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## Research Paper

## WORKING FUND MANAGEMENT OF SELECT URBAN CO-OPERATIVE BANKS IN TAMILNADU

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## ABSTRACT

**B**anking sector is playing a pivotal role in the development of the economy of a country by way of channelizing the savings of the people towards national development. Urban Co-operative Banks are rendering the service effectively by considering the people irrespective of the economic status. Hence Urban Co-operative Banks are accepting the savings of poor and middle class people by way of deposits and make way for channelizing the savings towards economic development by way of capital formation. So, it is necessary to study about UCBs in the financial aspect. Because UCBs are able to survive only when they earn profit otherwise they will struggle in doing banking business. The major source of fund of a bank is collecting deposits from the people and they have other sources also for their working fund such as own fund, borrowings and other liabilities.

**KEYWORDS:** Banks, savings, Working fund, borrowings

## INTRODUCTION

The term bank is defined as “an establishment for custody of money, which it pays out on customer’s order.” by the Oxford Dictionary. From the definition it could be understood that banks are handling people money. Banking sector is playing a pivotal role in the development of the economy of a country by way of channelizing the savings of the people towards national development. Urban Co-operative Banks are rendering the service effectively by considering the people irrespective of the economic status. Hence Urban Co-operative Banks are accepting the savings of poor and middle class people by way of deposits and make way for channelizing the savings towards economic development by way of capital formation. So, it is necessary to study about UCBs in the financial aspect. Because UCBs are able to survive only when they earn profit otherwise they will struggle in doing banking business. The major source of fund of a bank is collecting deposits from the people and they have other

sources also for their working fund such as own fund, borrowings and other liabilities. Efficient management of working fund of a bank will lead to sound financial position of the bank, hence it is necessary to study the working fund of the UCBs. The researcher has made an attempt to analyse working fund of four selected urban co-operative banks in Tamilnadu.

## STATEMENT OF THE PROBLEM

Working fund is the term used for banking business. It is the amount used to do the business. It is nothing but the total of all liabilities or total of all assets. In analyzing financial performance of a bank the amount of working fund is taken primarily as a common indicator to analyse various aspects of the bank. For this study also the researcher has calculated the working fund and their components such as own fund, total deposits, borrowings and other liabilities.



**OBJECTIVE**

The study has been undertaken with the following objective.

- To study working fund of selected urban co-operative banks in Tamilnadu.

**METHODOLOGY**

The study has been undertaken to analyse working fund of selected urban co-operative banks (UCBs) in Tamilnadu. For this purpose the researcher selected four UCBs namely Sirkali, Chidambaram, Tiruvarur and Villupuram urban co-operative banks. The

researcher used secondary data collected from annual reports of the concerned banks for the period of ten years from 2003-04 to 2012-13. The researcher applied simple percentage, mean, standard deviation, co-efficient of variation and compounded annual growth rate (CAGR) as statistical tools.

**RESULTS AND INTERPRETATION**

The results working fund, its percentage change over previous year, components of working fund and their percentage composition to working fund for Sirkali UCB are presented in table 1.

**Table 1: Working Fund of Sirkali UCB**

Year	Own Fund	% on total	Total Deposits	% on Total	Borro -wings	% on Total	Other Liabilities	% on Total	Amount in Rupee	
									Working Fund	% Change
2003-04	3,44,22,586	11.81	25,01,82,660	85.83	0	0	68,90,725	2.36	29,14,95,971	-
2004-05	3,92,84,644	13.60	24,18,70,240	83.75	0	0	76,54,791	2.65	28,88,09,675	-0.92
2005-06	3,97,00,277	14.67	22,01,65,393	81.37	0	0	1,07,21,224	3.96	27,05,86,894	-6.31
2006-07	4,33,97,259	15.77	22,26,22,088	80.91	0	0	91,33,628	3.32	27,51,52,975	1.69
2007-08	4,29,89,202	13.79	25,86,42,444	82.96	0	0	1,01,49,208	3.26	31,17,80,854	13.31
2008-09	4,35,31,481	11.65	31,29,28,993	83.73	0	0	1,72,53,063	4.62	37,37,13,537	19.86
2009-10	4,80,68,431	12.19	33,52,77,771	85.00	0	0	1,10,87,486	2.81	39,44,33,688	5.54
2010-11	5,25,65,597	12.13	36,93,73,576	85.24	0	0	1,13,94,745	2.63	43,33,33,918	9.86
2011-12	5,77,58,409	11.96	41,45,87,224	85.83	0	0	1,06,73,192	2.21	48,30,18,825	11.47
2012-13	6,16,59,775	10.97	48,81,31,639	86.82	0	0	1,24,34,138	2.21	56,22,25,552	16.40
Mean	4,63,37,766		31,13,78,203		0.00		1,07,39,220		36,84,55,189	
SD	86,31,243		9,02,99,301		0.00		28,50,131		99,6,35,546	
CV	18.63		29.00		NA		26.54		27.04	
CAGR	6.00		6.91		NA		6.08		6.79	

Source: Computed from Annual Reports

Table 1 shows that total working fund of Sirkali UCB was in increasing trend over the study period. The amount of working fund increased 93 per cent during the study period. The mean value of working fund of the UCB stood at Rs.368455189 and standard deviation and co-efficient of variation showed a moderate level of deviation in working fund from its mean value. The CAGR of working fund was 6.79 per cent, it was considered low. The percentage composition of own fund of Sirkali UCB on working fund ranged between 10.97 per cent in 2012-13 and 15.77 per cent in 2006-07. The percentage composition of own fund of the UCB was increasing for the first four years and it started to decrease in the subsequent years. The results of mean, standard deviation and co-efficient of variation showed low level of variation in the amount of own fund from its mean value. The CAGR of own fund stood at 6 per cent, it was considered low.

The total deposit of Sirkali UCB was in increasing trend over the study period. A moderate level of deviation was found in total deposits from its

mean value as indicated by the results of standard deviation and co-efficient of variation. The percentage composition of total deposit on working fund was found high during all the years of the study period. It indicated its efficiency in doing banking business. The percentage composition of total deposit of the UCB ranged between 80.91 per cent in 2006-07 and 86.82 per cent in 2012-13. The Sirkali UCB did not borrow any loan from any institution during the study period. Other liabilities of Sirkali UCB contribute very less portion to working fund during all the years of the study period. The percentage composition of other liabilities to working fund of the UCB ranged from 2.21 per cent to 4.62 per cent. The mean, standard deviation and co-efficient of variation showed a moderate level of variation in other liabilities. The calculated value of CAGR found to be low at 6.08 per cent.

Table 2 gives the above results for Chidambaram Urban Cooperative Bank for the study period of ten years from 2003-04 to 2012-13.

**Table 2: Working Fund of Chidambaram UCB**

Amount in Rupee

Year	Own Fund	% on total	Total Deposits	% on Total	Borro-wings	% on Total	Other Liabilities	% on total	Working Fund	% change
2003-04	2,54,61,305	12.02	16,15,92,798	76.27	3,02,369	0.14	2,45,16,661	11.57	21,18,73,133	
2004-05	2,92,47,263	14.25	15,25,22,346	74.32	86,880	0.04	2,33,80,604	11.39	20,52,37,093	-3.13
2005-06	3,24,99,394	15.10	16,32,07,034	75.85	82,980	0.04	1,93,78,753	9.01	21,51,68,161	4.84
2006-07	3,36,68,002	15.29	16,29,92,437	74.04	7,09,380	0.32	2,27,83,185	10.35	22,01,53,004	2.32
2007-08	3,32,09,682	12.39	21,04,25,045	78.50	14,35,157	0.54	2,29,92,802	8.58	26,80,62,686	21.76
2008-09	3,57,19,522	11.81	23,42,71,225	77.44	9,74,500	0.32	3,15,72,315	10.44	30,25,37,562	12.86
2009-10	3,61,07,875	10.31	28,11,78,360	80.26	6,34,854	0.18	3,24,10,052	9.25	35,03,31,141	15.80
2010-11	4,02,87,783	10.20	31,91,79,517	80.83	4,64,056	0.12	3,49,56,013	8.85	39,48,87,369	12.72
2011-12	4,12,26,325	9.23	36,43,10,000	81.57	4,07,371	0.09	4,06,74,800	9.11	44,66,18,496	13.10
2012-13	4,34,56,931	8.10	44,28,69,975	82.51	2,93,402	0.05	5,01,02,674	9.33	53,67,22,982	20.17
Mean	3,50,88,408		24,92,54,874		5,39,095		3,02,76,786		31,51,59,163	
SD	55,29,995		10,01,40,224		4,19,338		96,49,542		11,45,61,171	
CV	15.76		40.18		77.79		31.87		36.35	
CAGR	5.49		10.61		-0.30		7.41		9.74	

*Source: Computed from Annual Reports*

Table 2 indicates that working fund of Chidambaram UCB was in increasing trend over the study period. The mean value of working fund of the UCB stood at Rs.31.52 crore and its standard deviation and co-efficient of variation showed a moderate level of deviation in working fund of the UCB. The CAGR of working fund stood at 9.74 per cent, it indicated a considerable increase in the amount of working fund of Chidambaram UCB. The percentage composition of own fund of Chidambaram UCB on working fund ranged between 8.10 per cent in 2012-13 and 15.29 per cent in 2006-07. The results of mean, standard deviation and co-efficient of variation showed low level of variation in the amount of own fund from its mean value. The CAGR of own fund stood at 5.49 per cent, it was considered low and therefore there was low level of increase in own fund. The total deposit of Chidambaram UCB was in increasing trend over the study period. The mean value, standard deviation and co-efficient of variation of total deposits of the UCB showed a moderate level of

deviation in total deposits from its mean value and there was high growth in total deposits as shown by CAGR.

It was observed that the amount of borrowings by Chidambaram UCB was found very low during all the years of the study period. The amount of borrowings decreased from Rs.302369 in 2003-04 to Rs.293402 in 2012-13. The percentage composition of borrowings on working fund of Chidambaram UCB was found very low and it was less than one per cent during all the years of the study period. The value of CAGR showed negative growth in the amount of borrowings. It showed that there was no significant importance for borrowings by the UCB in working fund. Other liabilities of Chidambaram UCB contribute low portion to working fund during all the years of the study period. Moderate level of variation was found in other liabilities of the UCB. The calculated value of CAGR found to be considerable at 7.41 per cent.

Table 3 gives the above results for Tiruvarur Urban Cooperative Bank for the study period of ten years from 2003-04 to 2012-13.

**Table 3: Working Fund of Tiruvarur UCB**

Amount in Rupee

Year	Own Fund	% on total	Total Deposits	% on Total	Borro -wings	% on Total	Other Liabilities	% on total	Working Fund	% change
2003-04	1,92,07,481	7.89	21,16,99,193	87.01	0	0	1,23,84,943	5.09	24,32,91,617	
2004-05	2,46,05,178	10.37	20,61,24,257	86.87	0	0	65,54,789	2.76	23,72,84,224	-2.47
2005-06	2,65,46,599	11.36	20,03,63,134	85.75	0	0	67,47,824	2.89	23,36,57,557	-1.53
2006-07	2,81,51,662	11.13	20,97,46,980	82.90	0	0	1,51,01,933	5.97	25,30,00,575	8.28
2007-08	2,91,77,278	10.11	24,47,37,974	84.77	0	0	1,48,02,867	5.13	28,87,18,119	14.12
2008-09	3,05,67,403	8.89	30,54,32,453	88.79	0	0	79,98,089	2.33	34,39,97,945	19.15
2009-10	3,24,45,559	8.61	33,16,58,564	87.99	0	0	1,28,07,711	3.40	37,69,11,834	9.57
2010-11	3,20,30,126	7.40	37,91,94,130	87.62	0	0	2,15,66,285	4.98	43,27,90,541	14.83
2011-12	4,22,39,202	8.34	43,55,22,226	85.97	0	0	2,88,17,997	5.69	50,65,79,425	17.05
2012-13	4,70,32,610	7.86	51,77,42,101	86.56	0	0	3,33,45,173	5.57	59,81,19,884	18.07
Mean	3,12,00,310		30,42,22,101		0.00		1,60,12,761		35,14,35,172	
SD	81,48,117		11,08,75,212		0.00		91,92,281		12,66,95,605	
CV	26.12		36.45		NA		57.41		36.05	
CAGR	9.37		9.36		NA		10.41		9.41	

Source: Computed from Annual Reports

Table 3 reports that working fund of Tiruvarur UCB was in increasing trend over the study period. The result of mean, standard deviation and co-efficient of variation showed a moderate level of deviation in working fund of the UCB. The CAGR of working fund stood at 9.41 per cent, it indicated a considerable increase in the amount of working fund of Tiruvarur UCB. The percentage composition of own fund of Tiruvarur UCB was fluctuating during the study period. Low level of variation was found in own fund of the USB from its mean value. The CAGR of own fund stood at 9.37 per cent, it showed that own fund of the UCB increased considerably. The total deposit of Tiruvarur UCB was in increasing trend over the study period. The percentage composition of total deposit on working fund was found high during the all the years of the study

period. The results of mean, standard deviation and co-efficient of variation of total deposits of the UCB showed a moderate level of deviation in total deposits from its mean value and there was high growth in total deposits as shown by CAGR. It was observed that Tiruvarur UCB did not borrow any amount from any institution during any year of the study period. Other liabilities of Tiruvarur UCB were highly fluctuating during the study period. It contributes low portion to working fund during all the years of the study period. Wide variation was found in other liabilities of the UCB. The calculated value of CAGR found to be high at 10.41 per cent.

Table 4 gives the above results for Villupuram Urban Cooperative Bank for the study period of ten years from 2003-04 to 2012-13.

**Table 4: Working Fund of Villupuram UCB**

Amounts in Rupee

Year	Own Fund	% on total	Total Deposits	% on Total	Borro -wings	% on Total	Other Liabilities	% on Total	Working Fund	% change
2003-04	2,62,77,324	3.93	52,02,57,160	77.77	75,985	0.01	12,23,44,116	18.29	66,89,54,585	
2004-05	2,87,01,818	4.28	51,44,74,613	76.67	65,845	0.01	12,78,03,597	19.05	67,10,45,873	0.31
2005-06	11,75,85,528	17.42	51,15,80,085	75.77	52,470	0.01	4,59,13,655	6.80	67,51,31,738	0.61
2006-07	12,47,16,699	18.14	51,37,73,190	74.72	2,75,778	0.04	4,88,36,763	7.10	68,76,02,430	1.85
2007-08	13,25,72,507	19.13	51,65,53,211	74.55	2,06,834	0.03	4,35,67,185	6.29	69,28,99,737	0.77
2008-09	14,61,71,729	19.98	54,27,18,074	74.19	4,70,390	0.06	4,21,33,389	5.76	73,14,93,582	5.57
2009-10	15,87,34,865	20.21	58,58,70,075	74.58	7,18,392	0.09	4,01,98,100	5.12	78,55,21,432	7.39
2010-11	16,85,33,257	19.55	64,26,70,393	74.56	8,02,909	0.09	4,99,28,275	5.79	86,19,34,834	9.73
2011-12	17,86,49,495	19.67	66,48,60,330	73.21	7,12,577	0.08	6,38,73,021	7.03	90,80,95,423	5.36
2012-13	19,10,80,271	19.06	73,60,46,570	73.42	6,08,750	0.06	7,48,20,158	7.46	1,00,25,55,749	10.40
Mean	12,73,02,349		57,48,80,370		3,98,993		6,59,41,826		76,85,23,538	
SD	5,75,47,270		7,99,98,078		2,98,161		3,29,50,387		11,78,71,063	
CV	45.21		13.92		74.73		49.97		15.34	
CAGR	21.94		3.53		23.13		-4.80		4.13	

Source: Computed from Annual Reports

Table 4 shows that total working fund of Villupuram UCB was in increasing trend over the study period. The mean value, standard deviation and co-efficient of variation of working fund of the UCB showed a very lower level of deviation in working fund from its mean value. The CAGR of working fund was found very low at 4.13 per cent. The amount of own fund of Villupuram UCB increased substantially. The results of mean, standard deviation and co-efficient of variation showed moderate level of variation in the amount of own fund from its mean value. The CAGR of own fund stood at 21.94 per cent, it was considered very high. Unlike other selected UCBs the percentage composition of own fund of Villupuram UCB was found high. The total deposit of Villupuram UCB was in increasing trend over the study period. The percentage composition of total deposit on working fund was found more than 70 per cent during all the years of the study period. Very low level of deviation was found in total deposits from its mean value. The CAGR of deposits of the UCB was found very low (3.53 per cent). It was observed that the Villupuram UCB had borrowed very lower amount from other banks and financial institutions. The calculated value of CAGR was found high at 23.13 per cent. Other liabilities of Villupuram UCB contribute very low portion to working fund during all the years of the study period. The calculated value of CAGR found to be negative at 4.80 per cent.

## CONCLUSION

The study has been undertaken to analyse working fund of four urban co-operative banks in Tamilnadu namely, Sirkali, Chidambaram, Tiruvarur and

Villupuram UCBs. The study was undertaken with secondary data collected from annual reports from selected UCBs for the period of ten years from 2003-04 to 2012-13. The study found that working fund of Villupuram urban co-operative bank increased at higher rate than other selected UCBs. The growth rate was low in case of Chidambaram UCB. Total deposits of Chidambaram UCB increased at higher rate than other UCBs and it was low in case of Villupuram UCB. Borrowings of Villupuram UCB increased at very high rate and Sirkali and Tiruvarur UCBs did not have any borrowings during the study period. The growth rate of total working fund of Chidambaram and Tiruvarur UCBs found to be high and it was low in case of Villupuram UCB.

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