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Marketing Strategies and Performance Appraisal of Dhurmavaramurban Co- Operative Bank

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Abstract

Banks have unique challenge when it comes to marketing because they don't offer tangible products for consumers for promoting a bank. It requires convincing consumers to trust a bank with their money and make customers feel like, they are getting most value for money. Once customers invest with a bank, the bank must work and get them into additional products. Banks should know their customer and their preferences, needs and their financial position. It is applicable to Dhurmavaram Urban cooperative bank as they are small in size and accessible to local area specially at the time of issuing the loans and when recovering loans. Marketing strategies followed by UCB's are they pay 1% more interest rate on the deposits and provide loans and advances at 1% less interest than commercial banks. The next strategy is OTS(One time settlement)for recovery of loans for those who repay the loans on time will have sort of relaxation. It is observed that deposits of DUCB is increased from Rs2061 lakhs in 2012-13 to Rs.4066 Lakhs 2016-17 ,loans and advances increased from 1502 to 1978 lakhs, As a result the profits increased from 12 lakhs to 30 lakhs.

Keyword*: DUCB (Dharmavaram Urban Co-operative Bank), CDR (cash Deposit Ratio), EPS (Earning per share) Loans and Advances, Deposits.*

INTRODUCTION

The Report of High Power Committee on Urban Cooperative Banks (1999) dwells on the genesis of cooperative movements. Accordingly, the Cooperative endeavor is not an alien phenomenon to India. Kautilya, in his Arthashastra described, “Guilds of workmen as well as those who carry on any cooperative work shall divide their earnings either equally, or as agreed upon among themselves”(Arthashastra-III.14). The Cooperative Credit Movement in modern India, curiously, is a state initiated movement. The then State regime, though it had taken a lead to create an institutional credit structure essentially to cater to the needs of farmers and lower income groups. It is further interesting to note that cooperative initiative so taken was perhaps the first ever attempt at micro credit dispensation in India. Briefly outlining the theory of Cooperation, the Report of Maclagan Committee on Cooperation (Report of Committee on Cooperation in India-1915), the seminar document on The scheduled banking structure in India consists of banks that arelisted in the second schedule of the RBI Act 1934.

Review of literature

K.C. Pant has remarked that, Urban Co-operative Banks and credit societies have increased their business rapidly over the years. They have played a very important role in providing credit to lower and middle income groups like artisans, hawkers, small traders, small industrialists, professionals and self employed person’s lack of timely availability of credit is responsible for many innovative ideas not taking off or not bearing fruit. The urban banks have played a very crucial role in the upliftment of weaker sections and have enabled people to get self-employed, to stand their own feet and contribute productively to the progress of the nation.(1989).P.P. Koli’s (1992) study on “Women’s Urban Co-operative Banks discussed origin and growth of UCBs in India and in Maharashtra, with special reference to Women’s Co-operative Banks, their problems and prospects. She suggested a number of feasible measures to improve the functioning of the women’s co-operative urban banks.Ramachandran (1992)27 attempted to trace out the causes for declining profitability of Indian banks and suggested possible measures for arresting this trend. He observed that the main causes are: (a) emphasis on social goal, (b) increase in establishment cost, (c) blocking fund in sick unit, (d) compliance to statutory requirement, (e) rural branch expansion, (f) leakage in income, and (g) poor cash management and other Rajagopalan (1993)28 has given a general view on productivity in banks. He opined

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that profitability and productivity depends on various factors like reduction of costs, recovery of overdue, work reorganization, introduction of computers, etc. He viewed that attention should be paid on the staffing pattern in banks.Shrish R. Kulakarni's (1996)30 study examined the financial management practices adopted by UCBs with special reference to Vadodara city of Gujarat state. Financial management techniques such as earnings per share, profit to working capital, profit to business (deposits plus advances) are used to measure the profitability of the UCBs. The study also analyzed elaborately the performance of UCBs with regard to deposit mobilization loans and advances. The study indicated that UCBs gained trust and faith of urban people by introducing several savings and investment schemes. Problems of UCBs and suggestions to improve the functioning of UCBs are also given.Ramamurthy (1998)32 studied the profitability of Indian banks during the roud year period of reforms 1993-96 and also made international comparison with the banking system in 23 OECD countries. He concluded that Indian banks have higher interest spreads, higher operating profits and higher risk provision levels than banks in foreign countries. The productivity in Indian banks as measured in terms of per employee business increased by 12.80 percent during the period of study i.e. 1992-94. HE opined that in the last decade or so the per employee business growing primarily due to restrictions in level of recruitment..Raghupathy (2001)33 along with Industrial Economist research team studied 23 South Indian Banks for period 1999-2000 and ranked them on the basis of internationally acclaimed set of CAMEL, (Capital, Adequacy, Asset Quality, Management Performance, Earnings Performing among the south Indian banks followed by Corporation bank and Global Trust Bank. The study concluded that for the winner's banks to sustain their ranking, they should defocus on liquidity and earnings performance, management performance, technology and growth strategies in the long run. Thampy and Beheti (2001)34 have reviewed the performance of twelve Indian banks, both public and private banks, for the period 1995-98, using the Economic Value Added metric (the equity approach). The results showed that several banks, particularly the large public sector banks in the sample were not cresting value. The authors opined that there could be tow reasons for this: (i) banks could be overcapitalized and (ii) the returns was low. They maintained that NPA and low employee productivity was a major problem in public sector banks.

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 Andhra Pradesh 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 Andhra Pradesh 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

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OBJECTIVES OF THE STUDY

The researcher identified the following objectives as a part of the study:

To examine the financial performance of Dharmavaram Urban Cooperative bank in Anantapur district of the state A.P, India.

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 Dharmavaram UCB.

3) To analyze the growth and composition of Cash and Cash Deposit Ratio (CDR) in Dharmavaram UCB.

4) To study the growth and composition of Working capital in Dharmavaram UCB.

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5) To analyze the growth and composition of Income and Expenditure of Dharmavaram UCB.

6) To study the Trends in Profits and Earnings per shareholder ofDharmavaram UCB.

HYPOTHESIS

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

H1: There is no significant in the growth of Share Capital in the Dharmavaram UCB.

H2: There is no significant in the growth of deposit mobilization during study with regard to Dharmavaram Urban Cooperative Bank

H3: There is no significant growth in the loans and advances during the study with regard to Dharmavaram Urban Co-operative Bank.

H4: There is no significant growth in the Net Profit earning of Dharmavaram Urban Co-operative and during the study.

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 (5 Years). Some of the data were collected from National Institute of Banking Management (NIBM) - Pune, RBI statistical department publication, and 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 "t "–test, CGR,LGR.

ANALYSIS OF THE STUDY

Progress of Urban Cooperative Bank

The Dharmavaram Co-operative Bank was started in the year 1923 (28.01.1923). It does not have any branch nor even proposed to have one. About fifteen persons are employed in the bank at present. It comes under a category for audit classification. It is housed in its own premises. There are four commercial banks in the town. The Bank's business hours are from 10 a.m. 2.00 p.m. There is no locker facility in the Bank. The Ban's progress during the recent decade is shown regress of Dharmavaram Urban Co-operative Bank The progress of the bank in the recent decade 2005-06 to 2009-10 shown in the table 1

The membership of Dharmavaram Urban Co-operative Bank steadily increased, from 26699 in 2012-13 to 28215 in the year 2016-17. The table also reveals that the linear growth rate was 303.2 and the moderate “t” value 7.86 which is significant and the compound growth rate was 11.11. However, there is still a wide scope for Urban Co-operative Bank to increase the membership in Dharmavaram in urban areas

Table No 1: The Progress of Dharmavaram Urban Cooperative Bank Ltd.,

Particulars	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**LGR**	**CGR**	**‘t’ value**
Membership (000)	26,699	27619	27541	27773	28215	302.53	11.11	7.86
Share Capital	64.26	74.73	91.25	101.08	104.34	8.02	10.18	3.43
Reserves	88.44	107.08	121.78	147.21	157.66	1.84	12.26	5.92
Owned funds	152.78	181.81	219.03	248.29	259.00	21.24	11.13	1.78
Deposits	2061.30	2244.83	2784.81	3433.34	4065.29	400.80	14.54	1.22
Working capital (in lakhs)	2214.08	2349.15	2917.53	3565.58	4204.53	398.10	13.68	1.62
Loans & Advances (in lakhs)	1502.38	1493.92	1908.97	2070.30	1977.67	95.06	5.65	1.33
Over due	68.12	114.78	143.48	99.42	148.91	16.16	16.93	5.77
Net Profit	11.81	16.34	10.59	25.46	30.25	3.69	20.70	1.51
% of over dues	4.54	7.68	7.52	4.80	7.53	0.60	10.64	1.20

Source: Compiled from Annual reports of Dharmavaram UCB

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

The share capital, in 2012-13 was Rs.64.26 lakhs which went up to Rs.104.34 lakhs in 2016-17 an increase by Rs.40.08 lakhs. As against this, during the period from 2012-13 to 2014-15 share capital moved up from 64.26 lakhs to 91.25 lakhs showing an absolute increase of Rs.26.99 lakhs which constitutes 42% increase. The linear growth rate of 8.02 and the "t" value 3.43 was not significant. The compound growth rate was 10.08.

The "reserves" is the indicator of financial position of the banks. The reserves also improved moderately from Rs.88.44 lakhs in 2012-13 to Rs.157.66 lakhs in 2016-17 with linear growth rate of 1.84 and with moderately significant a t-value 5.92. The compound growth rate was 12.26. The 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 2012-13 deposits were around Rs.2061.30 lakhs and in 2016-17 they rose to Rs.4065.29 lakhs a 97.21 percent increase in deposits. The linear growth rate of 400.80 indicates with significant "t" value 1.22 and the compound growth rate 14.54. The working capital has increased to Rs.2214.08 lakhs in 2012-13 and increased to Rs.4204.53 lakhs in 2016-17 with a linear growth rate of398.10 and with a significant "t" value 1.62. The compound linear growth rate was 13.68.

Loans operation is a source of income to banks. Loans and Advances were Rs.1502.38 lakhs in 2012-13 and in 2016-17 they rose to Rs.1977.67 lakhs indicating a rise in advances with fluctuations during the period. The linear growth rate was 95.06 with "t" value 1.33 which was not significant. Even the compound growth rate was 5.65.

Over dues, however, increased at the linear growth rate of 16.16 with "t" value of 1.51 which was not significant and compound growth rate of 16.16. But the percent of over dues inclined by 4.54% in 2012-13 to 7.53 % in 2016-17 with linear growth rate of 0.60 while compound growth rate of the over dues was 10.64 withsignificant't' value ---.

Profits of Dharmavaram Cooperative Bank stood at Rs.11.81 lakhs in 2012-13 in 2016-

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17 it increased to Rs.30.25 lakhs. The linear growth rate was -3.69 with no significant "t" value 5.71and the compound growth rate of 20.70

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

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 2

The income improved noticeably from Rs.254.76 lakhs in 2012-13 to Rs.425.89 lakhs in 2016-17 recording a linear growth rate of 34.22 with moderate significantvalue 't' 1.07 and compound growth rate of 10.82. 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.202.63 lakhs in 2012-13 and increased to Rs.316.39 in 2015-16 and decreased to Rs.282.25 lakhs in 2016-17. But the proportion of the percentage decreased from 79.53 percent in 2012-13 to 66.27 percent in 2016-17.

Table: 2 Growth & Composition of Income in Dharmavaram Town Bank Ltd.,

Year	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**LGR**	**CGR**	**'t' value**
Interest on loans and Advances	**202.63 (79.53)**	223.34 (76.40)	259.25 (73.40)	316.39 (75.95)	282.25 (66.27)	15.92	6,85	9.35
Interest on Investments	**2.66 (1.04)**	4.66 (1.59)	28.39 (8.03)	30.22 (7.26)	67.22 (15.78)	12.91	90.78	4.93
Miscellaneous Income	**49.47 (19.41)**	64.3 (22.00)	65.52 (18.55)	69.92 (16.79)	76.42 (17.94)	5.39	9.09	1.20
Total Income	**254.76 (100)**	292.30 (100)	353.16 (100)	416.53 (100)	425.89 (100)	34.22	10.82	1.07

Source: Compiled from Annual reports of Dharmavaram UCB

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

The interest on investments constantly increased during the period i.e. from 2012-13 to 2016-17. In the year 2012-13, the proportion of interest on investments in total income was 1.04 percent, which increased to 15.78 percent in the year 2016-17, with a linear growth rate of 12.91 and compound growth rate of 90.78.

The percentage of miscellaneous income showed constant increase. However, the percentage showed the mixed trend during the period, the income from this source increased marginally from Rs.49.47 lakhs to Rs.76.42 lakhs. And recorded a linear growth rate of 5.39 with a moderate‘t’value of 1.20.

Analysis of Expenditure

Expenditures also show increasing trends in the Dharmavaram Urban Cooperative Bank and they are shown in table 3.

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 3.

The data shows mixed trend in profits and earnings per share. The number of share showed increased trend consistently from 2012-13 to 2016-17 i.e., 26,699 to 28215. The Bank has showed mixed trend during the period. The earnings per share also showed mixed trend during this period. In the beginning of this period the earning per share recorded 50.62 in 2012-13 and increased to 107.21 in 2016-17. 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 2015-16.

Table: 3

Growth of Profits and Earning per share of Dharmavaram Urban Cooperative Bank

Year	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**LGR**	**CGR**	**‘t’ value**
No. of Shares	**26669**	27619	27541	27773	28215	303.2	1.11	7.86
Profits (in lakhs)	11.81	16.34	10.59	25.46	30.25	3.69	20.70	1.51
Earnings	**50.02**	59.16	38.45	91.67	107.21	11.44	16.74	2.11

Source: Compiled from Annual reports of Dharmavaram UCB *NS: Not significant*
Significant at 0.05 level Significant at 0.01 level*

CONCLUSION

The Dharmavaram urban co-operative bank was setup in the early 20thcentury (1907), and completed 103 years (2010).as such, the membership has improved phenomelly over the years. The share capital recorded a linear growth rate of 4.5 which is not significant't' value so there is no significant of share capital in Dharmavaram UCB is accepted. Reserves, owned funds, deposits, working capital loans and advances and the percentage of over dues have increased during the period 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, thought it showed ups and downs during the 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. Profits of Dharmavaram UCB stood at Rs24.52 lakhs in 2005-06 in 2009-10 it decreased to Rs 5.85 lakhs. The linear growth rate was -3.99 with no significant "t" value. The Dharmavaram UCB has been showing decking trend to profits in total and in earning per share.so h4 there is no significant growth in net profit earning of Dharmavaram UCB during the study is accepted this shows the bank is in developing stage and earns more profits during the fourth coming year.

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