

## **CHAPTER FIVE**

### **ANALYSIS OF LIABILITY MANAGEMENT**

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## **CHAPTER NO. 05**

### **ANALYSIS OF LIABILITY MANAGEMENT**

#### **5.0 INTRODUCTION:**

The introduction of Asset Liability Management in urban co-operative bank is to overcome the maturity mismatch, liquidity risk and interest rate risk. Successful liability management as a part of ALM needs capacity to raise cost based funds at competitive rates. UCBs should ensure that the loan portfolios are adequately matched with the maturities of deposits. On the liability side, the outflow figure of term deposits and interest rate patterns are most important. Outflow pattern gives details as to their due dates at various maturity baskets. The information is useful to assess the quantum of deposits that fall due for payment. Out of that if the quantum of deposits likely to be renewed and are excluded, the balance is to be mobilized through fresh deposits to maintain the growth rate and liquidity.

Keeping in mind this theme of liability management let us examine how the UCBs are managing their liabilities. It is explained under different heads of liabilities:

#### **5.1 CAPITAL:**

As per the little Oxford dictionary capital means money, property etc. with which company starts its business. It is an excess of assets over liabilities or available resources for carrying on the business. Capital is very much related to solvency of the business. Solvency is the measure of assessing whether a bank's net worth (own funds) is adequate enough to absorb potential losses arising out of its business risks. In other words, "capital serves as a buffer to absorb future, unidentified and even improbable losses and allows the bank to function at the same level of capacity. Banks like any other commercial venture, should possess adequate capital to meet unforeseen contingencies that may arise at any time".<sup>1</sup>

According to Basle Committee on Banking Regulation and Supervisory Practices, own funds would be measured in terms of its ratio to weighted assets of the banks. The capital

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<sup>1</sup> Munivelu Tiruttani, 'Bank balance sheet management' IBA Bulletin, April-May 2000, p 13

adequacy of 8% -9% is intended as an average minimum ratio to protect the banks from credit risk and did not prevent banks from maintaining higher level of capital based on internally assessed risk weight of credit portfolio. The capital adequacy ratio of the banks will come down if the risk-weighted assets grow faster than the growth in capital.

The Basel committee has decided capital in two tiers:

**Tier I Capital-** It includes paid-up capital, statutory reserve, share premium, capital reserve (surplus on sale of assets), other disclosed reserve (revenue reserve) Less-Investments in subsidiaries and intangible assets and losses

**Tier II Capital-** It includes undisclosed reserves and cumulative perpetual, revenue reserves (at discount), capital reserve (excess provisions on investments), general provisions and loss reserves, hybrid debt capital instruments and subordinated debts (at discount)

**Table No. 5.1: Averaged Capital of Selected UCBs in Gujarat (1994-95 to 2003-04)**

Rs. in lakhs											
BANK	94-95	95-96	96-97	97-98	98-99	99-2000	2000-01	2001-02	2002-03	2003-04	AVG.
Anyonya	117.15	134.98	168.84	216.27	274.96	512.83	771.38	826.91	830.32	817.64	467.13
Bhavnagar	170.46	202.4	236	287.97	350.25	391.81	422.99	456.27	475.12	507.23	350.05
Dahod	145.3	171.2	209.34	252.59	289.21	312.93	334.8	357.75	378.16	397.91	284.92
Godhara	56.8	67.26	80.47	92.85	103.73	119.86	139.28	148.53	148.69	147.25	110.47
Mehsana	41.94	63.37	155.72	313.18	569.65	879.48	1181.41	1582.66	1863.91	1915.34	856.67
Sardar	250.57	275.22	321.34	392.66	466.16	547.9	668.21	740.09	743.2	747.86	515.32
Kalupur	502.17	651.81	805.85	877.32	882.54	902.31	907.51	942.35	1062.38	1191.17	872.54
Modasa	52.62	53.06	52.74	52.22	51.38	50.84	50.5	50.32	49.96	54.64	51.83
Rajkot	411.16	445.54	492.78	559.05	612.88	677.45	745.52	764.91	767.15	819.89	629.63
Surat	403.97	462.26	509.37	606.47	748.06	862.28	953.79	1065.33	1223.42	1389.53	822.45

The Kalupur co-operative bank has highest average capital of Rs 872.54 Lakhs. Lowest average capital belongs to The Modasa nagrik sahakari bank of Rs. 51.83 Lakhs .It is significant to note that in case of The Mehsana urban co-operative bank the capital has increased by 20.43 times with in the period of ten years from 1994-95 to 2003-04.

## 5.2 RESERVE FUND AND OTHER RESERVES:

Both the terms represent a part of the profit set aside for known or unknown future contingencies but the distinction between the terms 'Reserves' and 'Reserve fund' can be understood from the mode of investment of reserve. When the reserve is employed within

the business itself, it is known as Reserve. However, when the reserve is invested outside the business it is known as Reserve fund.

Many authorities consider banking as distinct from manufacturing or service activities and advocate creations of secret reserves by banking units. “Ghosh Committee was of the view that, “in Indian conditions the time was not yet opportune for practicing full disclosure in respect of secret reserves and loan loss provisions”.<sup>2</sup> However, the committee considered it necessary for banks to maintain secret reserve for the following reasons:

- The stability of the banking system is vital in the national interest; as such the confidence of depositors should outweigh the interest of shareholders.
- Full disclosure of bad debts will have a psychological impact on the bank management particularly at the field level and they would tend to become overcautious and conservative. The secret reserve system encourages bank management to take risks and undertake innovative banking.

The reserves funds and other reserves of UCBs includes items like statutory reserves, special bad debts reserve, bad and doubtful debts reserve, investment depreciation reserve, building fund, furniture and fixture maintenance fund, staff gratuity fund, contingency fund etc.

**Table No. 5.2 Averaged Reserve funds and other reserves of Selected UCBs in Gujarat (1993-94 to 2003-04)**

**Rs. in Lakhs**

BANK	94-95	95-96	96-97	97-98	98-99	99-2000	2000-01	2001-02	2002-03	2003-04	AVG.
Anyonya	574.28	672.69	763.31	878.49	1010.47	1238.51	1549.73	1734.74	1776.77	1776.38	1197.54
Bhavnagar	773.11	921.72	1128.73	1394.97	1691.38	2007.23	2318.95	2799.43	3448.41	4109.30	2059.32
Dahod	529.28	616.74	674.74	782.01	950.58	1067.75	1164.66	1251.27	1461.26	1646.30	1014.46
Godhara	110.40	123.37	159.47	205.87	251.61	287.89	326.99	376.32	457.86	552.46	285.22
Mehsana	274.54	381.35	513.70	709.47	968.09	1366.93	1921.99	2677.82	4278.47	5910.87	1900.32
Sardar	1170.52	1368.13	1673.11	2167.88	2779.64	3346.04	3957.63	4590.65	4878.38	5148.55	3108.05
Kalupur	6262.69	8364.25	10762.71	13432.54	16040.02	20415.94	25641.64	31251.35	37981.61	44586.70	21473.95
Modasa	163.45	196.23	234.07	287.79	337.96	389.91	469.62	523.23	599.14	692.82	389.42
Rajkot	5503.84	6548.31	7867.79	9203.39	10622.21	12347.55	14838.35	18646.32	21715.91	23532.62	13082.63
Surat	4327.75	5025.55	5794.96	6860.22	8249.93	9673.97	11235.21	11281.5	13444.14	17377.31	9327.05

<sup>2</sup> Ghosh Committee Report, ‘Disclosure of reserves’ ICAI, June 2000

The table no. 5.2 shows that The Kalupur co-operative bank has highest average reserve funds and other reserves of Rs. 21473.95 lakhs. The lowest average reserve funds and other reserves are of Rs. 389.42 lakhs belongs to The Modasa nagrik sahakari bank. In the period of ten years under study the average reserve funds and other reserves of Godhara city co-operative bank has gone up only by 2.58 times, where as the average reserve funds and other reserve of The Mehsana urban co-operative bank has increased by 6.92 times. It is important to note that the reserves of Anyonya co-operative bank has remain almost same in the last two years of study where as the reserves of The Kalupur co-operative bank is almost hopping every year especially in the last two years i.e. Rs. 37981.61 lakhs to Rs. 44586.7 lakhs

**Table No. 5.3 Proportion of Average Own funds to Average Working Capital of Selected UCBs in Gujarat (1992-93 to 2003-04)**

BANK	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-2000	2000-01	2001-02	2002-03	2003-04	AVG.
Anyonya	0 08	0 11	0 11	0 10	0 09	0 08	0 07	0 09	0 09	0 11	0 12	0 13	0 10
Bhavnagar	0 05	0 05	0 05	0 04	0 04	0 03	0 03	0 02	0 03	0 03	0 02	0 02	0 03
Dahod	0 06	0 05	0 05	0 05	0 05	0 05	0 04	0 04	0 04	0 04	0 03	0 03	0 04
Godhara	0 06	0 05	0 05	0 05	0 05	0 05	0 04	0 04	0 04	0 04	0 02	0 03	0 04
Mehsana	0 21	0 15	0 18	0 19	0 22	0 18	0 13	0 14	0 16	0 28	0 34	0 34	0 21
Sardar	0 08	0 09	0 13	0 10	0 07	0 06	0 05	0 05	0 05	0 08	0 13	0 15	0 09
Kalupur	0 08	0 08	0 08	0 07	0 07	0 06	0 06	0 06	0 06	0 09	0 09	0 10	0 08
Modasa	0 20	0 20	0 21	0 21	0 22	0 22	0 21	0 20	0 20	0 24	0 25	0 24	0 22
Rajkot	0 14	0 14	0 14	0 14	0 15	0 16	0 15	0 14	0 15	0 18	0 18	0 20	0 16
Surat	0 18	0 19	0 20	0 19	0 17	0 17	0 15	0 15	0 15	0 13	0 21	0 21	0 17

As per the Co-operatives Societies Act Own funds means share capital, statutory reserves, reserves created from net profit and excess provision made. The owned funds do not have any specific explicit cost. A higher share of owned funds minimizes the cost of funds and strengthens the buffer for the UCBs. The table no. 5.3 shows the proportion of average own funds to average working capital for the selected UCBs in Gujarat for the period of twelve years from 1992-93 to 2003-04. The highest of such average proportion belongs to Rajkot nagrik sahakari bank followed by Kalupur commercial co-operative bank and Surat People's co-operative bank. Bhavnagar nagrik sahakari bank is the one with least average proportion of proportion of average own funds to average working capital. In case of all the banks under study, this ratio is increasing initially than falling down for some years and than again increases except in case of Bhavnagar nagrik sahakari bank where it is continuously going down.

### 5.3 DEPOSITS:

It is the money accepted by the bank from the public to be repaid on demand or after a fixed interval of time with or without interest. The main function of the bank is to accept deposits from the public and to grant advances to the needy persons. Deposits are general classified as:

- Fixed deposits or term deposits
- Saving deposits
- Current deposits or demand deposits.

Banks no longer view deposit mobilization in isolation but they examine it as an input-output relation. Deposits are increasingly seen as a liability purchased at a cost with an intention to deploy in assets and earn profit on it. Bank managements are always having a vigil over the deposit position to find out whether there is any trend towards declining demand deposits or increase in expensive term deposits. It is not only the cost of deposits that matters but the volume of deposits are equally important. In the area of deposit mobilization banks are trying to achieve substantial growth by focusing attention on core deposits. Deposits also form a major portion of the working funds.

“If the long-term interest rate forecast is to be of a downward trend, it may perhaps be prudent to book short term deposits, which can be replaced at lower rates in a falling interest rate situation. On the other hand in a up trend in interest rates, it will be prudent to book long term deposits, since shorter term deposits tend to get repriced at higher rates during the up trend. This will help the banks to get funds at a lower rate over a period. If the depositors want to change over to higher rate of interest on a later date the bank will not be at loss”.<sup>3</sup>

The averaged total deposits and deposit mix of selected UCBs in Gujarat are discussed below.

The average total deposits include fixed deposits, saving deposits, current deposits and other deposits. Deposits are cost based funds. Bearing a higher share of deposits in the working capital increases the cost of funds. In table no. 5.4 The Kalupur co-operative bank with average total deposits of Rs. 72875.75 lakhs is the first; where as The Modasa

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<sup>3</sup> Ms Vimala Vishwanathan, extract from a dissertation submitted under IBA's Cooverj Bhabha scholarship and award scheme 1998-99.

nagrik sahakari bank with average total deposits of Rs. 2929.84 lakhs is the last for the years under study from 1994-95 to 2003-04. It is worth noting that the averaged total deposits of all UCBs is declining from the year 2002-03 except in case of The Kalupur co-operative bank and The Surat People's co-operative bank, where it is increasing.

**Table No. 5.4**                      **Averaged Total Deposits of Selected UCBs in Gujarat (1994-95 to 2003-04)**

**Rs. in lakhs**

BANK	94-95	95-96	96-97	97-98	98-99	99-2000	2000-01	2001-02	2002-03	2003-04	AVG.
Anyonya	4898.35	6186.14	8443.91	11201.67	14172.90	16678.26	18621.84	18342.01	15893.10	14729.93	12916.81
Bhavnagar	4298.30	5550.24	7474.97	10197.23	13845.13	17577.07	20567.27	21075.65	20100.66	20542.58	14122.91
Dahod	3234.47	3929.71	5238.16	6833.55	8461.56	9816.52	10864.91	11691.86	11683.58	10571.23	8232.56
Godhara	1457.60	1719.49	2061.59	2499.58	3233.27	4154.50	4955.50	5245.76	5194.51	4879.55	3540.14
Mehsana	2339.66	3267.21	7720.11	15678.70	26833.12	38146.67	52539.85	55861.45	43454.03	37248.06	28308.89
Sardar	7435.92	8569.57	10143.24	12584.72	15888.07	20631.25	24808.04	25590.89	24735.91	23955.28	17434.29
Kalupur	31751.68	35045.33	39401.86	52459.23	82545.58	115945.5	121776.0	95029.39	74723.49	80079.47	72875.75
Modasa	1294.54	1503.42	1879.02	2326.77	2772.03	3253.36	3743.13	4097.49	4224.97	4203.67	2929.84
Rajkot	22640.43	26153.98	30599.21	35135.32	42033.65	51589.56	63774.72	69478.72	69797.18	75492.47	48669.52
Surat	17029.05	19523.15	24593.37	31704.94	41859.55	51558.03	58367.57	63527.48	63968.78	65807.33	43793.93

**Table No. 5.5**                      **Proportion of Average Deposits to Average Working Capital of Selected UCBs in Gujarat (1992-93 to 2003-04)**

BANK	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-2000	2000-01	2001-02	2002-03	2003-04	AVG.
Anyonya	0.79	0.78	0.81	0.81	0.84	0.84	0.84	0.77	0.73	0.70	0.68	0.60	0.76
Bhavnagar	0.63	0.59	0.60	0.61	0.61	0.60	0.58	0.54	0.72	0.70	0.69	0.67	0.63
Dahod	0.72	0.66	0.66	0.72	0.77	0.79	0.78	0.78	0.78	0.78	0.76	0.71	0.74
Godhara	0.81	0.78	0.78	0.80	0.82	0.82	0.85	0.86	0.87	0.84	0.83	0.79	0.82
Mehsana	0.69	0.79	0.75	0.70	0.71	0.72	0.71	0.73	0.64	0.60	0.58	0.60	0.69
Sardar	0.41	0.35	0.41	0.39	0.32	0.27	0.27	0.23	0.90	0.73	0.65	0.64	0.46
Kalupur	0.87	0.86	0.85	0.86	0.87	0.87	0.88	0.88	0.88	0.88	0.85	0.84	0.87
Modasa	0.80	0.80	0.79	0.79	0.78	0.78	0.79	0.80	0.80	0.76	0.75	0.76	0.78
Rajkot	0.74	0.74	0.74	0.75	0.74	0.76	0.76	0.77	0.75	0.79	0.79	0.77	0.76
Surat	0.70	0.69	0.69	0.70	0.72	0.72	0.74	0.71	0.73	0.73	0.74	0.74	0.72

The table no. 5.5 depicts the proportion of average deposits to average working capital. The proportion of average deposits to average working capital ranges from (average) 46 per cent to 87 per cent. This proportion looks more stable in case of Modasa nagrik sahakari bank, Rajkot nagrik sahakari bank, Sardar Bhiladwala Pardi people's co-operative bank and Surat People's co-operative bank. It is most instable in case of Mehsana urban co-operative bank.

### 5.3.1 Fixed deposits or term deposits

Fixed deposits are the most encouraged deposits by any bank till last 2-3 years but due to deregulation of interest rate and new competitors in the banking sectors rate of interest on fixed deposits has gone down. Earlier the UCBs use to collect more and more of fixed deposits but now they are forced to collect more of saving deposits as such deposits are less costly as compare to fixed deposits and current deposits.

**Table No.5.6 Averaged Fixed Deposits of Selected UCBs in Gujarat (1994-95 to 2003-04)**

Rs. in Lakhs

BANK	94-95	95-96	96-97	97-98	98-99	99-2000	2000-01	2001-02	2002-03	2003-04	AVG.
Anyonya	3921.99	5412.46	7445.37	9758.45	12418.17	13649.31	15242.03	13351.90	11671.67	8943.65	10181.50
Bhavnagar	3227.20	4829.28	6635.81	9695.67	13274.32	16292.68	18512.66	16995.59	16236.17	17383.04	12308.24
Dahod	2497.90	3514.52	4954.57	6345.24	7619.63	8316.65	9228.24	9462.53	8903.98	7669.17	6851.24
Godhara	1289.54	1594.31	1865.45	2347.91	3214.22	3999.58	4553.49	4401.52	4208.44	3623.00	3109.75
Mehsana	321.30	987.62	1997.15	2662.99	4286.12	5883.50	54645.86	41022.07	31152.92	27803.78	17076.33
Sardar	4356.84	5244.88	6418.58	8151.59	10868.69	14941.06	17935.24	16797.88	14776.25	13746.69	11323.77
Kalupur	23945.94	28573.59	28940.00	50731.33	81278.54	111385.18	99382.70	60632.41	58600.83	69136.86	61260.74
Modasa	1027.78	1290.64	1681.40	2061.97	2410.19	2867.30	3300.45	3439.82	3376.70	3304.36	2476.06
Rajkot	11916.75	15091.25	18079.64	21551.86	26148.34	33234.95	43835.78	51351.89	55928.06	61625.32	33876.38
Surat	9858.07	12655.93	17595.87	23178.83	33414.67	38074.87	42851.29	43778.25	43860.22	45370.32	31063.83

The table no. 5.6 shows the average highest fixed deposits of Rs. 61260.74 lakhs belongs to Kalupur co-operative bank and the lowest of Rs. 2476.06 lakhs to Modasa nagrik sahakari bank. In Meshana urban co-operative bank the fixed deposits has increased by 53.14 times during the period of study, which is the highest of all banks under this study. The significant point in the above table is that the average fixed deposits of all the UCBs shows a down ward trend since the year 2000-01, however in case of Kalupur co-operative bank, The Rajkot nagrik sahakari Bank and The Surat people's co-operative bank (all scheduled UCBs) shows a continuous rising trend over the period of study.

Fixed deposits are the highest cost bearing funds but require less liquidity. In the table no. 5.7 the average proportion of fixed deposits to total deposits is 83.94 per cent in case of Godhara city co-operative bank, which is the highest where as The Mehsana urban co-operative bank is with the lowest proportion of 54.34 per cent. It is worth noting that Godhara city co-operative bank with a highest average



proportion of fixed deposits to total deposits falls in high-risk zone with respect to the liquidity position of the bank.

**Table No. 5.7 Proportion of Fixed Deposits to Total Deposits of Selected UCBs in Gujarat (1992-93 to 2003-04)**

BANK	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-2000	2000-01	2001-02	2002-03	2003-04	AVG.
Anyonya	74.83	74.82	74.24	76.34	75.99	77.42	78.89	77.48	77.66	78.28	79.24	75.11	76.69
Bhavnagar	69.43	71.57	68.86	75.30	77.74	81.76	83.84	84.32	84.87	83.56	81.74	81.91	78.74
Dahod	76.20	76.73	73.14	79.08	82.14	83.11	82.04	80.39	81.06	78.86	78.32	78.46	79.13
Godhara	83.97	82.60	82.99	84.57	83.35	85.03	86.74	86.88	85.80	84.90	80.86	79.55	83.94
Mehsana	70.58	62.17	72.34	77.65	69.30	80.70	79.85	86.01	87.65	79.72	80.42	79.73	77.18
Sardar	23.66	27.22	26.36	50.48	50.07	45.03	43.30	50.87	89.60	85.11	84.03	76.36	54.34
Kalupur	81.05	78.31	76.88	77.29	80.52	80.38	80.92	81.27	83.38	81.19	80.15	78.78	80.01
Modasa	56.40	55.86	50.76	52.35	55.86	56.86	56.64	58.29	62.15	75.05	78.58	77.21	61.33
Rajkot	60.04	58.71	54.80	57.08	57.83	57.93	61.39	63.42	68.83	66.86	60.69	58.34	60.49
Surat	57.79	58.47	55.60	59.37	63.13	65.22	69.35	69.31	69.34	67.09	69.97	65.82	64.21

### 5.3.2 Saving Deposits

Saving deposits are one of low cost funds available to the banks. Banks now days trying hard to increase their saving deposits. Banks are coming out with various schemes to attract customers.

**Table No. 5.8 Averaged Saving Deposits of Selected UCBs in Gujarat (1994-95 to 2003-04)**

Rs. in Lakhs

BANK	94-95	95-96	96-97	97-98	98-99	99-2000	2000-01	2001-02	2002-03	2003-04	AVG.
Anyonya	1163.30	1408.32	1940.44	2397.76	2908.88	3538.52	3875.54	3203.06	2715.22	2336.93	2548.80
Bhavnagar	1246.63	1397.79	1671.94	1876.93	2305.12	2752.47	3038.63	3101.02	3376.14	3608.80	2437.55
Dahod	790.81	818.82	910.59	1082.89	1354.62	1643.52	1802.87	2053.10	2099.71	1735.72	1429.27
Godhara	241.99	267.40	339.79	383.73	434.88	517.73	690.72	709.31	892.42	750.48	522.85
Mehsana	552.91	600.71	849.20	1300.97	1829.01	2575.91	3212.62	3810.83	3066.57	4211.32	2201.01
Sardar	2319.93	2651.13	3188.46	3862.52	4518.56	5743.62	5775.17	5366.66	6035.98	6299.32	4576.14
Kalupur	3131.73	3866.72	4364.62	5450.45	6675.99	9376.35	6164.53	6938.44	7055.43	10000.44	6302.47
Modasa	272.37	317.95	355.24	442.17	504.22	590.15	583.30	711.50	773.16	789.71	533.98
Rajkot	5470.91	6834.39	7748.32	8799.54	9969.16	10966.23	11879.67	12499.03	12377.10	14433.15	10097.75
Surat	5139.55	5642.57	6612.07	8169.46	9477.14	11517.03	12872.11	14423.38	13359.42	16871.51	10408.42

In the table no. 5.8 of average saving deposits of ten banks for the period ten years from 1994-95 to 2003-2004, The Surat peoples' co-operative banks has highest average saving deposits of Rs. 10408.42 lakhs. However, the average saving deposits of Mehsana urban co-operative has increased by almost 4 times. The Godhara city co-operative bank has the lowest average saving deposits of Rs.522.85 lakhs. The average saving deposits of Anyonya co-operative bank and

Dahod urban co-operative bank shows a decline during the last three years i.e. 2001-02 to 2003-04. This is not a good sign for these banks. On the other hand Sardar Bhiladwala pardi people's co-operative bank and The Rajkot nagrik sahakari bank are able to maintain the growth in their saving deposits over the period of study from 1994-95 to 2003-04.

**Table No. 5.9 Proportion of Saving Deposits to Total Deposits of Selected UCBs in Gujarat (1992-93 to 2003-04)**

BANK	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-2000	2000-01	2001-02	2002-03	2003-04	AVG.
Anyonya	21.08	21.07	22.02	19.86	19.80	19.02	18.48	20.09	19.75	18.78	18.43	19.63	19.83
Bhavnagar	26.31	24.52	26.60	21.79	19.59	15.83	14.56	14.25	13.93	15.25	17.00	17.00	18.89
Dahod	21.28	20.62	23.15	18.42	15.10	14.18	14.58	15.89	15.84	17.11	18.47	17.76	17.70
Godhara	14.11	15.53	15.57	14.18	15.18	13.90	11.74	11.25	13.01	13.68	17.15	16.48	14.31
Mehsana	11.23	6.85	9.46	10.51	10.45	8.67	6.56	7.24	5.44	9.12	9.68	11.53	8.90
Sardar	45.38	39.72	45.36	30.70	21.29	22.00	18.48	22.27	5.27	7.91	8.27	11.57	23.18
Kalupur	16.68	17.48	20.37	19.04	17.01	17.24	16.93	16.73	14.74	16.79	18.35	18.83	17.52
Modasa	20.66	19.84	23.30	23.71	23.94	23.22	21.59	19.23	16.84	18.27	17.39	18.08	20.51
Rajkot	27.17	28.06	29.18	28.85	28.73	27.45	25.52	24.38	22.16	21.36	24.79	26.74	26.20
Surat	24.60	25.62	28.99	26.47	23.72	22.99	19.67	20.96	20.83	22.10	21.31	24.48	23.48

The saving deposits are low cost bearing funds but require more liquidity. During the period of study from the year 1992-93 to 2003-04, Sardar Bhiladwala Pardi peoples' bank has the highest proportion of average saving deposits to total deposits of 26.20 per cent, where as Kalupur co-operative bank is with much low proportion of 8.90 per cent. It is important to note that except Kalupur co-operative bank the average proportion of saving deposits to total deposits ranges from 14.31 to 26.20. All these banks need to maintain a high degree of liquidity.

### 5.3.3 Current Deposits

Current deposits are non-cost funds as no interest is paid on such deposits. The current deposits will generally have small portions in the total deposits. However, now days, banks are very keen to increase current deposits.

The table no. 5.10 shows that during the period of study The Kalupur co-operative bank is the first with Rs. 7920.55 lakhs of average current deposits and Modasa nagrik sahakari bank is the last with Rs. 66.90 lakhs of average current deposits. It can be observed that Bhavnagar nagrik sahakari bank has maintained the level of average current deposits during the period of ten years from 1994-95 to 2003-04.

**Table No. 5.10 Averaged Current Deposits of Selected UCBs in Gujarat (1994-95 to 2003-04)**

Rs. in lakhs

BANK	94-95	95-96	96-97	97-98	98-99	99-2000	2000-01	2001-02	2002-03	2003-04	AVG.
Anyonya	197.29	268.91	412.31	449.00	413.54	428.09	510.18	501.30	343.04	627.13	415.08
Bhavnagar	212.97	186.60	228.51	285.59	252.62	276.93	261.16	242.23	250.17	230.84	242.76
Dahod	126.59	110.78	167.03	206.77	313.96	384.66	353.88	483.09	364.75	369.13	288.06
Godhara	22.27	23.46	32.77	29.51	56.29	86.30	63.17	73.31	104.02	180.73	67.18
Mehsana	344.64	368.28	1142.15	1949.75	3783.43	3106.49	3132.35	3366.68	2854.49	4395.30	2444.36
Sardar	1274.08	1292.27	1491.15	2057.13	2317.64	2872.93	2348.05	2958.77	3536.28	3516.04	2366.43
Kalupur	6025.89	4357.59	8454.03	6678.43	13833.81	8740.45	7843.22	8481.42	7210.65	7579.98	7920.55
Modasa	36.76	61.33	51.48	61.27	64.24	70.61	74.44	85.47	63.29	100.11	66.90
Rajkot	1658.16	1760.44	2004.48	2216.73	2736.07	2934.68	2695.34	2960.62	2867.18	3754.12	2558.78
Surat	2732.79	3017.38	3662.91	4190.73	5288.26	5344.09	6075.74	7054.19	5462.09	6691.09	4951.93

**Table No. 5.11 Proportion of Current Deposits to Total Deposits of Selected UCBs in Gujarat (1992-93 to 2003-04)**

BANK	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-2000	2000-01	2001-02	2002-03	2003-04	AVG.
Anyonya	4.09	4.11	3.73	3.79	4.21	3.56	2.63	2.43	2.60	2.94	2.33	5.27	3.47
Bhavnagar	4.26	3.92	4.54	2.91	2.68	2.41	1.60	1.43	1.20	1.19	1.26	1.09	2.37
Dahod	2.52	2.65	3.71	2.49	2.77	2.71	3.38	3.72	3.11	4.03	3.21	3.78	3.17
Godhara	1.92	1.87	1.43	1.24	1.46	1.07	1.52	1.87	1.19	1.41	2.00	3.97	1.75
Mehsana	18.18	30.99	18.20	11.84	20.24	10.62	13.59	6.75	6.92	11.15	9.90	8.74	13.93
Sardar	30.96	33.06	28.28	18.82	28.64	32.97	38.22	26.86	5.14	6.98	7.70	12.07	22.47
Kalupur	2.27	4.20	2.75	3.67	2.47	2.39	2.16	2.00	1.88	2.02	1.50	2.39	2.47
Modasa	6.33	6.94	7.06	6.11	6.19	5.85	5.93	5.15	3.82	4.33	4.03	4.70	5.54
Rajkot	12.80	13.23	16.02	14.06	13.44	14.62	13.09	12.20	9.01	11.78	14.52	14.92	13.31
Surat	17.61	15.91	15.41	14.16	13.14	11.79	10.98	9.73	9.83	10.81	8.71	9.71	12.32

The current deposits are funds with minimum cost. During the period of study from 1992-1993 to 2003-04 the proportion of average current deposits to total deposits is lowest i.e., 1.75 per cent in case of Godhara city co-operative bank and highest i.e., 22.47 per cent in case of The Mehasana urban co-operative bank.

#### 5.4 BORROWINGS:

Borrowings are cost bearing funds available to the banks from Reserve Bank of India, Central and State co-operative banks in form of short, medium and long term loans. It also includes borrowings from State Bank of India and State Government. By managing borrowing in coordinated manner with asset liquidity needs, banks can tailor liabilities to fit their cash flow needs. However, borrowings should be viewed as a supplemental source of funding rather than as a replacement for core deposits.

The co-operative banks own funds are not sufficient to meet its loaning business and the deposit mobilization is very difficult. Under such circumstances, meeting the credit needs of its area of operation and attaining the viability depend up on the borrowed funds. The degree and extent of funds borrowed by UCBs depends up on the extent of the development of own funds as well as repayment performance by them. "The borrowing are limited to six times the aggregate paid up share capital plus reserve funds or such other limit as may be prescribed by the Registrar of the co-operatives from time to time".<sup>4</sup>

**Table No. 5.12                      Averaged Borrowings of Selected UCBs in Gujarat (1994-95 to 2003-04)**

**Rs. in lakhs**

BANK	94-95	95-96	96-97	97-98	98-99	99-2000	2000-01	2001-02	2002-03	2003-04	AVG.
Anyonya	1 09	26 09	25.00	0 00	0 00	127 94	127 94	177 41	462 32	284.91	123 27
Bhavnagar	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0 00	0 00	0 00	0.00
Dahod	408.54	316 66	203.30	231 71	334.68	404 55	203 13	121.85	101 19	243.70	256.93
Godhara	0 00	0.00	0.00	0.00	0.00	0 00	0 00	0.00	0.00	0 00	0.00
Mehsana	92 50	0 00	2 23	22 23	20 00	1244 76	1580 73	835 97	1217 45	1289 43	630.53
Sardar	164 24	255.45	333 74	281 21	235.69	474.58	1247 70	1065.56	251.97	92.34	440 25
Kalupur	500 00	1300.00	1050 00	983 40	4722 94	7544 61	12645 94	9010 37	2687.79	4337.62	4478 27
Modasa	42 10	43 53	43.20	37.52	69 48	84 52	196 02	211 09	101 81	66 39	89 57
Rajkot	0 00	0.00	0 00	0 00	0 00	1250.00	1250 00	750 00	1423.06	1269 16	594 22
Surat	0 00	0 00	190 17	700 66	662 13	254 99	253 82	150.82	250.90	250 55	271.40

From the table no. 5.12 it is observed that the Kalupur co-operative bank has the highest average borrowings of Rs. 4478.27 lakhs for the period from 1994-95 to 2003-04. However, Bhavnagar nagrik sahakari bank and Godhara city co-operative bank do not have any borrowings during the period of study. It is important to observe that borrowings are not significant sources of funds for UCBs in Gujarat.

## 5.5      **BILLS PAYABLE:**

This head of liability includes cash orders, bank draft, telegraphic transfers and travelers' cheques. The items under this head incur little cost, so banks should try to increase them.

As per the table no. 5.13 during the period of study from 1994-95 to 2003-04, the average bills payable of The Mehsana urban co-operative bank is Rs. 781.41 lakhs, which is the highest amongst all banks under study. The lowest average bills payable belongs to Bhavnagar nagrik sahakari bank of Rs.15.57 lakhs. It can be observed that the amount of

<sup>4</sup> C R Reddy, Overdue management, the methodology, Himalaya publications, p 63

bills payable has increased for every bank till the years 1999-2000 and then decline which shows a common pattern for this head of liabilities in case of UCBs in Gujarat.

**Table No. 5.13 Averaged Bills Payable of Selected UCBs in Gujarat (1993-94 to 2003-04)**

Rs in lakhs

BANK	94-95	95-96	96-97	97-98	98-99	99-2000	2000-01	2001-02	2002-03	2003-04	AVG.
Anyonya	32.00	43.95	50.97	114.91	141.50	112.91	130.16	119.80	91.94	61.67	89.98
Bhavnagar	14.23	9.94	10.99	14.80	16.79	31.89	26.27	10.74	12.02	8.00	15.57
Dahod	21.82	24.81	32.14	30.89	29.13	33.35	37.81	43.49	57.33	76.49	38.72
Godhara	18.23	27.67	31.34	38.67	40.57	42.01	36.88	31.78	31.68	28.33	32.71
Mehsana	74.76	97.39	261.94	493.67	555.83	970.37	2058.64	1918.64	857.80	525.10	781.41
Sardar	328.87	355.25	423.10	495.07	485.58	482.12	582.90	558.55	414.33	402.21	452.80
Kalupur	285.99	315.37	447.93	610.75	754.88	773.53	834.44	759.72	437.39	300.69	552.07
Modasa	36.67	30.60	35.99	51.33	59.96	57.48	45.90	35.82	29.61	35.30	41.86
Rajkot	118.47	219.16	260.88	224.63	247.18	345.58	404.21	285.10	174.79	179.81	245.98
Surat	28.13	44.47	58.31	115.85	181.06	181.99	181.17	170.57	130.75	133.98	122.63

## 5.6 BRANCH ADJUSTMENTS:

Branch adjustments are the record of transactions that takes place amongst branches of a bank. An urban co-operative bank may have number of branches. A number of transactions take place during the year between the head office and branches and also amongst the branches. The entries are recorded in the head office books on receiving necessary information about such transactions.

**Table No. 5.14 Averaged Branch Adjustment of Selected UCBs in Gujarat (1994-95 to 2003-04)**

Rs. in lakhs

BANK	94-95	95-96	96-97	97-98	98-99	99-2000	2000-01	2001-02	2002-03	2003-04	AVG.
Anyonya	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7.44	7.98	0.54	1.60
Bhavnagar	944.76	1343.26	1957.88	2961.24	4885.88	7666.57	4598.12	0.00	0.00	0.71	2435.84
Dahod	0.25	0.15	0.20	1.01	0.81	0.36	0.36	0.52	0.52	0.03	0.42
Godhara	0.00	1.04	1.49	0.45	0.43	0.67	1.08	5.33	6.06	3.08	1.96
Mehsana	0.05	21.38	70.01	151.03	272.28	480.77	500.63	446.15	468.86	462.20	287.33
Sardar	56.65	41.96	86.42	158.44	325.26	468.21	297.82	108.04	59.73	78.88	168.14
Kalupur	47.10	58.20	37.46	107.63	497.64	1075.78	1756.15	1299.28	605.05	608.87	609.31
Modasa	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Rajkot	69.42	56.67	144.93	140.91	100.97	76.37	97.18	132.80	52.93	598.14	147.03
Surat	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

However, on the closing date, transactions of some branches may not be recorded because information's are not been received. While preparing accounts such amounts are placed under the head branch adjustments.

The table no. 5.14 shows that out of the ten urban co-operative banks under study only eight banks have branch adjustments and Bhavnagar nagrik sahakari bank is the highest with average branch adjustments of Rs.2435.84 lakhs. However, the Modasa nagrik sahakari bank and Surat peoples' co-operative bank do not have any branch adjustments.

## 5.7 INTEREST ACCRUED:

Interest on deposits and borrowings which has accrued on the balance sheet date, but which is not payable is known as interest accrued or payable. The management of this head is important for the branches because such deposits and borrowings needs to transfer other liabilities so that over due interest can be avoided.

**Table No. 5.15 Averaged Interest Payable of Selected UCBs in Gujarat (1993-94 to 2003-04)**

**Rs. in lakhs**

BANK	94-95	95-96	96-97	97-98	98-99	99-2000	2000-01	2001-02	2002-03	2003-04	AVG.
Anyonya	360.12	369.04	470.36	646.33	987.61	1534.87	2185.61	2219.23	1627.35	1157.35	1155.79
Bhavnagar	655.44	755.15	943.20	1322.17	2079.32	3132.28	4078.01	4161.13	3559.02	3413.82	2409.95
Dahod	261.86	478.80	437.66	370.25	466.80	694.40	980.48	1141.99	1139.11	1072.01	704.33
Godhara	50.59	61.19	81.78	101.54	126.61	145.02	141.04	145.50	159.45	141.24	115.39
Mehsana	2.16	2.75	2.70	3.16	4.49	9.34	16.47	4356.34	8699.03	8683.29	2177.97
Sardar	121.12	122.79	136.93	155.76	170.82	171.42	178.16	180.25	141.19	96.91	147.53
Kalupur	1383.33	1668.88	2028.62	3020.42	5616.34	8659.80	10592.27	10875.02	5245.63	99.96	4919.03
Modasa	11.61	14.35	20.27	23.01	24.81	26.50	27.98	28.50	28.12	29.11	23.42
Rajkot	420.92	481.91	545.02	600.20	625.23	636.10	685.81	743.89	801.01	795.13	633.52
Surat	1310.52	1473.66	1625.56	2037.87	3086.92	4512.05	5934.49	6199.46	3232.18	644.12	3005.68

The table no 5.15 shows that average interest accrued on deposits and borrowings is highest in case of Kalupur co-operative bank that amount to Rs. 4919.03 lakhs and lowest belongs to the Modasa nagrik sahakari bank, which is Rs.23.42 lakhs. It is significant to note that average interest payable for all banks under study has decreased since last 2-3 years except in case of The Mehsana urban co-operative bank.