

**OPERATIONAL EFFICIENCY OF URBAN CO-OPERATIVE BANK WITH  
SPECIAL REFERENCE TO KOZHIKODE DISTRICT**

**Executive Summary of**

**Minor Research Project Report Submitted to the University Grants Commission as per  
the Order No 1677-MRP/14-15/KLCA057/UGC-SWRO/COMMERCE**



**By**

**REJISH.M.T**

**Assistant Professor**

**DEPARTMENT OF COMMERCE AND MANAGEMENT STUDIES**

**MP MM S N TRUSTS COLLEGE, SHORANUR**

# **OPERATIONAL EFFICIENCY OF URBAN CO-OPERATIVE BANK WITH SPECIAL REFERENCE TO KOZHIKODE DISTRICT**

## **Introduction**

The Cooperative bank is an autonomous association of persons united voluntarily to meet their members financial (loans, deposits, other services), economic, social and cultural needs and aspirations through a democratically controlled way. Cooperative banks play very important role in providing banking services to common man in their area of cooperation. A small depositor or a small borrower feels comfortable in dealing with the local staff of cooperative bank than to the staff of nationalized banks and private banks. During the last one decade, the number of UCBs decreased due to ongoing consolidation process of UCB sector in form of merger/acquisition. This study is carried out on the FINANCIAL PERFORMANCE ANALYSIS of the Kozhikode District Cooperative URBAN bank.

## **Statement of The Problem**

The operational efficiency of commercial banks is continuously done through the various groups and committees appointed by formal and statutory organizations with the help of financial parameters in general and priority sector lending in particular. Their financial performance appraisal has remained concealed and largely unknown to the banking community, users of their services and Government. The cooperative banks are facing severe problems which have restricted their ability to ensure smooth flow of credit such as limited ability to mobilize resources, low level of recovery, high transaction of cost, and administered rate of interest structure for a long time and government and political interference in day to day working of cooperative banks. So it was must to analyse the financial performance of bank. The study has focused on overall financial performance of bank.

Some of the problems are adequate amount of capital, regional imbalance and competition due to sharp increase in number of banks and branches of private sector commercial banks. Most of the problems faced by the banks are governance issues. These banks are under dual control and therefore they have to abide with regulations of both. One of the main problem of bank is lack of professionalism, generally it is seen that these banks do not function efficiently due to problems such as government interference, lack of awareness, restricted coverage, functional weakness and intangibility of finance. The members of their

elected representatives are not experienced enough to manage the bank. Again because of limited capital they are not able to get the benefits of professional management.

Therefore, it is necessary to study the financial performance of the bank.

### **Objectives of the Study**

The present study has been initiated to fulfil certain objectives which are as follows:

- a) To understand the role of urban co-operative bank for economic development.
- b) To evaluate the financial performance of urban co-operative bank in Kozhikode district.
- c) To analyze the capital adequacy of urban co-operative bank.
- d) To examine the steps that can be taken by urban co-operative bank for better performance.

### **Methodology of the Study**

The following accounting, statistical and diagrammatic techniques are used for the study:

- (a) Accounting technique, Ratio analysis.
  - (b) Diagrammatic and graphical presentation of data.
- a) Accounting techniques

The following techniques are used for the study:

- Comparative statement analysis
- Common size statement analysis
- Ratio analysis

- b) Diagrammatic and graphical presentation of data

Diagrams and graphs are exhibiting the data in simple, comprehensible and intelligible form.

### **Limitations of the Study**

. The study has the following limitations:

The study was restricted only to the The Kozhikode district Cooperative URBAN bank. The results and conclusions are based on the analysis of data and various thoughts, opinions given by the concern authorities. The data for the present study will be obtained from the

annual financial reports and from various journals of trade and co-operation, RBI bulletins and circulars, books and various committee reports. Analysis of financial statements is done by applying the tools and techniques of accounting and common-size statements analysis and comparative statements analysis.

In spite of all these limitations this study throws light on the important challenging problems and operational efficiency of the URBAN Cooperative Bank.

### **Findings of the Study**

- The bank is performing in a good position by properly utilizing the available resources and shareholders fund.
- The current ratio for the bank has been in a satisfactory position just below the ideal ratio. It has started to reduce a little from 2014-2015, 2015-2016 and 2016-2017.
- The quick ratio is also found to be satisfactory just below the ideal ratio. It also has been found to be reducing from 2014-2015, 2015-2016 and 2016-2017.
- Debt equity ratio is found to be increasing and is just above the ideal ratio. It is found to be declining in the year 2014-2015 and 2015-2016 but have again started to come up in the year 2016-2017.
- Proprietary ratio is found to be declining from year to year. Low ratio shows greater risk to the creditors. Thus it is better for the bank to improve their proprietary ratio to achieve satisfactory level of customers.
- The total asset to debt ratio of the bank is satisfactory in the study. It is increasing which shows that the solvency and financial position of the bank is satisfactory and strong
- ROI of the institution is also increasing. This shows that the capital employed is efficiently utilized by the bank. It is having a good earning capacity. It is thus satisfactory.

- Return on shareholder's fund is also satisfactory. It shows that the shareholder's fund is also utilized efficiently. It is moving upward which shows efficient utilization of funds.
- The bank is performing well in a satisfactory way. It is utilizing its resources well and has good working environment and performance.

### **Major Suggestions**

- The bank as it chooses can continue in the same level of operation has currently in the current ratio of the bank being maintained is more idle. Hence, the effective utilization and following a matching or aggressive working capital policy improve whole return of the bank.
- To bring the debt equity ratio to a standard level, shareholder's fund can be raised or total debt can be reduced.
- The bank should try to increase the current level of efficiency utilizing of fixed assets and current assets. The bank should concentrate more on receivable management and credit rating.
- The bank should concentrate on the operation level by effective funding and investment policy.

### **Conclusion**

- Under this study, the objective is to evaluate Operational efficiency of urban co-operative bank, the researcher analysed the operational efficiency of Urban C-operative bank in Kozhikode. In this project, we find that the bank shows a satisfactory trend in its current ratio for the past 5 years. The bank is performing in a good position by properly utilizing the available resources and shareholders fund. The bank has a sound financial position and has been continuously increasing in all the years. They require much more improvement but overall financial performance of the bank is average. This emphasizes that the urban cooperative bank provide an eminent role in the economic development of our nation.

