve the customer services of the bank to a great extent.

James (2012) observed that the corporate governance is the new mantra for customer satisfaction in urban co-operative banks, and he found that around 88% of the customers were highly satisfied with the services provided by urban co-operative banks. Good corporate governance with respect to corporate mission and goals, transparency, effective board of directors, and innovative products and services need to be adopted by the UCBs. Hence, the management of the banks needs to pay more attention on implementing good corporate governance practices in the banks.

Need for the Present Study

The foregoing review of literature indicates that several official and non-official studies have been carried out from time to time on the working of UCBs. These studies are either macro in nature covering the entire country or are confined to a few areas or few aspects of UCBs. In a vast country like India, with varied resource base and socioeconomic conditions, there is a need for more micro level and area – specific studies to evaluate the performance of UCBs in a particular region and to throw light on the problems faced by these banks in their operations. Coastal Andhra region of Andhra Pradesh was selected for the purpose of the present study due to its geographic, demographic, and economic importance, and also due to the reasons of my proximity and acquaintance with the study area. It is hoped that the present research study relating to UCBs in Coastal Andhra region will be a gap filling one and would be a useful addition to the existing literature on the subject.

Objectives of the Study

This is a fact finding study dealing with the working of urban co-operative banks in Coastal Andhra region of Andhra Pradesh. The specific objectives of the study are:

- (1) To analyze the working capital structure of selected UCBs in Coastal Andhra region,
- (2) To examine the components of working capital of sample UCBs,
- (3) To analyze the pattern of loans and advances of select UCBs,
- (4) To study the net profits of the sample UCBs,
- (5) To suggest various measures for improving the performance of the sample UCBs.

Hypotheses

Based on the above objectives, the following hypotheses were postulated for testing :

- **H01:** There are no significant variations in owned funds between select UCBs and the study period.
- **H02:** The total deposits among sample banks and years do not differ significantly.
- **H03:** There is no significant temporal growth in working capital in select UCBs of Coastal Andhra region.
- **H04:** Inter-bank and inter-period variations with regard to loans and advances are not significant.
- **H05:** There is no significant growth in net profit of select UCBs.

Research Methodology

↪ **Sources of Data:** The data relating to working of UCBs in Coastal Andhra region were collected from the annual reports of these banks. Besides these, discussions and consultations were also held with the officials of these banks after preliminary analysis of data collected. Apart from these, data were also collected from the publications of various institutions like Reserve Bank of India, Government of India, Bureau of Economics and Statistics, and Registrar of Co-operatives of Government of Andhra Pradesh.

↪ **Sample Frame:** UCBs in Coastal Andhra region of Andhra Pradesh constitute the universe for the purpose of the study. Coastal Andhra region comprises of nine districts, that is, Nellore, Prakasam, Guntur, Krishna, West Godavari, East Godavari, Visakhapatnam, Vizianagaram, and Srikakulam. During the year 2013, altogether 37

Table 1. Sample Frame

Sr. No.	Name of the District	Name of the Bank selected	Year of Establishment
1	Nellore	The Nellore Co-operative Urban Bank Ltd., Nellore	1917
2	Prakasam	The Ongole Co-operative Bank Ltd., Ongole	1908
3	Guntur	The Guntur Co-operative Urban Bank Ltd., Guntur	1948
4	Krishna	The Durga Co-operative Urban Bank Ltd., Vijayawada	1929
5	West Godavari	The Bhimavaram Co-operative Urban Bank Ltd., Bhimavaram	1930
6	East Godavari	The Aryapuram Co-operative Urban Bank Ltd., Rajahmundry	1919
7	Visakhapatnam	The Visakhapatnam Co-operative Bank Ltd., Visakhapatnam	1916
8	Vizianagaram	The Vizianagaram Co-operative Urban Bank Ltd., Vizianagaram	1914

UCBs were operating in these nine districts, out of these, eight oldest UCBs, representing one from each of the eight districts of Coastal Andhra except Srikakulam (Srikakulam Bank was excluded from the sample due to it being a newly established bank) were selected as sample for detailed analysis. All these eight UCBs have been in existence for more than 60 years. Thus, the sample frame for the study consists of eight UCBs (refer to Table 1).

↳ **Tools of Analysis:** The data collected from different sources were properly classified, tabulated, and analyzed using appropriate statistical tools to draw meaningful conclusions. Statistical tools like linear growth rates and analysis of variance with *F* distribution were used for analysis and interpretation of data at appropriate places because the values in each bank are normally distributed, and the period of each bank should be equal. The analysis of variance (ANOVA) is a particular form of statistical hypothesis testing heavily used in the analysis of experimental data.

Analysis and Results

Coastal Andhra comprising of nine districts is a geographically and demographically important region of the state of Andhra Pradesh. The urban co-operative movement made significant progress in this region. As on March 31, 2013, there were 37 UCBs spread over nine districts of the region. Krishna district with 8 UCBs and Srikakulam and Nellore districts with 1 UCB each occupied first and last positions in the region. The UCBs in other districts are East Godavari - 7 banks, West Godavari - 6 banks, Guntur - 6 banks, Visakhapatnam - 4 banks, Prakasam - 2 banks, and Vizianagaram - 2 banks occupied the middle position.

(1) Share Capital: The UCB's more or less function like commercial banks. Every urban bank must raise adequate share capital to serve as the main foundation and security to the depositors and other creditors. Every member must purchase a certain minimum number of shares to have some stake in the business of the bank. There is only one type of shares, that is, equity shares. UCBs cannot issue preference shares. As far as possible, the face value of a share is to be kept at the minimum, to enable the poor and middle class people to become members of the bank. The face value of shares of the select UCBs are presented in the Table 2.

The face value of regular members per share is ₹ 100 in the case of Aryapuram Bank. It is ₹ 50 in Nellore, Bhimavaram, and Vizianagaram Banks. It is ₹ 25 in Durga, Guntur, and Visakhapatnam Banks; whereas, it is ₹10 in Ongole Bank. The face value of a share of nominal members (B class) varies between ₹ 5 and ₹ 20. The Table 8 reveals that the Visakhapatnam Bank registered the highest growth rate (LGR : 28.75%). It was followed by Bhimavaram Bank (LGR: 22.61%). The linear growth rates of other banks varied between 7.3% and 22.09%. All the growth rates are highly significant (at the 1% level).

Table 2. The Face Value of Shares of the Select UCBs

Sr.No.	Name of the UCB	Regular members (per share)	Nominal members (per share)
1	Nellore	₹50	₹10
2	Ongole	₹10	₹ 5
3	Guntur	₹25	₹ 5
4	Durga	₹25	₹ 5
5	Bhimavaram	₹50	₹ 10
6	Aryapuram	₹100	₹ 20
7	Visakhapatnam	₹25	₹ 5
8	Vizianagaram	₹50	₹10

Table 3. ANOVA - Owned Funds of Select UCBs

Sources of Variation	Degree of Freedom(DF)	Sum of Squares(SS)	Mean Sum of Squares(MS)	F- value
Between banks	7	44,13,682	6,30,526.00	14.064*
Between years	9	20,49,898	2,27,766.20	5.030*
Error	63	28,24,387	44,831.54	--
Total	79	92,87,964	--	--

*Significant at the 1 % level

Source: Computed from Banks' Balance Sheet

(2) Reserves: The reserve fund forms a part of the owned funds. Reserve fund is appropriated from the net profits earned by the UCBs every year. The by-laws of UCBs stipulate that out of profits earned by them, a certain portion, generally not less than 25%, should be appropriated to the statutory reserve fund every year. The Varde Committee (1964) recommended that all UCBs, when they received deposits on the current account, should carry to the reserve fund at least one-fourth of their net profits till it equals the paid-up share capital and thereafter, it may be less.

The overall increase in reserves during the study period was highest in Visakhapatnam Bank and was the lowest in Durga Bank. All other banks occupied in between position in this respect. The Table 8 shows that the linear growth rates of reserves worked out to be 11.47%, 11.67%, 8.55%, 9.46%, 25.84%, 14.83%, 30.32%, and 6.38% for Nellore, Ongole, Guntur, Durga, Bhimavaram, Aryapuram, Visakhapatnam, and Vizianagaram Banks, respectively. Linear growth rates for reserves in all banks, except Guntur Bank, are observed to be statistically significant at the 1 %level.

(3) Owned Funds: The owned funds of UCBs consist of share capital and reserves and indicate the financial strength of the UCBs. The increase in share capital and reserves will automatically result in the rise of owned funds. The owned funds represent the aggregate of share capital and reserves of UCBs. In this respect also, Visakhapatnam and Bhimavaram Banks were in the lead, showing an overall increase. The linear growth rates were computed to know the trends in owned funds. The Table 8 reveals that Visakhapatnam Bank (29.91%) and Bhimavaram Bank (25.32%) were in better position than the rest of the sample banks. All the linear growth rates are statistically significant at the 1% level.

The Table 3 shows that there is a significant difference between years and between banks with regard to owned funds. The corresponding *F*-values indicate that the variations are highly significant. The calculated values of *F* are more than the table values at the 1% level of significance. Hence, the first hypothesis H1 is rejected.

(4) Deposits: Deposits are the life blood of a bank. Collection of deposits is one of the primary functions of a bank, and a co-operative bank is no exception to this rule. Urban banks may be more identified with deposit banking than with mortgage banking. These banks have succeeded in attracting deposits not only from members, but also from non-members because of the growing public confidence in their working. Deposits are an important component of the borrowed funds of these banks. Borrowed funds consist of deposits and borrowings from other co-operative institutions. Urban banks are able to attract adequate deposits by offering high rates of interest than commercial banks. Urban banks must raise a large proportion of their working capital by way of deposits. In certain cases, deposits constitute about 90% of the working capital.

Deposits constitute a major component of working capital of urban banks. The banks' lending operations are significantly influenced by their ability to mobilize deposits. During the study period, Guntur Bank occupied the first position in this respect, and it was closely followed by Visakhapatnam Bank. The linear growth rates in the Table 8 show that the deposits of sample banks during the 10 year study period were highest at 30.18% in Guntur and were the least at 18.42 % in Vizianagaram Banks. The linear growth rates for deposits in all banks are

Table 4. ANOVA - Total Deposits of Select UCBs

Sources of Variation	Degree of Freedom(DF)	Sum of Squares(SS)	Mean Sum of Squares(MS)	F-value
Between banks	7	4.31	61528281	11.570*
Between years	9	4.07	45258966	8.510*
Error	63	3.35	5318012	--
Total	79	1.17	--	--

* : Significant at the 1 % level

Source: Computed from Banks' Balance Sheet

Table 5. ANOVA - Working Capital of Select UCBs

Sources of Variation	Degree of Freedom(DF)	Sum of Squares(SS)	Mean Sum of Squares(MS)	F - value
Between banks	7	5.16	73711662	11.682*
Between years	9	4.67	51900685	8.225*
Error	63	3.98	6309790	--
Total	79	1.38	--	--

* : Significant at the 1 % level

Source: Computed from the Banks' Balance Sheet

significant at the 1% level.

It is observed from the results of ANOVA in Table 4 that the calculated F -values (8.51 and 11.57) are statistically significant at the 1% level. It may be concluded that there are significant inter-bank and inter-period variations in total deposits. Hence, the second hypothesis(H2) is rejected.

(5) Working Capital: The working capital is an important factor in the functioning of UCBs. The components of working capital of UCBs consist of (a) owned funds (comprises of share capital and reserve fund), (b) deposits from members and non-members, and (c) borrowings from the District Co-operative Central Bank (DCCB). The UCBs depend, only to a small extent, on the advances from the DCCB.

Regarding the linear growth rates of working capital during the 10 year period (Table 8), Guntur Bank recorded the highest growth rate (LGR: 29.35%) and it was followed by Visakhapatnam Bank (LGR: 28.2%). Growth rates of other UCBs for working capital varied between 18.14% (Vizianagaram Bank) and 21.73% (Durga Bank). All the growth rates are highly significant at the 1% level.

The Table 5 shows that the computed values of F are greater than the table value of F at the 1% level of significance, hence, it can be concluded that the difference in the size of working capital of the sample banks and the year wise difference in the working capital of all eight UCBs in Coastal Andhra under the study is significant. It is observed that the trends in working capital and its components of select banks are statistically significant. Hence, the third hypothesis H3 is rejected.

(6) Loans and Advances: The lending policy of an UCB is laid down by its by-laws or rules framed by the bank. Also, RBI circulars/directives in this regard are to be followed by UCBs in giving loans to members. After meeting the demands of the members, they may give loans to non-members on the security of their deposits. UCBs are give loans and advances for various purposes, like for purchase of fridge, T.V., vehicle, and other domestic appliances ; for repayment of the past loans ; for social purposes ; for purchase or repair of house ; for medical and educational expenses; as well as for commercial and professional requirements. UCBs are primarily expected to meet the credit requirements of people from the middle and lower income groups in urban and semi-urban areas.

The linear growth rates (in Table 8) of loans and advances are highest in Guntur Bank (29.04%), and it is closely

Table 6. ANOVA - Loans and Advances of Select UCBs

Sources of Variation	Degree of Freedom(DF)	Sum of Squares(SS)	Mean Sum of Squares (MS)	F-value
Between Banks	7	1.27	18098711	13.810*
Between years	9	1.06	11769846	8.981*
Error	63	82564541	1310548	--
Total	79	3.15	--	--

* : Significant at 1 % level

Source: Computed from Banks' Balance Sheet

Table 7. ANOVA - Net Profit of Select UCBs

Sources of Variation	Degree of Freedom(DF)	Sum of Squares(SS)	Mean Sum of Squares(MS)	F-value
Between banks	7	127617.80	18231.11	7.192*
Between years	9	49557.08	5506.34	2.172**
Error	63	159706.48	2535.02	--
Total	79	336881.38	--	--

* : Significant at the 1 % level

** : Significant at the 5% level

Source : Computed from Banks' Profit & Loss A/C

followed by Visakhapatnam Bank (27%). Vizianagaram Bank registered the lowest growth rate (11.91%) in loans and advances. Thus, the growth rates in advances showed a mixed trend. It is observed that trends in loans and advances of sample banks, as revealed by the linear growth rates, are statistically significant.

The ANOVA results in the Table 6 suggest that inter-bank and inter-period variations in loans and advances are statistically significant at the 1% level, because the calculated values are more than the table value implying wide variations across banks in lending operations. Hence, the fourth hypothesis H4 is rejected.

(7) Net Profit: Net profit is the excess of total income over total expenses of the bank. Data relating to profit of the sample banks reveals inter-bank and inter-period variations. While Visakhapatnam Bank registered the highest increase in profit, Durga Bank had the lowest increase. Nellore, Ongole, Aryapuram, and Vizianagaram Banks incurred losses in some years of the study period. The linear growth rates for net profit are observed to be significant only in case of three banks (Bhimavaram, Nellore, and Visakhapatnam Banks), and for the remaining five banks (Ongole, Guntur, Durga, Aryapuram, and Vizianagaram Banks), the growth rates are not significant at the 5 % level.

The Table 7 shows that there are significant variations between years and between banks with regard to net profit as indicated by the corresponding *F*-values. The ANOVA test revealed that inter-bank and inter-period variations as regards of net profit are statistically significant. Hence, the fifth hypothesis H5 stands rejected.

Suggestions

The following suggestions are made to create public confidence and strengthen the urban co-operative banking sector in Coastal Andhra as well as in Andhra Pradesh :

- (1) The UCBs have to undertake membership drives and strengthen their share capital and reserves base.
- (2) Deposit mobilization is another aspect which requires much attention.

Table 8. Linear Growth Rates of Sample UCBs for the 10 Year Study Period

Name of the UCB	Share Capital	Reserves	Owned Funds	Deposits	Working Capital	Loans& Advances	Net Profit
Nellore	19.29**	11.47**	15.53**	19.47**	19.12**	18.73**	30.91**
Ongole	20.26**	11.67**	14.35**	21.41**	21.11**	15.96**	230.14NS
Guntur	22.09**	8.55 NS	18.00**	30.18**	29.35**	29.04**	13.19NS
Durga	7.30**	9.46**	12.97**	22.20**	21.73**	19.99**	6.91NS
Bhimavaram	22.61**	25.84**	25.32**	23.26**	19.38**	19.06**	23.08**
Aryapuram	19.42**	14.83**	15.78**	21.00**	20.42**	18.68**	66.86NS
Visakhapatnam	28.75**	30.32**	29.91**	28.07**	28.20**	27.10**	28.78**
Vizianagaram	11.98**	6.38**	10.63**	18.42**	18.14**	11.91**	5.07NS

** : Significant at 1 % level

* : Significant at 5 % level

NS : Not significant at 5% level

Source : Compiled from the annual reports of banks

(3) There is also a need to select Chief Executives of the UCBs by an independent panel. Persons with suitable banking experience or relevant professional background should alone be considered for appointment as Chief Executives of the bank.

(4) To keep people informed of the achievements of UCBs, annual reports should be published, disclosing every material fact like bad debts, doubtful debts, and losses arising out of all transactions. This enables the stakeholders to judge the financial health of the concerned UCB.

(5) While opening a new UCB or its branch, preference should be given to under-banked/unbanked areas.

(6) Every year, three newly elected directors should be on the Board of Directors of a UCB.

(7) Good corporate governance is critical for efficient functioning of an entity, and UCBs are no exception to this. Irrespective of the size of the operations, there is a need to run UCBs on professional lines.

(8) The Madhava Rao Committee (1999) also recommended that once a UCB is classified as a sick bank, action must be initiated under the provision of Section 45 of the Banking Regulation Act, 1949 to place it under moratorium. During the period under moratorium, the bank must take steps to reconstruct or amalgamate with another UCB, and if this is not possible, the bank's license must be withdrawn. This recommendation also needs attention for implementation.

(9) Another important aspect which must receive attention is dual control mechanism operating in UCBs. The dual control regime has become a very serious vexatious problem affecting the urban co-operative banking sector.

Conclusion and Implications

In light of the performance of the selected banks based on the analysis of owned funds (share capital and reserve funds), deposits, working capital, loans and advances, and net profit, the following inferences are drawn :

Visakhapatnam Bank occupied the top position with regard to most of the variables, followed by Guntur, Bhimavaram, and Durga Banks. The performance of Nellore, Ongole, and Aryapuram Banks with regard to different parameters was mediocre. Vizianagaram Bank was lagging behind in all respects. The Government and the RBI can also play an active role by introducing better laws and regulations, supervisory and legal frameworks to support the development of UCBs in Andhra Pradesh as well as in India. The selected indicators' calculated

values of F are more than the table values at the 1% or 5% level of significance. Hence, all the hypotheses are rejected.

This study has generated a number of suggestions that can be considered by policy-makers, mediation practitioners, administrators, members, depositors, borrowers, professionals and the general public who are directly or indirectly connected with urban co-operative banks.

Limitations of the Study and Scope for Further Research

The present study was a fact finding study aimed at analyzing the working of selected UCBs in Coastal Andhra region over a period of 10 years with the help of select indicators like share capital, reserves, deposits, advances and net profit, focusing only on the internal operations of the banks. Due to the non-availability of data on priority sector/weaker sections advances and NPAs, these aspects could not be covered by the study. Also, a comparison of various operational aspects of the selected UCBs in Coastal Andhra with those of other UCBs in the state of Andhra Pradesh and India could not be made due to data limitations. The study is necessarily confined to manageable limits. However, the findings and conclusion of the study would be useful for policy formulation at the bank level in particular and UCBs in general and serve as an useful addition to the existing literature on the subject.

Future research studies can evaluate the performance of urban co-operative banks with different parameters like spread, burden, and so forth. Specifically, future research should illustrate ways in which regulations can be designed to improve the potential of these banks. Future studies could also be devoted to understanding the experience of co-operative banking systems, which have used dynamic provisioning rules prior to the current dual control mechanism. Research studies should also look into the inter-connections between capital, liquidity, performance, and systemic risk. Last but not the least, researchers should explore various issues in relation to fair value accounting, including its potential effects in terms of banks' discretion of earning management and increased transparency & disclosure.

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