

Growth of Deposits and Advances of Urban Co-Operative Banks in India

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Abstract: *The urban co-operative banks (UCBS) have an important role to play in Economic construction of a country. This paper studies the trend and growth of deposits and relationship between deposit and advance of urban co-operative banks operating in India. The study mainly based on secondary data. The data analyzed by using appropriate tools such as mean, percentage, CGR, Trend analysis and correlation. The study covers a period of 11 financial years from 2002 to 2012. The findings revealed that the urban co-operative banks recorded a fluctuating trend in mobilizing deposits and there is significant relations between deposits and advance of urban co-operative banks in India during the study period.*

Key words: deposits, advances, trend, growth, correlation.

Introduction

Indian financial system consists of banking system and capital market system. The banking sector plays a dynamic role in the economic development of a nation. Schumpeter regarded the banking system as one of the two key agents (other entrepreneurship) in the whole process of development. The co-operative bank is one of important segments of scheduled commercial banks (SCBs) among the commercial banks and Investment banks of India. Banks formed one of the principles of co-operative is called co-operative banks. The co-operative banks in India one resisted under the co-operative societies Act. The co-operative bank is also regulated by the RBI. They are governed by the Banking Regulation Act 1949 and Banking Laws (co-operative societies) Act 1965. Indian co-operative system is on its sound footing UCBS in India are playing major role in servicing rural in economy.

The term urban co-operative banks (UCBS) although not formally defined, refers to the primary cooperative banks till 1996, were allowed to lend money only for non-agricultural purposed. Today their scope of operations has widened considerably. The essentially lend to small borrowers and business. The urban co-operative banks were set up with the objective of promoting sustainable banking practices amongst a relatively specific target clientele viz., the middle income stream of urban population. It base level in 3- tier structure of co-operative in India and for this reason they are referred to as primary (urban)co-operative banks. In view of this co-operative hierarchical structure, the district central co-operative banks, and state co-operative banks (STCBs) Act as higher financing agencies for UCBS. But UCBS have no restrictions on geographical growth over the years, UCBS have registered a significant growth in number, size and volume of business As on March 31, 2011, these were as 42 multi-state UCBS and this number is increasing every year. As on 31st March 2012 there were number of UCBS 1618 with 8235 branches about 83 percent of there are located in five states, Andra Pradesh, Gujarat, Karnataka, Maharashtra and Tamil Nadu and 38.5 per cent of the UCBS are unit banking system.

Banking business encourages the flow of money to productive use and investments. This in turn allows the economy grows. In the absence of banking business, savings would sit and idle in our homes, the entrepreneurs would not be in a position to raise the money, and the ordinary people dreams for a new house of car would not be able to buy this.

The implementation of liberalization policy in the year of 1991 the financial system has come to play a much larger role in the allocation of resources than in the past. The growing role of the UCBS in the collection of deposit mobilization and lending of loan has significant advantages for financial system economic development of the country because its role in future can be expected to be much larger growth of deposit mobilization and relationship between deposits and credit of urban co-operative banks in India.

Review of Literature

Muthupandian (1995) conducted a study on the overall performance of Tirunelveli District Central Co-operative Bank (TDCCB). He noted that the success of TDCCB in future will depend not only upon the development of primary societies and the growth of the co-operative spirit among the members but also upon the extent to which they are able to mobilize deposits and savings and make recoveries of bad debts.

Rammohan and Ray (2004) compared the efficiency of the three categories (public banks, Indian Private Banks and the foreign banks) of banks in the Indian banking sector for the period 1992-2000. The study used DEA methodology and physical quantities of inputs and outputs and concluded that the operational performance of public sector and the private sector were significantly different. The study used deposits and operating costs as inputs and loans, investments and other income as outputs.

Kokkalki (2011) found the growth of Urban Co-operative Bank (UCB) in India and indicated a rising trend from 1970-71 to 2001-02. A slow down during the next 7-8 years has been observed. However, there has been a very high growth of deposits and loans and advances during the three decades from 1966-67 to 2007-08. It was suggested that co-operative banks need to shape up liberalized environment has ushered in a new wave of competition. Technology and costs (with an eye on risk management) are the real drives of the banking business

Vijai S.Hooda (2011) compared the deposit and advances of the Rontak Central Co-operative Bank Ltd., and Jhajjar Central Co-operative Bank Ltd., by using Spearman's Rank correlation method. It was found that deposits were highly correlated with the Advances, It was also found that Jhajjar central Co-operative Bank recorded increasing trend in mobilization deposits and advancing credit. But the credit deposit ratio of this bank recorded fluctuating trend. There was no trend in deposits, advances and CD ratio of the Rohtak central co-operative Bank during the study period and it recorded fluctuating trend in all three variables considered for the study.

Objectives of the Study

The following are the main objectives of the present study

1. To study the trend and growth of deposits of urban co-operative banks in India
2. To study the trend and growth of advances of urban co-operative banks in India
3. To study the relationship between deposits and advances of urban co-operative Banks in India

Hypothesis

1. There has been no significant growth in deposits of urban co-operative banks in India during the study period.
2. There has no significant relationship between deposits and credits of urban co-operative banks in India

Research Methodology

The present study is concerned with the analysis of deposits and advances of urban co-operative banks in India. The study is based on secondary data. The required secondary data have been collected from the various issues of banking statistics, published by Reserve Bank of India (RBI). The required literature and data have been collected from various Journals, books and relevant websites. The study covers a period of 11 years from 2002 to 2012.

Analysis and Discussion

An attempt has been made to study the trend and growth and relationship between deposits and advances of urban co-operative banks in India

Table 1: Trend in Deposits of UCBS in India

(As on 31st March) (Rs. in Crore)

Year	Deposits	Increase/ Decrease	Annual Growth Rate	Trend Value
2002	80840	-	-	71969
2003	93069	12229	15.13	83324.71
2004	101546	8477	9.11	94680.42
2005	110256	8710	8.58	106036.13
2006	105021	-5235	-4.75	117391.84
2007	114060	9039	8.61	128747.55
2008	121391	7331	6.43	140103.25
2009	138496	17105	14.09	151458.96
2010	158733	20237	14.61	162814.67
2011	182862	24129	15.20	174170.38
2012	209949	27087	14.81	185526.09
Mean	128747.5			
Std.Dev	39998.69			
CGR	69.82			
CV	11440.02			

Source: www.rbi.org.in

From Table 1, it is clear the mean and standard deviation values of the deposits are 128747.5 and 39998.69 respectively. The growth rate is fluctuating. Except 2005-06, there is a positive trend in the growth of deposits. The compound Growth Rate is 69.82 per cent which is significant as their significance level is less than 0.05. The Co variation is 11440.02.

Table 2: Trend in Advance of UCBS in India
(As on 31st March) (Rs. in Crore)

Year	Advances	Increase/ Decrease	Growth Rate	Trend Value
2002	54389	-	-	47682
2003	62060	7671	14.10	54505.84
2004	64880	2820	4.54	61329.67
2005	67930	3050	4.70	68153.51
2006	66874	-1056	-1.55	74977.35
2007	71641	4767	7.13	81801.18
2008	79733	8092	11.30	88625.02
2009	88981	9248	11.60	95448.85
2010	97918	8937	10.04	102272.69
2011	110303	12385	12.65	109096.53
2012	135104	24801	22.48	115920.36
Mean	81801.18			
Std.Dev	24320.88			
CGR	83.11			
CV	537732			

Source: www.rbi.org.in

From Table 2, it is clear the mean and standard deviation values of the advances are 81801.18 and 24320.88 respectively. The growth rate is fluctuating. Except 2005-06, there is a positive trend in the growth of advances. The compound Growth Rate is 83.11 per cent which is significant as their significance level is less than 0.05. The Co variation is 537732.

Table 3: Relationship between deposits and advance of UCBS in India
(As on 31st March) (Rs. in Crore)

Year	No. of offices	Deposits	Advances	Deposits per office	Advances per office	CD Ratio
2002	1618	80840	54389	49.96	33.61	0.67
2003	1854	93069	62060	50.20	33.47	0.67
2004	1941	101546	64880	52.32	33.43	0.64
2005	1926	110256	67930	57.25	35.27	0.62
2006	1872	105021	66874	59.03	35.72	0.64
2007	1853	114060	71641	61.55	38.66	0.63
2008	1813	121391	79733	66.96	43.98	0.66
2009	1770	138496	88981	78.25	50.27	0.64
2010	1721	158733	97918	92.23	56.90	0.62
2011	1674	182862	110303	109.24	65.89	0.60
2012	1645	209949	135104	127.63	82.13	0.64

Source: www.rbi.org.in

From Table 3, it is clear the mean and standard deviation values of the number of offices are 1789.73 and 112.18 respectively. The growth rate is fluctuating. Except 2002-03 and 2003-04, there is a negative trend in the growth of number of offices. The compound Growth Rate is 4.89 per cent which is significant as their significance level is less than 0.05.

This Table shows interesting results that there is an increasing trend to the proportion of number of offices to deposits. This is possible only through whether there is an increase or decrease in the number of offices, there is a concrete increase in the deposits. In the year 2001-02, the proportion of number of offices to deposits is 49.96 while it is 127.63 in 2011-12 as there is a two fold increase in the deposits.

This Table, it is clear that there is a fluctuating trend to the proportion of deposits to advances. In the year 2001-02, the proportion of deposits to advances is 0.67 while it is 0.64 in 2011-12.

The co efficient of correlation between UCBS deposits and UCBS advance in India have been worked out, very high coefficients of correlation have been obtained during the study period between 2001-2012. The co efficient of correlation (r) is .995.

FIGURE-1

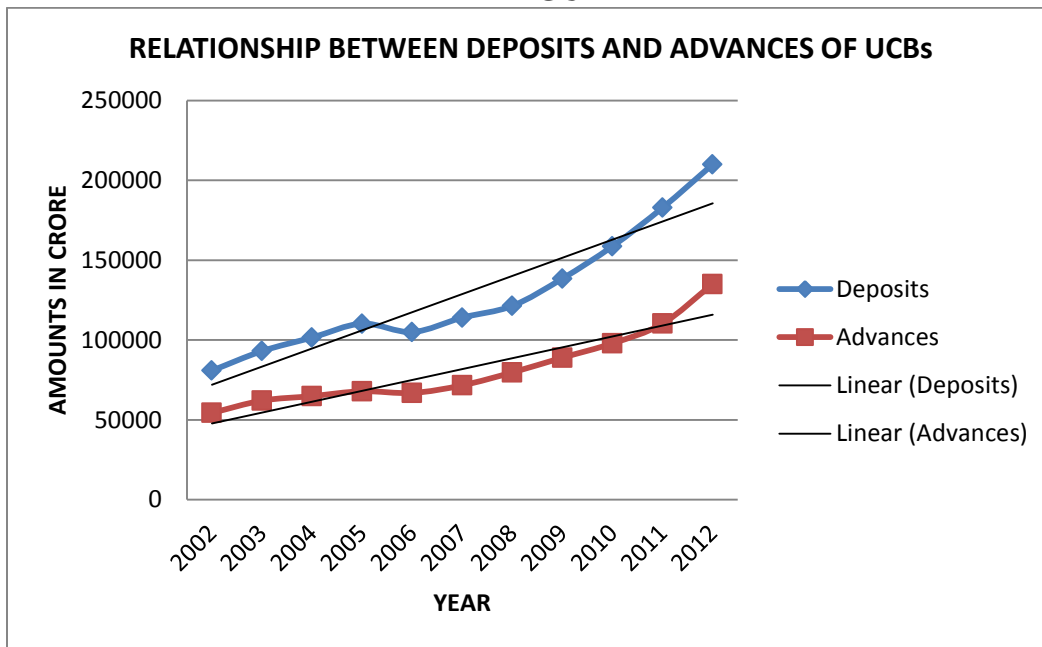
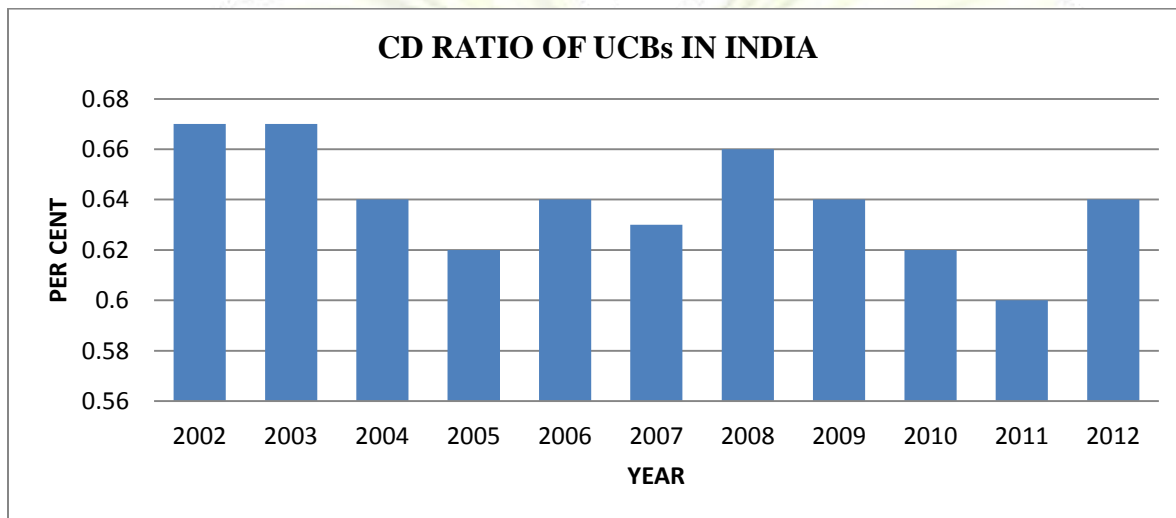


FIGURE-2



Summary of Findings

- The no office, deposits and advance are showed on fluctuating trend.
- There is a positive correlation between deposits and advances.
- The compound growth rate of no of office, deposits and advance is 4.29, 69.82, and 83.11 respectively

Conclusion

Considering the importance of deposit mobilization as a catalyst for economic development, the present study has been undertaken with a view to finding the trends in the growth of bank deposits, and advances in UCBS in India. The deposits showed on fluctuating trend. It implies as urban depositors shift their preferences from bank deposits to tax-saving instruments. In the study conclude that currently need for UCBS better customer service and innovative deposit schemes in urban areas. On the other hand there is a great scope for branch expansion in rural centre because it has higher potential for deposit mobilization.

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