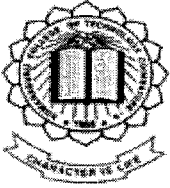


P-2146



**Profitability Analysis at  
The Coimbatore District Central Co-operative Bank Limited,  
- A Descriptive Study  
Coimbatore**

P-2146

by

**M. Senthil Kumar**

Reg. no. 71206631050

of

Department of management studies  
**Kumaraguru College of Technology  
Coimbatore**

**A Project Report**

Submitted to the

Faculty of Management Sciences

in partial fulfillment of the requirements for the award of the degree of

**Master of Business Administration**

August 2007

## **Declaration**

I, **M. Senthil Kumar (Reg. No.71206631050)**, final year MBA student of Department of Management Studies, Kumaraguru College of Technology, hereby declare that the project entitled “**Profitability Analysis at The Coimbatore District Central Co-operative Bank Limited- A Descriptive Study**” has done by me under the guidance of Lecturer Mr. A. Senthil Kumar, submitted in partial fulfillment for the award of the degree of Master of Business Administration of Anna University, during the academic year 2006-2008.

I, also declare hereby, that the information given in this report is correct to best of my knowledge and belief.

Place: Coimbatore

Date: 18.09.2007

Signature of the Candidate



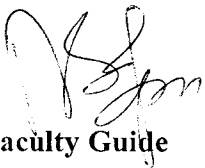
**(M. Senthil Kumar)**



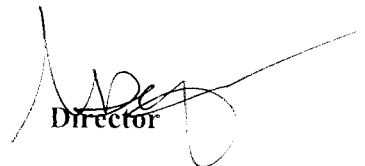
**KCT Business School**  
**Department of Management Studies**  
**Kumaraguru College of Technology**  
**Coimbatore**

**BONAFIDE CERTIFICATE**

Certified that this project report titled “Profitability Analysis at The Coimbatore District Central Co-operative Bank Limited- A Descriptive Study” is the Bonafide work of **Mr. M. Senthil Kumar (71206631050)** who carried out the research under my supervision. Certified further, that to the best of my knowledge the work reported herein does not form part of any other project report or dissertation on the basis of which a degree or award was conferred on an earlier occasion on this or any other candidate.

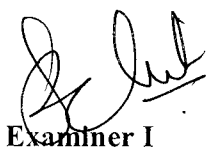


**Faculty Guide**



**Director**

Evaluated and vice-voce conducted on .....



**Examiner I**



**Examiner II**

# The Coimbatore District Central Co-operative Bank, Ltd.

(REGISTERED UNDER GOVERNMENT OF INDIA ACT X OF 1904)

Address: "CODISTBANK"  
Phone No.: 2302447 (3 Lines)  
Fax No.: 0422-2300436  
E-mail: kovaidccb@dataone.in

80, STATE BANK ROAD  
Post Box No. 3781  
COIMBATORE - 641 018

Date.....2007  
31.07.2007

## SUMMER INTERNSHIP PROJECT COMPLETION CERTIFICATE

This is to certify that **Mr. M. Senthil Kumar** (Roll No. 71206631050) a student of KCT Business School, Kumaraguru College of Technology, had undergone a Project between 19<sup>th</sup> June 2007 to 31<sup>st</sup> July 2007 entitled "**Profitability Analysis**".

During the tenure his performance was **Good**.

Name and Designation

Of Organization Guide : Mr. T. C. Subramaniam  
Accounts Manager

Postal Address : The Coimbatore District Central Co-operative  
Bank Ltd.,

80, State Bank Road, Coimbatore – 18

Phone No : 0422 - 2302447

Fax : 0422-2300436

For The Coimbatore Dt. Central  
Co-op. Bank Ltd., Head Office

  
Authorized Officer

Signature

## **Executive Summary**

The co-operative banks play an important role in providing credit to people living in rural areas and urban areas such as agricultural, non-agricultural like salaried people, self-employed people, cottage and small industries etc.. A co-operative bank faces many problems like problems of deposit mobilization, problems of overdues, untrained management inadequate inefficient financial position etc. Efficient performance can be achieved only when the above problems are tackled by the management. Therefore it is necessary to evaluate the profitability of co-operative bank in Coimbatore.

The study of profitability analysis provides an insight into prudent banking profit from the spread. The study shows month wise profit from the issue of loan and also from the acceptance of deposits. The important objective of the study is to analyze the profitability of the Coimbatore district central co-operative bank. The data are collected through the published annual report of the bank for the past 3 financial years, supported by month wise balance sheet of the same 3 financial years. The collected data were analyzed using the Ratio analysis, Percentage analysis and Incremental analysis.

The first step is to find the Profit of the bank is to calculate the spread. The spread amount is the difference between the interest amount received and the interest amount paid. The spread amount includes the salary & overheads. Thus the percentage of salary paid and the overhead spend is calculated from the spread for each month. To find the profit the total expenses is reduced from the spread. The calculated profit is the gross profit of the bank.

During year ending months, the bank rushes up to receive all it's outstanding for the purpose of account closing. The profit is found to be high at the year ending months, as the spread is high during these months

Instead of rushing up during the year ending months for receiving the outstanding amounts the bank can take action to collect the out standings regularly on a monthly basis. Thus would help them to increases their spread and also aid them to lend more money.

## **Acknowledgement**

It is inevitable that thoughts and ideas of other people tend to drift into subconscious when one feels to acknowledge helping derived from others. I acknowledge to all those who helped me in the preparation of this project work.

I wish to express my deep gratitude to **Prof. Joseph V. Thanikal**, Principal, Kumaraguru College of Technology for his guidance and encouragement to complete my project work.

I wish to express my sincere thanks to **Prof. S. V. Devanathan** – Director, KCT Business School, Kumaraguru College of Technology for his continuous encouragement throughout my project.

I owe my heartfelt gratitude to **Mr. A. Senthil Kumar**, lecturer KCT business school, Kumaraguru College of Technology for his help and valuable guidance given to me throughout my project.

I extend my sincere gratitude to **Mr. T.C. Subramanyam**, Manager (Accounts), The Coimbatore District Central Co-Operative Bank Limited, Coimbatore, for his guidance to complete my project successfully. And also to the staffs of The Coimbatore District Central Co-Operative Bank Limited, Coimbatore, who furnished all the information, related the research work.

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## **Chapter I**

### **Introduction**

#### **1.1 Background:**

The co-operative banking structure in India is complex. Historically, rural co-operative credit institutions have played an important role in providing institutional credit to the agricultural and the rural sectors. These credit institutions have typically been divided into two distinct structures, commonly known as,

- The short-term co-operative credit structure (STCCS)
- The long-term co-operative credit structure (LTCCS).

The most important functions of all the banks are accepting deposits and lending loans. For accepted deposit amount the bank pay a certain percentage of interest to its depositors. It is known as interest paid amount. Likewise the bank issues the various loans and advances to the customers and collects certain percentage of interest. This is known as interest received amount. The difference between the interest received and the interest paid is known as Spread. From this Spread amount the Banks expenses are deducted, which gives the profit. The study is made to analyse the profitability of the bank over a period of three financial years (2004 – 2005 to 2006 - 2007).

## 1.2 Review of literature:

**Mrs. Susheela Sankar**,<sup>1</sup> M.Com, M.Phil, had done the study titled as, The Study on Financial Performance of Co-Operative Urban Bank, Periyakulam. The Deposit mobilization, problem of overdues, untrained management inadequate inefficient financial position was the problem of the study. The objective of this study was to analyze the financial position of the bank for the past 5 years. This study is based on descriptive research method. The data were collected through the secondary data collection method, the balance sheet of the bank for the past 5 years. The study period was commenced from 1<sup>st</sup> April 2000 to 31<sup>st</sup> march 2005. Comparative statement, Common size statement and Various ratios analysis, are used in the study

The major findings of this study was, Advances at 49.96% and balance with bank at 21.68% shows good liquidity position of the bank. High proprietary ratio indicated little danger to the creditors in the event of winding up. The researcher suggested that, The Share capital of the bank has not increased considerably due to any increase in the number of membership. So the researcher suggested to the bank must provide more loan facilities to the members only then they will be interested to join in the co-operative urban bank. The researcher concluded that the Co-operative Urban Bank, Periyakulam shows good financial, liquidity and profitability position. In order to meet the credit facilities of the urban people in Periyakulam, this bank acts as a good lender of money.

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<sup>1</sup> Mrs. Susheela Sankar, (2006), “The Study on Financial Performance of Co-Operative Urban Bank, Periyakulam”

**Ms. V. Nagapriya, M.Com,** <sup>2</sup> had done the study titled as, The Study on Financial Performance of Primary Agricultural Co-Operative Society, Kamaya Goundanpatti, Cumbum. The objective of the above study was, to analyze the financial Performance of the bank for the past 5 years. For that the researcher used the following research methodologies. This study is based on descriptive research method. The data were collected through the secondary data collection method that was, the balance sheet of the bank for the past 5 years. The study period was commenced from 1<sup>st</sup> April 1999 to 31<sup>st</sup> march 2004.

In that study the researcher finds the following important issues, Deposit covers major portion of the total liabilities showing more receipt of deposits from the members and non-members. But interest due in the year 2003-2004 to total liabilities were reduced due to the proper steps taken by the payment of interest. The bank asset includes a major portion of investments and loans less amount were invested fixed assets. The bank should take steps to increase the working capital by collecting the accrued interest and miscellaneous income. Again credit period allowed to the debtors must be reduced so that amount can be collected in time.

The researcher concluded that the primary co-operative bank was functioning in a better financial position during the accounting year 2003-2004 while comparing to other years of study. The bank has taken some good steps to seduce the current liabilities by mobilizing the funds from accrued income and debtors.

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<sup>2</sup> **Ms. V. Nagapriya, M.Com,** (2005), “The Study on Financial Performance of Primary Agricultural Co-Operative Society, Kamaya Goundanpatti, Cumbum”

### **1.3 Objectives of the study**

- To Analyse the profitability of The Coimbatore District Central Co-operative Bank Ltd.
- To Analyse the impact of Spread on the Profit

### **1.4 Statement of the problem**

The co-operative banks play an important role in providing credit to people living in rural areas and urban areas such as agricultural, non-agricultural like salaried people, self-employed people, cottage and small industries etc. the successful functioning of any bank depends on its efficient performance. A co-operative bank faces many problems like problems of deposit mobilization, problems of overdues, untrained management inadequate inefficient financial position etc. Efficient performance can be achieved only when the above problems are tackled by the management. Therefore it is necessary to evaluate the profitability of co-operative bank in Coimbatore.

### **1.5 Scope of the study**

The study of profitability analysis provides a insight into prudent banking profit from the spread. The study shows month wise profit from the issue of loan and also from the acceptance of deposits.

## **1.6 Methodology**

### **Research design**

Research design constitutes the blueprint for the collection, measurements, and analysis of the data. The present study is based on descriptive research design. The objective of a descriptive study is to learn who, what, when, where, and how from the topic.

### **Data collection**

#### **Primary data sources:**

Primary sources are original works of research or raw data without interpretation or pronouncements that represent an official opinion. Included among the primary source are memos, letters, complete interview or speeches, laws, regulation, court decision or standards, and most government data, including census, economic and labour data.

#### **Secondary data sources:**

Secondary sources are interpretation of primary data. Encyclopaedias, textbooks, handbooks, magazine and newspaper articles, and most newscasts are considered secondary information source.

#### **Method used:**

In this study the data are collected through the secondary data collection method.

Secondary data are collected through the following ways,

1. Published Annual Reports of the Bank for the past 3 financial years,
2. Month wise Balance Sheet for the 3 financial years,

## **Tools and Techniques**

The data so collected were analysed using

- ❖ Ratio – Analysis
- ❖ Percentage Analysis
- ❖ Incremental Analysis

### **1.7 Limitation of the study**

The present study is having the following limitations:

- ❖ Due to time limitation only three accounting years are considered for analysis
- ❖ As the bank is not having trading operations, no tools were applied in analyzing the trading income.

### **1.8 Chapter Scheme**

The report is divided into five chapters. First chapter includes the details regarding the study, such as introduction, objective, methodology used and review of literature.

In second chapter the facts regarding the Coimbatore District Central Co-operative Bank Ltd., is provided. It also includes deposit and loan provided by the bank.

The macro and micro analysis of the co-operative banks is made in the third chapter of the report.

Analysis of the profitability of The Coimbatore District Central Co-operative Bank is made in the fourth chapter by applying various profitability analysis tools.

Last chapter provided the findings, suggestions and conclusion about the study.

## **Chapter II**

### **Company Profile**

#### **2.1 History of the Organisation:**

The Coimbatore District Central Co-operative Bank Ltd., was started in the year 1910. Originally comprising Nilgiri's and Erode districts. After distribution of Nilgiri's & Erode Districts central co-operative banks the Coimbatore District Central Co-operative Bank Ltd., is independently functioning from 1982 with Head office and 24 Branches.

The Coimbatore District Central Co-operative Bank Ltd., was registered on 30.09.1910 and started functioning from 16.10.1910. this is the 97th year of the working of the bank.

#### **Area of operation:**

The area of operation of The Coimbatore District Central Co-operative Bank Ltd is entire Coimbatore revenue district

#### **2.2 Management:**

The bank is managed by the Special officer

Special Officer:

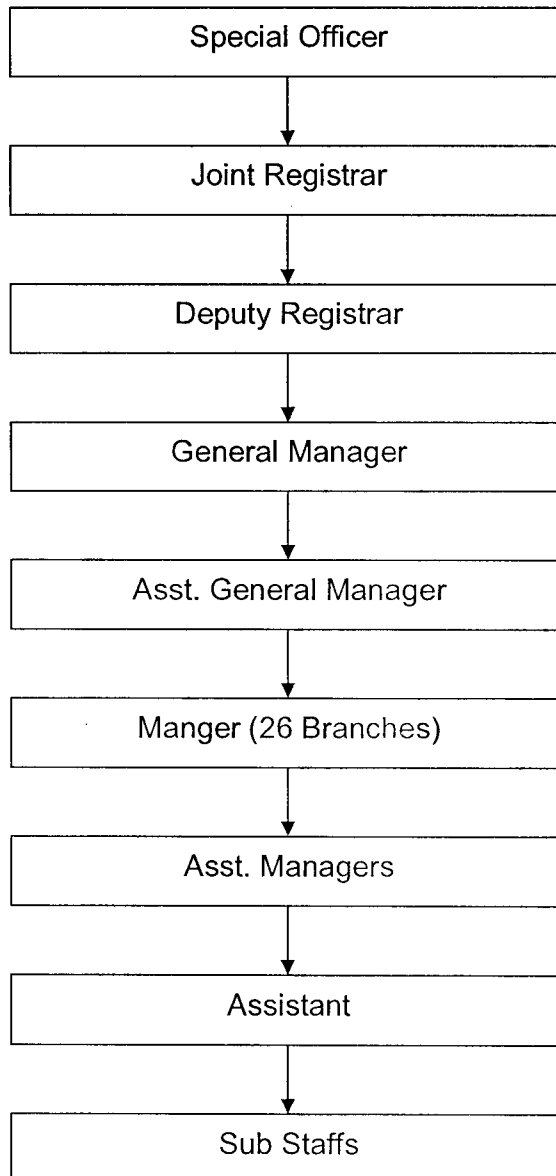
**V. Lakshmi, B.Sc. (Agri) M.A., H.D.C.M.,**

#### **Mission:**

The Mission of the Bank is to mobilise resources, provide banking products and other professionalised services to the people, strengthen the affiliates, provide vibrant leadership to the co-operative banking system, achieve sustained growth and ultimately to attain prime position in the banking industry.



## 2.3 Organisation Structure



## **Membership of the Bank**

The membership of District Central co-operative bank is composed of the persons living in rural and urban areas in the Coimbatore district. The members liabilities are limited. Members are who purchases shares of Rs. 5 to Rs. 25 and the bank is providing all type of loan facilities to them.

There were 1056 members with a paid up share capital of Rs. 1907.11 lakhs at the end of the year. It includes the investment by the Government of Tamilnadu to the extent of Rs. 217.10 lakhs.

## **2.4 Functions of the Bank**

The main function of the bank includes accepting deposits and lending loans and advances.

### **Deposits**

The amounts of deposits which an co-operative bank will be able to raise will depend on the good name it has already earned. An individual borrower is generally not permitted to borrow at any time more than ten times paid-up value of the shares he holds. This provision is justified on the ground that thrift must precede credit. These banks generally accept current deposits, saving deposits and fixed deposits.

### **Saving Bank Account:**

The bank accepts the saving banks account from the members of the bank and other common public. For that savings bank deposits the bank pays a 3% interest.

### **Current Account:**

The current deposit comes under the current account. The bank accepts the current deposit from the business people. There were no interest is paid for the current account.

**Fixed deposit:**

The bank accepts the fixed deposits for different periods ranging from six months to about three years. Fixed deposits from the major portion of the deposits collected by them. The interest rates for the fixed deposits were.

<b>Period</b>	<b>Interest Rate (in %)</b>
15 days to 30 days	5.00
31 days to 45 days	5.50
46 days to 90 days	6.00
91 days to 180 days	6.50
181 days to 364 days	7.00
1 yr to below 2 yr	8.00
2 yr to below 3 yr	9.00

**Investments:**

The bank invest the money in the following ways,

- State government securities,
- National bank of agricultural and rural development securities,
- Fixed deposit in Tamilnadu state co-operative bank,
- Fixed deposit with State bank of India and
- I D BI Bonds.

## **Borrowing**

The bank also borrows money from the various sources to run their business.

These borrowings are made from the following ways,

- Tamilnadu State co-operative bank
- Consortium
- TAMCO, TABCEDCO & NHCDL

## **Loan Operations**

Loan operation on The Coimbatore district Central Co-operative Bank consist of granting fixed loans, cash credit to their members against mortgage of unencumbered immovable property, or on the surety of one or more who are also members or on the pledge of agricultural produce, industrial goods gold and silver ornaments, government securities or on the security of fixed deposits and insurance policies.

Loan operations of Co-operative banks consists of two major heads these are

- ↓ Agricultural Loans
- ↓ Non-Agricultural Loans

## **Agricultural Loans**

Agricultural loans are issued from the bank to the primary agricultural co-operative societies. These societies are controlled by The Coimbatore District Central Co-operative Bank. The Agricultural loans are issued in the following methods,

### **Crap loans**

The bank issued the crap loan to 22,320 persons through the primary agricultural co-operative societies. In this the small and medium level formers are 8224.

### **Medium Term Loans**

The medium term loans are also issued to the farmers through the primary agricultural co-operative societies.

The medium term loans are issued to Agricultural and agricultural related activities.

### **Crap Insurance Scheme**

For the benefit of the farmers the government has introduced the crap insurance scheme. The bank is also implement the crap insurance scheme

### **Non- Agricultural loans:**

#### **Jewel loan**

The jewels can be pledged by the members and they can borrow loan from the bank. Interest will be charged at 2% and the loan amount must be repaid within 1 year.

#### **Property mortgage loan**

The members can get the loans by mortgaging land, building or any fixed assets to the bank. Of the total assets value 1/3 rd amount will be provided as loan amount.

#### **Member consumer's loan**

The bank provides up to Rs. 25,000 with an interest rate of 13% and it is very useful for its consumer.

#### **Short term mortgage**

The bank is providing Rs. 10,000 as short term credit at 13% interest rate. The consumer must repay it after 1 to 12 months.

#### **Surety loan**

Minimum amount given by the bank is Rs. 1,000. under this scheme at an interest rate of 13% and payment must be within 12 months.

#### **Small scale industry loan**

The bank provides Rs. 2 lakhs for doing small scale business. The repayment of this starts from first month and ends on 180 months.

**Government employee loan**

About Rs. 2 lakhs is provided by the bank and repayment must be within 120 months.

**Micro credit loan**

It is a government scheme and is provided to a maximum amount of Rs. 2000. They must repay Rs. 100 for every week within 5 months.

**Self help group**

About 20 people can form a self help group under this government scheme. In this group each person can get about Rs. 5000 as personal loan.

## **Chapter III**

### **Macro and Micro Analysis**

#### **Co-operation**

Co-operation generally means living, thinking and working together. A co-operative society is a form of organization in which persons voluntarily associate together and work on the basis of equality for the promotion of the economic interest of them. According to Mr. C. R. Fay, “A co-operative society is an organization for the purpose of joint trading, originating among the weak, and conduct always in an unselfish spirit, on such terms that all who are prepared to assume the duties of membership may share in its rewards, in proportion to the degree in which they make use of their association” thus, co-operation is something more than ordinary business.

#### **Principles of Co-operation**

Every organization has set of principles of its own. Principle serve as a guide for further action. Success of a co-operative organization depends upon its principle. Co-operative principle are fundamental characteristic features that determine the character of co-operation as a form of association. Co-operative principal have been formulated on the basis of experience gained by the workers from the co-operative movement in various countries. There have been types of c-operative system which are based more or less on the same principles, but which differ from each their in the mode of operation. These three systems of co-operation are,

- ✦ Rochdale Systems (concerned with customer)
- ✦ Raiffeisen System (concerned with farmers)
- ✦ Schulze- Delitzsch System (concerned with the traders)

The principles, which have been commonly adopted all over the world is those, which are laid down by the Rochdale system in 1934. The International Co-operative Alliance (ICA) was asked to appoint a special committee to examine and formulate principle of co-operation. This committee divided the Rochadale principle in to essential or obligatory principles and non-essential principles.

### **Essential principles**

In 1937, the committee appointed by International Co-operative Alliance regarded the following as major essential principles of the co-operative activity

- ⌚ Open membership
- ⌚ Democratic management
- ⌚ Limited interest on capital
- ⌚ Payment of dividend in proportion to transaction

### **Non – essential principles**

The three traits described as of less importance and therefore, presumably, non-essential principles are,

- ⌚ Religious and political neutrality
- ⌚ Cash trading
- ⌚ Education



## **Co-operative movements in India**

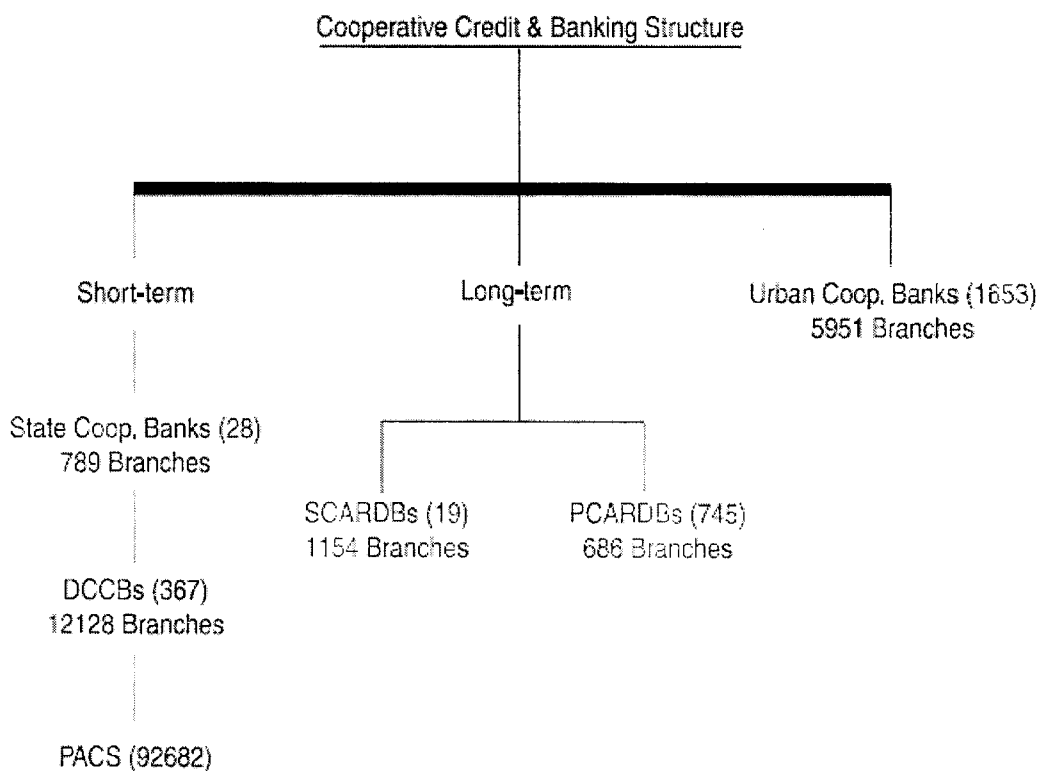
In India, during that period co-operative banks were introduced by the British people. In 1912, more importance was given to co-operative banks and the rules and regulations were passed by co-operative law in 1932. later on, in July 15, 1983, an expanded co-operative law was passed by the President of India

After passing to co-operative Societies Act of 1904, given legal recognition of co-operative societies. Co-operative societies recognized only after passing the co-operative societies Act of 1904.

## **Co-operative Banking Structure**

The co-operative banking structure is pyramidal or federal in chapter. At the base, that is at the village level there is a primary credit societies upon which the whole co-operative credit is based. These societies are federated at the district level in to a central society called Central Co-operative Bank. At the state level, the district banks are federated in to an apex bank. The Apex or state co-operative bank is closely linked with the National Bank for Agricultural and Rural Development, which provides considerable financial assistance to co-operative credit structure. This is the set-up in regard to short-term financing. The urban co-operatives however, do not exactly fit in to this federal structure. The long-term credit structure at the movement consists of two tires, they are Primary Land Mortgage Banks at the base and Central land mortgage Banks at the top. In some States Central Land Developed Banks operate through their branches. There are in addition, a few Industrial banks operating at the state or district level.

The co-operative banking structure is mainly divided into Agricultural credit societies and Non-agricultural credit societies. The following chart shows the structure of co-operative banking.



## **Agricultural Credit Societies**

Agricultural Credit Societies are kernel of the co-operative movement in India. They are the very foundation stone of the co-operative credit structure and constituted for the largest number of co-operative institution in India. The objects of these societies show a good deal of variation. Most of them have however, been organized with a view to provide credit facilities and to inculcate the habit of thrift and economy among their members.

## **Non-Agricultural Credit Societies**

The co-operative banks alumna so deals with the non-agricultural co-operative and human resources development. Non-agricultural co-operative does not deal with the agricultural schemes and it has the following divisions.

- ✚ Consumer co-operative societies
- ✚ Co-operative housing
- ✚ Urban co-operative credit societies
- ✚ Industrial co-operative workers societies
- ✚ Co-operative production societies
- ✚ Diary co-operative societies

## **Types of Non- Agricultural Societies**

According to the classification given by Agricultural Credit Department of the Reserve Bank of India, the Non-agricultural Credit Societies have been classified into three types and they are,

### **Urban Bank**

An Urban Co-operative bank has been defined as one which has been organized for accepting deposits from the public which are usually repaid by cheques and which carry on normal banking business.

### **Salary Earners Societies**

A salary earners societies is an organization of salary earners working in a particular or business house for mutual help and co-operation to meet their common economic requirements like depositing their surplus money, receiving loans etc.,

### **Thrift and credit Societies**

The third category of societies covers thrift and credit societies organized among the artisans, small traders, factory workers and other salaried persons which limited income in urban and sub-urban areas.

## **Functions of the Co-operative Banks in India:**

The Urban Banks Department of the Reserve Bank of India is vested with the responsibility of regulating and supervising primary (urban) cooperative banks, which are popularly known as Urban Cooperative Banks (UCBs).

While overseeing the activities of 1926 primary (urban) cooperative banks, the Urban Banks Department performs three main functions:

- **Regulatory,**
- **Supervisory and**
- **Developmental.**

The Department performs these functions through its 17 regional offices.

### **I. Regulatory Functions**

#### **Licensing of New Primary (Urban) Cooperative Banks**

For commencing banking business, a primary (urban) cooperative bank, as in the case of commercial bank, is required to obtain a licence from the Reserve Bank of India, under the provisions of Section 22 of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies).

#### **Licensing of Existing Primary (Urban) Co-operative Banks**

In terms of sub-section (2) of Section 22 of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies), the primary (urban) cooperative banks existing in the country as on March 1, 1966, (when some banking laws were applied to UCBs), were required to apply to the Reserve Bank of India. They were given three months to obtain a licence to carry on banking business. Similarly, a primary credit society which becomes a primary (urban) cooperative bank by virtue of its share capital and reserves reaching Rs. one lakh (Rs.1,00,000) and above was to apply to the Reserve Bank of India for a licence within three months from the date on which its share capital and reserves reach Rs. one

lakh. The existing unlicensed primary (urban) cooperative banks can carry on banking business till they are refused a licence by the Reserve Bank of India.

### **Branch Licensing**

Under the provisions of Section 23 of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies), primary (urban) cooperative banks are required to obtain permission from the Reserve Bank of India for opening branches.

### **Statutory Provisions**

The regulatory functions of Urban Banks Department relate to monitoring compliance with the provisions of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies) by urban cooperative banks.

These provisions include,

#### **1. Minimum Share Capital**

Under the provisions of Section 11 of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies), no primary (urban) cooperative bank can commence or carry on banking business if the real or exchangeable value of its paid-up capital and reserves is less than Rs. one lakh

#### **2. Maintenance of CRR and SLR**

As in the case of commercial banks, primary (urban) cooperative banks are also required to maintain certain amount of cash reserve and liquid assets. The scheduled primary (urban) cooperative banks are required to maintain with the Reserve Bank of India an average daily balance, the amount of which should not be less than 5 per cent of their net demand and time liabilities in India in terms of Section 42 of the Reserve Bank of India Act, 1934. Non-scheduled (urban) cooperative banks, under the provision of Section 18 of Banking Regulation Act, 1949 (As Applicable to Cooperative Societies) should maintain a sum equivalent to at least 3 per cent of their total demand and time liabilities in India on day-to-day basis.

For scheduled cooperative banks, CRR is required to be maintained in accounts with Reserve Bank of India, whereas for non-scheduled cooperative banks, it can be maintained by way of either cash with themselves or in the form of balances in a current account with the Reserve Bank of India or the state co-operative bank of the state concerned or the central cooperative bank of the district concerned or by way of net balances in current accounts with public sector banks. In addition to the cash reserve, every primary (urban) cooperative bank (scheduled/non-scheduled) is required to maintain liquid assets in the form of cash, gold or unencumbered approved securities which should not be less than 25 per cent of the total of its demand and time liabilities in accordance with the provisions of Section 24 of the Banking Regulation Act, 1949 (As Applicable to Cooperative Societies). Out of the prescribed SLR, the UCBs have been advised to maintain a certain amount in the form of SLR Securities as under:

## **II. Supervisory Functions**

To ensure that the UCBs conduct their affairs in the interests of the depositors and also comply with the regulatory framework prescribed by the Reserve Bank of India, the department undertakes on site inspection of these banks with frequency ranging from one to two years depending upon the financial condition / status of banks. The thrust of supervision is to ensure that banks' affairs are not conducted in a manner detrimental to the depositors' interest and also to assess the solvency of the bank vis--vis its liabilities, besides examining the banks' compliance with the existing regulatory framework. The department also undertakes off-site surveillance of scheduled banks and non-scheduled banks with a deposit base of Rs 100 crore and above based on a set of quarterly and annual returns.

## **III. Developmental Functions**

With a view to extending institutional credit support to tiny and cottage units, the Reserve Bank of India grants refinance facilities to urban cooperative banks under the provisions of Section 17 of the Reserve Bank of India Act, 1934. The refinance is given at the Bank Rate.

## **IV. Sections / Divisions of Urban Banks Department**

### **Administration**

This Section handles staff matters of the department.

### **New Bank Licensing and Branch Licensing**

This section frames policies for issue of bank licence /allots centres for opening of branches and authorizes regional offices to take action accordingly. It also deals with conversion of cooperative credit societies into urban banks.



**Returns**

Returns section at each of the regional offices is responsible for monitoring receipt of various statutory returns under the provisions of Banking Regulation Act, 1949, (AACS) and Sec 42 of Reserve Bank of India Act 1934 in case of scheduled UCBs. They also verify compliance with the provisions of the Acts, *ibid*, and take suitable action against non-compliant UCBs.

**Banks Supervision**

This division arranges inspection of urban cooperative banks through regional offices and closely monitors the action taken by the UCBs to rectify the irregularities / deficiencies pointed out in inspection reports. The division also associates itself with the RCS of respective states in rehabilitation of financially weak UCBs.

**Banking Policy**

This section frames policies on prudential norms, investment policies, monitoring priority sector targets, refinancing, issue of directives on interest rates, CRR/SLR, etc. Policies relating to para banking activities such as merchant banking, hire purchase, leasing, insurance business, etc. are also formulated by this division. Besides, the section also attends to compliance with the directions of Local Board / Central Board / BFS, furnishes requisite material for Bank's publications such as Annual Report, Report on Trend and Progress of Banking in India, Currency and Finance, etc.

## **Chapter IV**

### **Data analysis & Interpretation**

Interpretation in its widest sense includes many processes like arrangements, analysis, establishing relationship between available facts and finally making conclusions. The specific and common objectives of interpretation are listed below.

- To calculate the spread for past 36 months.
- Fro that spread identify the percentages of salary and overhead expenses.
- To interpret the profitability with the help of the balance sheet.
- To measure managerial efficiency of the firm.

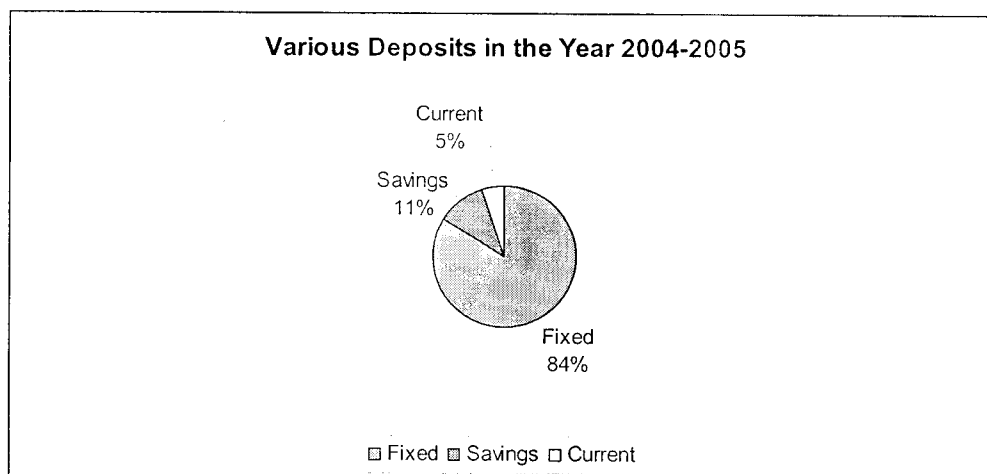
**Table 4.1****Various Deposits in the Year 2004-2005**

Rs in Lakhs

Deposits	Amount	Percentage
Fixed	3556.81	84
Savings	475.78	11
Current	211.27	5
<b>Total</b>	<b>4243.86</b>	<b>100</b>

**Interpretation**

Out of the total deposits of 4243.86 in the year 2004 – 2005 the fixed deposits amounted to 3556.81 lakhs which is 84% of the total deposits, the savings which was 11% of the total deposits amounted to 475.78 lakhs and the remaining 5% is current deposits which come to 211.27 lakhs.

**Chart 4.1****Various Deposits in the Year 2004-2005**

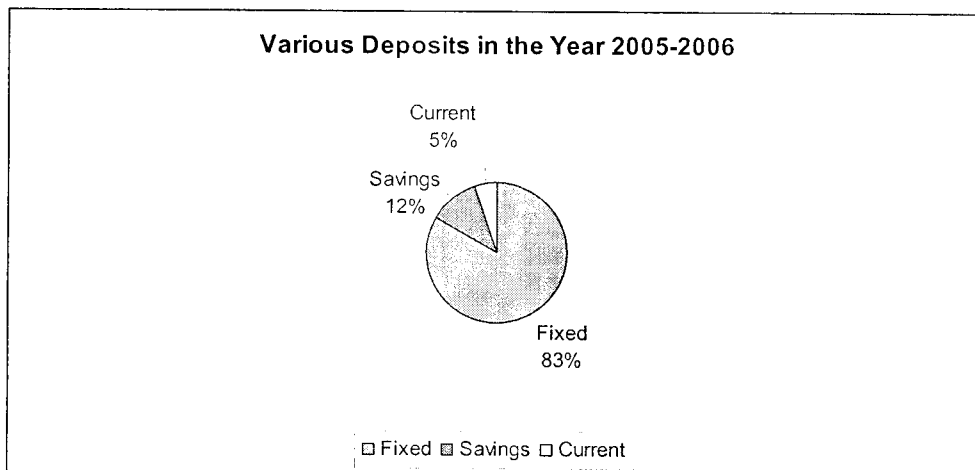
**Table 4.2****Various Deposits in the Year 2005-2006**

Rs in Lakhs

Deposits	Amount	Percentage
Fixed	3545.62	83
Savings	491.85	12
Current	211.84	5
<b>Total</b>	<b>4249.31</b>	<b>100</b>

**Interpretation**

Out of the total deposits 4249.31 lakhs in the year 2005 – 2006 the fixed deposits amounted to 3545.62 lakhs which is 83% of the total deposits, the savings which was 12% of the total deposits amounted to 491.85 lakhs and the remaining 5% is current deposits which come to 211.84 lakhs.

**Chart 4.2****Various Deposits in the Year 2005-2006**

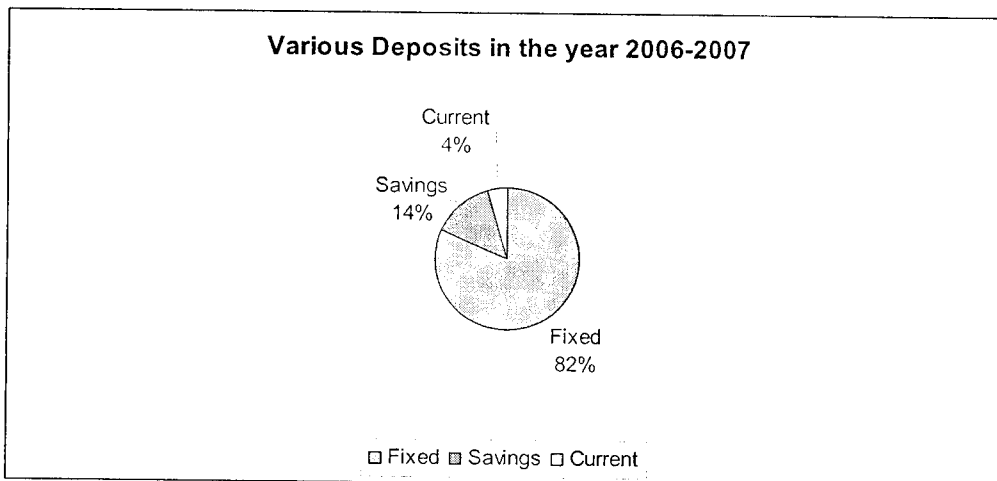
**Table 4.3****Various Deposits in the Year 2006-2007**

Rs in Lakhs

Deposits	Amount	Percentage
Fixed	3578.38	82
Savings	602.83	14
Current	196.11	4
<b>Total</b>	<b>4377.32</b>	<b>100</b>

**Interpretation**

Out of the total deposits of 4377.32 in the year 2006 – 2007 the fixed deposits amounted to 3578.38 lakhs which is 82% of the total deposits, the savings which was 14% of the total deposits amounted to 602.83 lakhs and the remaining 4% is current deposits which come to 196.11 lakhs.

**Chart 4.3****Various Deposits in the Year 2006-2007**

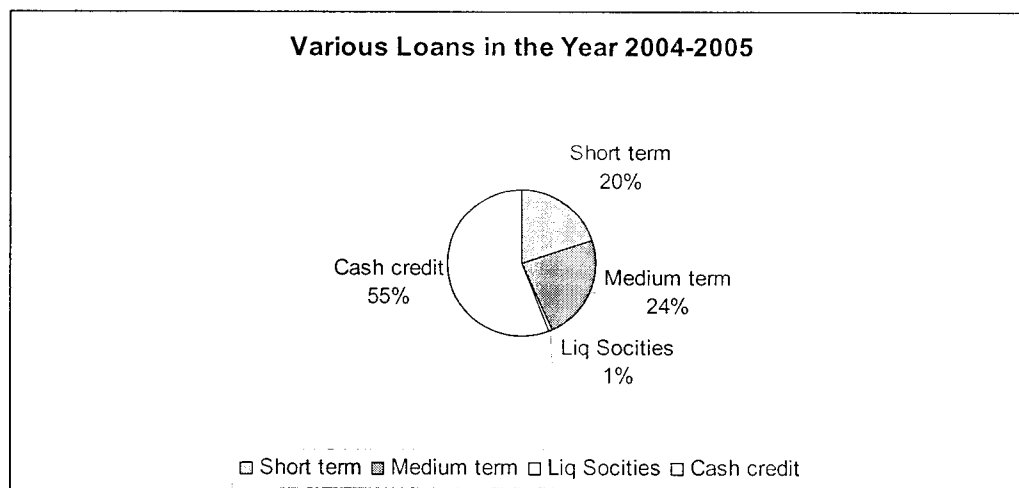
**Table 4.4****Various Loans in the Year 2004-2005**

Rs in Lakhs

Loans	Amount	Percentage
Short term	807.21	20
Medium term	977.9	24
Liq Societies	23.44	1
Cash credit	2309.2	56
<b>Total</b>	<b>4117.75</b>	<b>100</b>

**Interpretation**

Out of the total loan of 4117.75 lakhs in the year 2004 – 2005 the short term loans amounted to 807.21 lakhs which is 20% of the total loans, the medium term loans which were 24% of the total loans amounted to 977.9 lakhs and the Liquidity society is 1% of the total and amounts to 23.44 lakhs and finally the cash credit amounts to 2309.2 lakhs is 56% of the total.

**Chart 4.4****Various Loans in the Year 2004-2005**

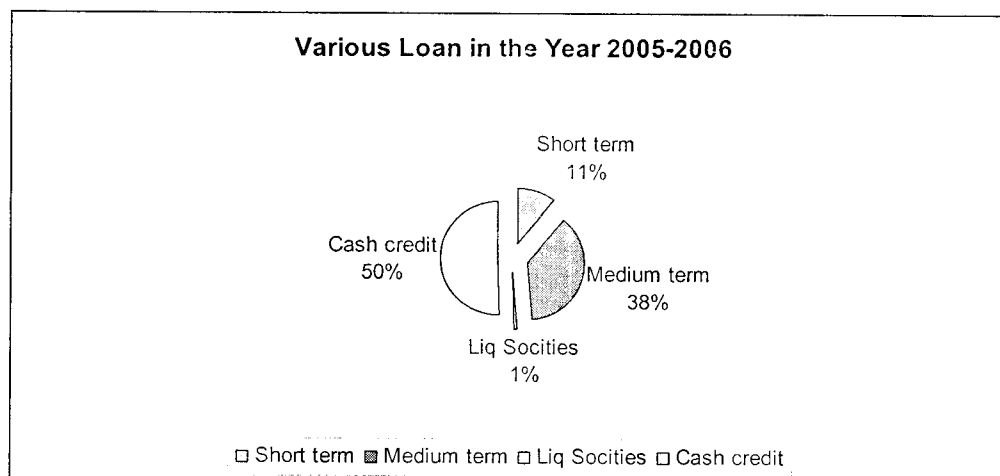
**Table 4.5****Various Loans in the Year 2005-2006**

Rs in Lakhs

Loans	Amount	Percentage
Short term	489.52	11
Medium term	1708.71	38
Liq Societies	51.06	1
Cash credit	2264.94	50
<b>Total</b>	<b>4514.23</b>	<b>100</b>

**Interpretation**

Out of the total loan of 4514.23 lakhs in the year 2005 – 2006 the short term loans amounted to 489.52 lakhs which is 11% of the total loans, the medium term loans which were 38% of the total loans amounted to 1708.71 lakhs and the Liquidity society is 1% of the total and amounts to 51.06 lakhs and finally the cash credit amounts to 2264.94 lakhs is 50% of the total.

**Chart 4.5****Various Loans in the Year 2005-2006**

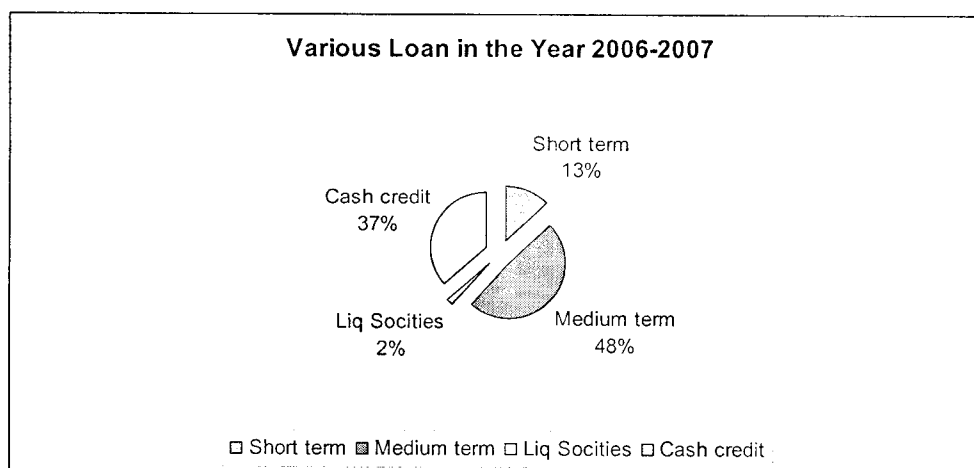
**Table 4.6****Various Loans in the Year 2006-2007**

Rs in Lakhs

<b>Loans</b>	<b>Amount</b>	<b>Percentage</b>
Short term	655.09	13
Medium term	2489.76	49
Liq Societies	82.28	2
Cash credit	1871.73	37
<b>Total</b>	<b>5098.86</b>	<b>100</b>

**Interpretation**

Out of the total loan of 5098.86 lakhs in the year 2006 – 2007 the short term loans amounted to 655.09 lakhs which is 13% of the total loans, the medium term loans which were 49% of the total loans amounted to 2489.76 lakhs and the Liquidity society is 2% of the total and amounts to 82.28 lakhs and finally the cash credit amounts to 1871.73 lakhs is 37% of the total.

**Chart 4.6****Various Loans in the Year 2006-2007**



**Table 4.7****Month wise Spread of the Bank**

Period	Rs in Lakhs		
	Int Received (Rs)	Int Paid (Rs)	Spread (Rs)
Apr-04	314.21	195.71	118.50
May-04	310.10	216.68	93.42
Jun-04	288.41	188.77	99.64
Jul-04	375.57	244.37	131.21
Aug-04	339.89	217.21	122.68
Sep-04	546.41	217.27	329.14
Oct-04	345.97	188.42	157.55
Nov-04	493.97	201.33	292.64
Dec-04	473.37	209.59	263.79
Jan-05	246.32	186.05	60.27
Feb-05	362.92	201.90	161.01
Mar-05	1114.67	572.19	542.47
Apr-05	286.49	157.38	129.11
May-05	304.51	232.00	72.51
Jun-05	322.23	222.33	99.90
Jul-05	371.22	217.83	153.39
Aug-05	317.39	182.44	134.95
Sep-05	492.14	243.68	248.46
Oct-05	306.12	233.63	72.49
Nov-05	277.42	211.74	65.67
Dec-05	487.45	345.00	142.45
Jan-06	173.96	124.99	48.97
Feb-06	683.52	402.26	281.26
Mar-06	1461.81	610.17	851.65
Apr-06	249.30	172.28	77.02
May-06	338.66	207.19	131.47
Jun-06	320.28	206.66	113.61
Jul-06	364.82	230.66	134.15
Aug-06	274.34	201.37	72.97
Sep-06	453.65	243.84	209.81
Oct-06	476.09	217.31	258.77
Nov-06	256.63	136.62	120.00
Dec-06	246.69	155.35	91.34
Jan-07	154.47	99.59	54.88
Feb-07	353.99	86.05	267.94
Mar-07	1687.28	322.37	1364.91

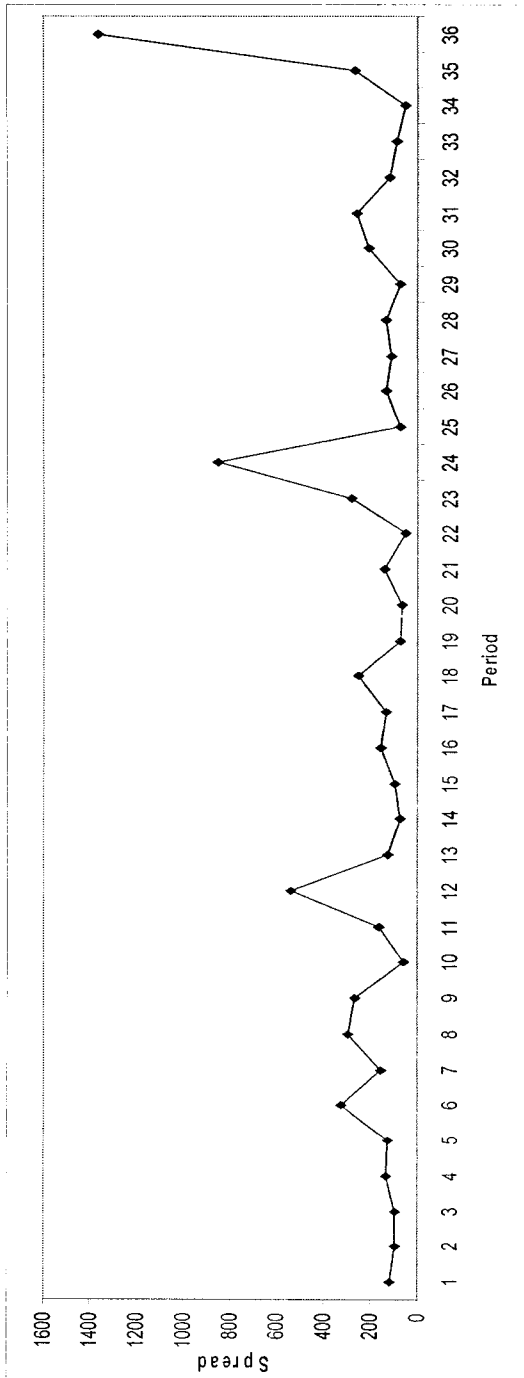
## **Interpretation**

The table 4.3 shows the calculation of spread for the past 36 months. The spread amount is the difference between the interest amount received and the interest amount paid. The bank accepts deposits for which the bank pays a certain percentage of amount as interest. This is the interest paid amount. Likewise the bank lends loans in various heads for which the bank collects certain percentage as interest. This is the interest received amount. The difference between the interest paid and the interest received is the spread amount.

The table for the month wise spread shows that the spread is fluctuating very huge in the year ends. In the year 2004 -2005 the spread during march 2005 is 542.47 lakhs, like wise during spread in march 2006 is 851.65 lakhs and in the month march 2007 the spread amounted to 1364.91 lakhs.

Chart 4.7

Month wise Spread of the Bank



**Table 4.8**  
**Percentage of Salary over a Spread**

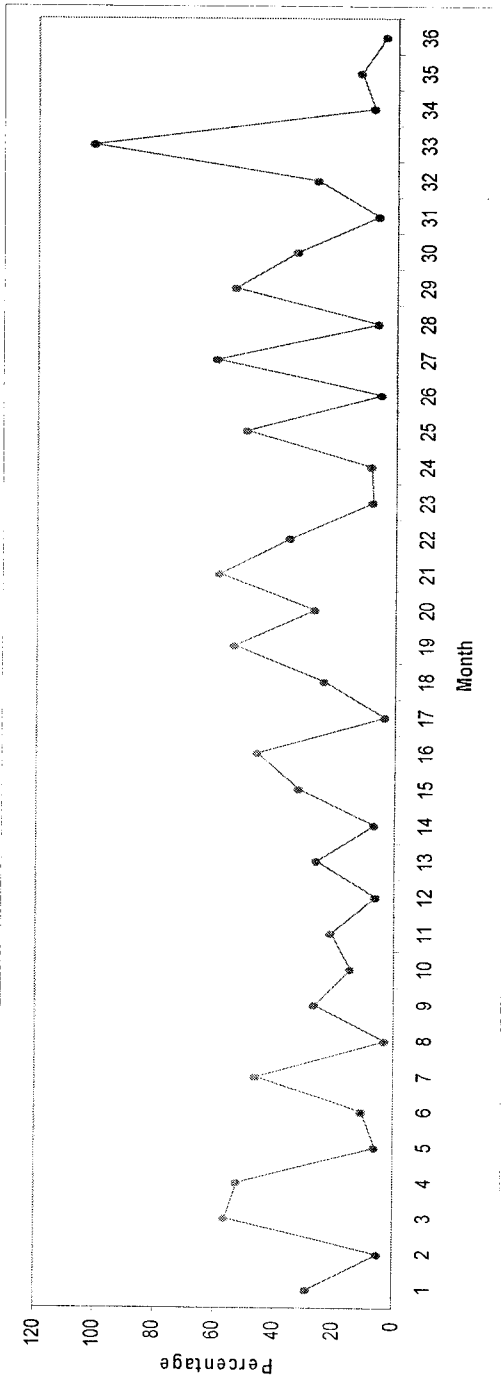
Period	Spread (Rs)	Salary (Rs)	Rs in Lakhs
			Percentage
Apr-04	118.50	34.02	29
May-04	93.42	4.47	5
Jun-04	99.64	55.78	56
Jul-04	131.21	68.50	52
Aug-04	122.68	7.34	6
Sep-04	329.14	34.25	10
Oct-04	157.55	72.78	46
Nov-04	292.64	8.03	3
Dec-04	263.79	70.67	27
Jan-05	60.27	8.77	15
Feb-05	161.01	33.88	21
Mar-05	542.47	34.45	6
Apr-05	129.11	33.99	26
May-05	72.51	4.75	7
Jun-05	99.90	31.96	32
Jul-05	153.39	70.61	46
Aug-05	134.95	4.16	3
Sep-05	248.46	59.53	24
Oct-05	72.49	39.11	54
Nov-05	65.67	17.83	27
Dec-05	142.45	83.88	59
Jan-06	48.97	17.43	36
Feb-06	281.26	22.59	8
Mar-06	851.65	69.68	8
Apr-06	77.02	38.66	50
May-06	131.47	6.73	5
Jun-06	113.61	68.28	60
Jul-06	134.15	8.18	6
Aug-06	72.97	39.40	54
Sep-06	209.81	70.13	33
Oct-06	258.77	16.44	6
Nov-06	120.00	32.25	27
Dec-06	91.34	92.46	101
Jan-07	54.88	4.19	8
Feb-07	267.94	32.34	12
Mar-07	1364.91	56.59	4

## **Interpretation**

The table 4.4 shows the calculation of salary percentage from the spread. The month wise salary paid was taken from the bank records such as month wise balance sheet which is shown in the table. The spread amount includes the salary & overheads. Thus the percentage of salary paid is calculated from the spread for each month.

Chart 4.8

Percentage of Salary over a Spread



**Table 4.9**  
**Percentage of Overheads over a Spread**

Period	Spread (Rs)	Overheads (Rs)	Rs in Lakhs
			Percentage
4-Apr	118.50	5.00	4
4-May	93.42	6.27	7
4-Jun	99.64	14.06	14
4-Jul	131.21	16.59	13
4-Aug	122.68	9.20	7
4-Sep	329.14	9.67	3
4-Oct	157.55	7.10	5
4-Nov	292.64	8.51	3
4-Dec	263.79	39.93	15
5-Jan	60.27	10.99	18
5-Feb	161.01	14.10	9
5-Mar	542.47	31.66	6
5-Apr	129.11	5.33	4
5-May	72.51	16.13	22
5-Jun	99.90	24.05	24
5-Jul	153.39	9.52	6
5-Aug	134.95	7.35	5
5-Sep	248.46	21.44	9
5-Oct	72.49	41.29	57
5-Nov	65.67	7.66	12
5-Dec	142.45	40.93	29
6-Jan	48.97	9.05	18
6-Feb	281.26	27.14	10
6-Mar	851.65	72.49	9
6-Apr	77.02	6.87	9
6-May	131.47	10.27	8
6-Jun	113.61	25.55	22
6-Jul	134.15	12.97	10
6-Aug	72.97	9.97	14
6-Sep	209.81	15.24	7
6-Oct	258.77	8.76	3
6-Nov	120.00	10.26	9
6-Dec	91.34	25.43	28
7-Jan	54.88	13.66	25
7-Feb	267.94	7.59	3
7-Mar	1364.91	12.83	1

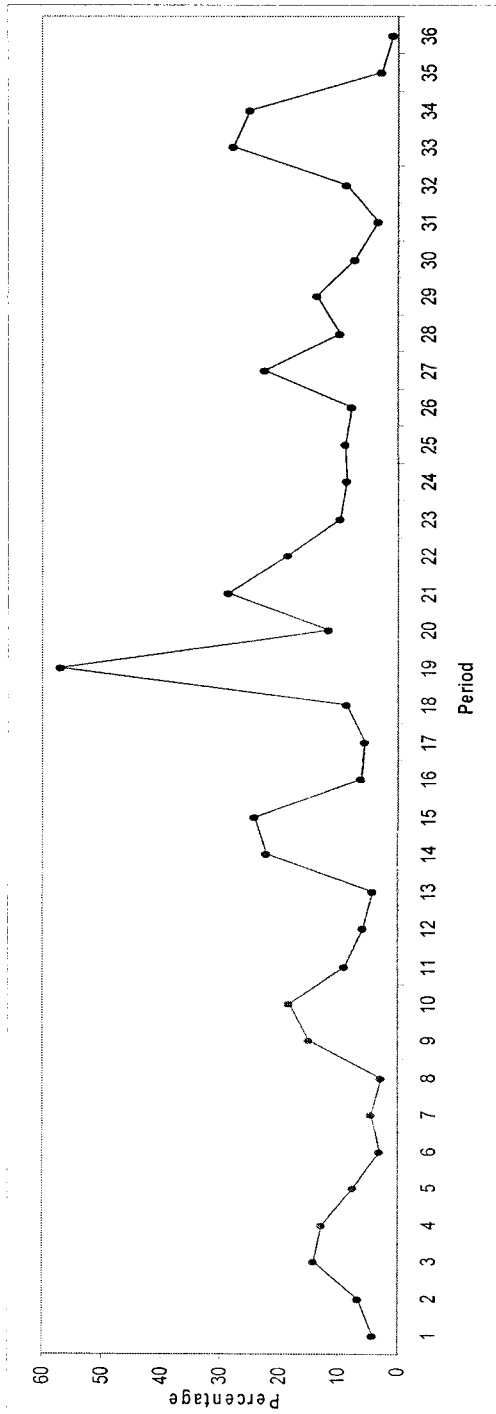
## **Interpretation**

The table 4.5 shows the calculation of overhead percentage from the spread. The month wise overhead paid amount was taken from the bank records such as month wise balance sheet which is shown in the table. The overheads includes law charges, post & telegram expenses, audit fee, repair expenses, printing & stationary expenses and other expenses. Such of all these expenses is put together as overheads. The spread amount includes the salary and the overheads. Thus the percentage of overheads paid is calculated from the spread for each month.



Chart 4.9

## Percentage of Overheads over a Spread



**Table 4.10****Calculation of Profit from the Spread**

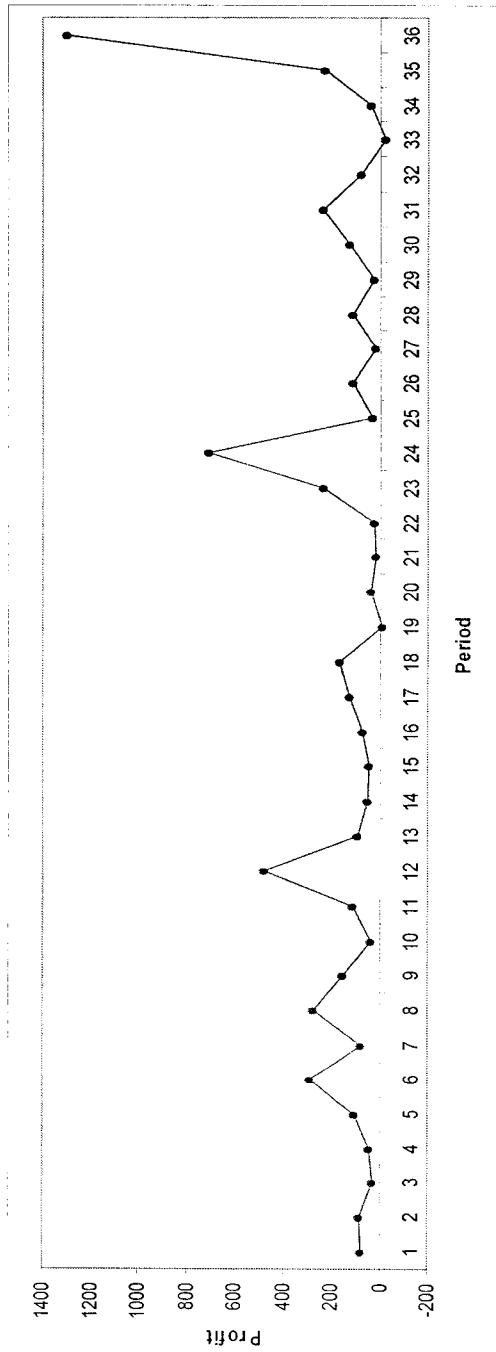
Period	Total OH	Salary	Total Exp	Spread	Rs in Lakhs
					Profit
Apr-04	5.00	34.02	39.02	118.50	79.48
May-04	6.27	4.47	10.74	93.42	82.68
Jun-04	14.06	55.78	69.838	99.64	29.80
Jul-04	16.59	68.50	85.09	131.21	46.12
Aug-04	9.20	7.34	16.54	122.68	106.14
Sep-04	9.67	34.25	43.92	329.14	285.22
Oct-04	7.10	72.78	79.88	157.55	77.67
Nov-04	8.51	8.03	16.543	292.64	276.10
Dec-04	39.93	70.67	110.6	263.79	153.19
Jan-05	10.99	8.77	19.76	60.27	40.51
Feb-05	14.10	33.88	47.98	161.01	113.03
Mar-05	31.66	34.45	66.11	542.47	476.36
Apr-05	5.33	33.99	39.32	129.11	89.79
May-05	16.13	4.75	20.88	72.51	51.63
Jun-05	24.05	31.96	56.01	99.90	43.89
Jul-05	9.52	70.61	80.13	153.39	73.26
Aug-05	7.35	4.16	11.51	134.95	123.44
Sep-05	21.44	59.53	80.97	248.46	167.49
Oct-05	41.29	39.11	80.4	72.49	-7.91
Nov-05	7.66	17.83	25.49	65.67	40.18
Dec-05	40.93	83.88	124.81	142.45	17.64
Jan-06	9.05	17.43	26.48	48.97	22.49
Feb-06	27.14	22.59	49.73	281.26	231.53
Mar-06	72.49	69.68	142.17	851.65	709.48
Apr-06	6.87	38.66	45.53	77.02	31.49
May-06	10.27	6.73	17	131.47	114.47
Jun-06	25.55	68.28	93.83	113.61	19.78
Jul-06	12.97	8.18	21.153	134.15	113.00
Aug-06	9.97	39.40	49.37	72.97	23.60
Sep-06	15.24	70.13	85.37	209.81	124.44
Oct-06	8.76	16.44	25.2	258.77	233.57
Nov-06	10.26	32.25	42.51	120.00	77.49
Dec-06	25.43	92.46	117.89	91.34	-26.55
Jan-07	13.66	4.19	17.85	54.88	37.03
Feb-07	7.59	32.34	39.93	267.94	228.01
Mar-07	12.83	56.59	69.42	1364.91	1295.49

## **Interpretation**

The profit gained for each month is calculated in the table 4.6. By adding the total overheads and salary expenses for each month, we get the total expenses for the month. To find the profit the total expenses is reduced from the spread. The calculated profit is the gross profit of the bank. The profit of the bank is shown in the table.

Chart 4.10

## Profit of the Bank for the past 36 month



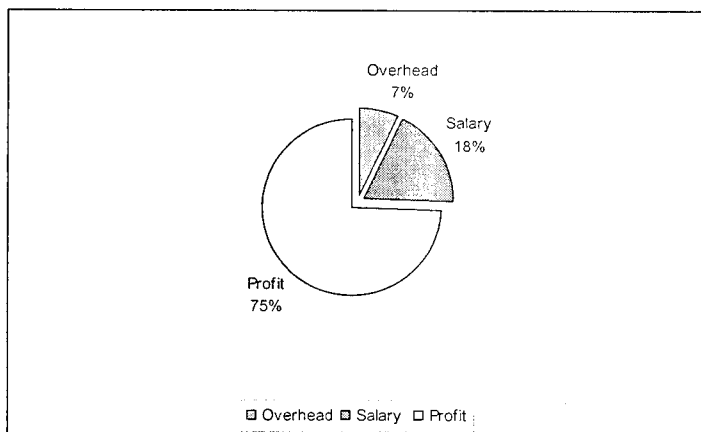
**Table 4.11****Proposition of Expenses & Profit over the Spread for the year 2004-2005**

Rs in Lakhs

<b>Particulars</b>	<b>Amount</b>	<b>Percentage</b>
Overhead	173.081	7
Salary	432.94	18
Profit	1766.30	74
<b>Spread</b>	<b>2372.32</b>	<b>100</b>

**Interpretation**

The total spread for the year 2004 – 2005 was 2372.32 lakhs, in that the overhead amounted to 173.081 which 7% of total spread, the salary amount which comes to 432.94 is 18% of the total spread and the profit amounts to 1766.30 which is 74% of the total.

**Chart 4.11****Proposition of Expenses & Profit over the Spread for the year 2004-2005**

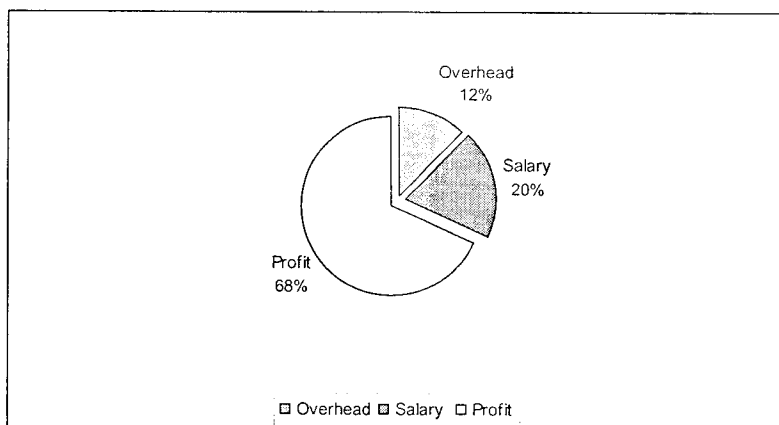
**Table 4.12****Proposition of Expenses & Profit over the Spread for the year 2005-2006**

Rs in Lakhs

<b>Particulars</b>	<b>Amount</b>	<b>Percentage</b>
Overhead	282.38	12
Salary	455.52	20
Profit	1562.90	68
<b>Spread</b>	<b>2300.80</b>	<b>100</b>

**Interpretation**

The total spread for the year 2005 – 2006 was 2300.80 lakhs, in that the overhead amounted to 282.28 which 12% of total spread, the salary amount which comes to 455.52 is 20% of the total spread and the profit amounts to 1562.90 which is 68% of the total.

**Chart 4.12****Proposition of Expenses & Profit over the Spread for the year 2005-2006**

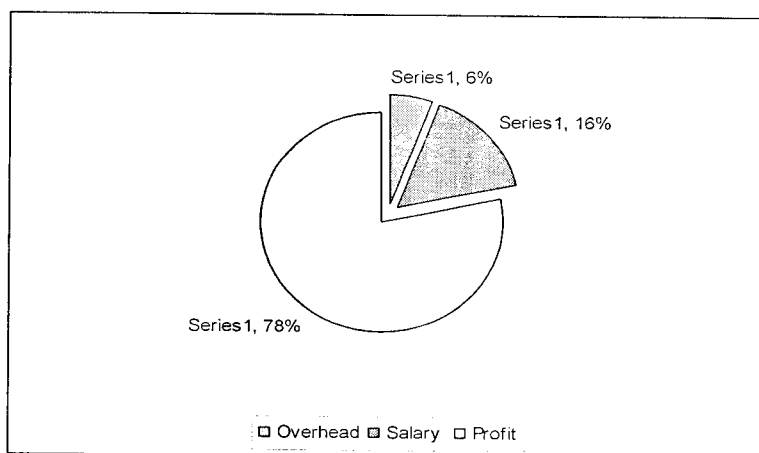
**Table 4.13****Proposition of Expenses & Profit over the Spread for the year 2006-2007**

Rs in Lakhs

Particulars	Amount	Percentage
Overhead	159.403	6
Salary	465.65	16
Profit	2271.82269	78
<b>Spread</b>	<b>2896.88</b>	<b>100</b>

**Interpretation**

The total spread for the year 2006 – 2007 was 2896.88 lakhs, in that the overhead amounted to 159.403 which 6% of total spread, the salary amount which comes to 465.65 is 16% of the total spread and the profit amounts to 2271.822 which is 78% of the total.

**Chart 4.12****Proposition of Expenses & Profit over the Spread for the year 2006-2007**

## Chapter V

### Findings

- From the spread calculation, it is found that the amount slightly fluctuates from the first month to eleventh month, from 13<sup>th</sup> month to 23<sup>rd</sup> month and from 25<sup>th</sup> month to 35<sup>th</sup> month. The 12<sup>th</sup>, 24<sup>th</sup> and 36<sup>th</sup> months spread as found to be very high because these are the months during which the accounts are closed for the previous 3 years. During these months the bank rushes up to receive all its outstanding for the purpose of account closing.
- From the salary percentage calculation it is found that it highly fluctuates. The salary amount is calculated based on the actual salaries paid and retirement benefits which are not constant. The allowances may differ from month to month. The expenses do not depend upon the spread, therefore it highly fluctuates.
- The overhead calculation is found to fluctuate highly. The percentage of overheads is based on the spread. When the spread amount increases the overhead percentage is found to reduce likewise if the spread amount decreases the overhead percentage is found to increase.
- The profit is found to be high at the 12<sup>th</sup> (April 2005), 24<sup>th</sup> month (April 2006) and 36<sup>th</sup> month (April 2007), as the spread is high during these months.



## Suggestions

In order to improve the profitability of the bank, the following suggestion has been offered,

- Instead of rushing up during the year ending months for receiving the outstanding amounts the bank can take action to collect the out standings regularly on a monthly basis. Thus would help them to increases their spread and also aid them to lend more money.
- The procedure for obtaining loan should be simplified. To avoid unnecessary delay in getting the loan, the formalities should be minimized.
- Stringent enforcement of rules should be made to collect the interest and over dues.
- To genuinely make the co-operative movement a people movement, people should be educated about the movement.

## **Conclusion**

To conclude the Coimbatore District Central Co-operative Bank Limited, Coimbatore shows a good profitability position during the past three years from 2004 – 2005 to 2006 – 2007. This bank acts as a good lender of money for the primary co-operative societies and individuals in the Coimbatore district. The study has measures for improving the profitability of the co-operative bank. The researcher will feel amply rewarded if the research work constitute to the financial management of the Coimbatore District Central Co-Operative Bank Limited.

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