FINANCIAL IMPACT OF URBAN CO-OPEРАIVE BANK SUPPORT ON MSME IN PERIYAKULAM

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ABSTRACT

Urban Co-operative banks play an important role in meeting the growing credit needs of urban and semi-urban areas of the country. They have traditionally concentrated on retail services, providing credit to consumers, retail traders and professionals, self employed and small and medium sized enterprises. The most significant development related to UCBs was the extension of certain provisions of banking Regulation Act, 1949 to the cooperative societies in 1966 after that which the cooperative banks also got the benefit of deposit insurance schemes. Urban co-operative bank is a financial entity which belongs to its members, who are at the same time the owners and the customers of their banks. The cooperative banks are often created by persons belonging to the same local or professional community or sharing a common interest. The cooperative banks generally provide their members with a wide range of banking and financial services (loans, deposits, banking accounts). This study is based on primary data. The census method was used for collecting the data. The data has been collected from 200 respondents, 50 respondents were taking business loan, 118 respondents were taking self-help group loan and 32 respondents were taking home loan. The present paper attempts to examine the financial impact of urban co-operative bank support on micro small & medium Enterprises in Periyakulam by using t-test.

Keywords: Urban Co-operative bank, Loans, Customer satisfaction. MSME,

1. INTRODUCTION:

The cooperative banks in India have a history of almost 100 years. The origin of the urban cooperative banking movement in India can be traced to the close of nineteenth century when, inspired by the success of the experiments related to the cooperative movement in Britain and the cooperative credit movement in Germany such societies were set up in India. The cooperative societies are based on the principles of cooperation, mutual help, democratic decision making and open membership. The cooperatives represented a new and alternative approach to organization as against proprietary firms, partnership firms and joint stock companies which represent the dominant form of commercial organization.
The cooperative banks are an important constituent of the Indian financial system. The cooperative movement originated in the west, but the importance such banks have assumed in India is rarely paralleled anywhere else in the world. The cooperative banks in India are registered under the Co-operative Societies Act. The cooperative banks are also regulated by the Reserve Bank of India. They are governed by the Banking Regulations Act 1949 and Bank in Laws (Co-operative Societies) Act, 1965. These banks were conceived as substitutes for moneylenders.

A feature of the urban banking movement has been its heterogeneous character and its uneven geographical spread with most of the banks concentrated in the states of Gujarat, Karnataka, Maharashtra, and Tamil Nadu. While most of the banks are unit banks without any branch network, some of the large banks have established their presence in many states when at their behest multi-state banking was allowed in 1985. The large size banks are also authorized dealers in foreign exchange.

2. STATEMENT OF THE PROBLEM:

Co-operative is not even a free choice; it is necessity in a developing country like India, where a small minority enjoys excessive richness; while a vast majority has a hand to mouth existence. No economic program in the sector of an economy had been characterized by sharp dualism of various sorts. Hoping to succeed in a significant measure, unless small scattered and weak economic units are organized on co-operative principles, this has been amply demonstrated in the history of a number of developing countries like Europe and elsewhere. Thus this study on Indian co-operative banking assumes importance.

An in-depth study of the Urban Co-operative Bank has its own practical utility. The study is bound to highlight the strengths and weakness of the urban co-operative banks. It will pave the way for overcoming the shortcomings through the study. The study is socially relevant and hence useful to the society. Hence the present study has been undertaken to evaluate the various problems encountered by the customers, their attitude to UCB support and the impact of such support.

3. OBJECTIVES OF THE STUDY

1) To measure the financial impact of UCB support on MSME.

4. PERIOD OF THE STUDY

The primary data were collected from the respondents directly from the month of August 2019 to March 2020.

5. TOOLS OF ANALYSIS

To analyse the impact of urban co-operative bank t-test was applied. For applying t test nine variables such as, plant and machinery, building, working capital, vehicles, indigenous raw materials, capacity utilisation, furniture, production, sales, profits were taken based on difference of mean, as the
number of respondents were more than 30. The significance of each variable was found by using the formula

\[ t = \frac{d\sqrt{n}}{S} \]

\[ \bar{d} = \frac{\sum d}{n} \]

\[ S = \frac{\sqrt{\sum d^2 - n(\bar{d})^2}}{n - 1} \]

\( d \) = Difference between the amount of variable before and after getting support

\( \bar{d} \) = the mean of the difference

\( S \) = Standard deviation of differences

\( n \) = Sample size (50)

6. MEASUREMENT OF VARIABLES FOR BUSINESS LOAN

The effective quantitative change in each variable before and after getting support from UCB was analysed with the help of hypotheses. Which were duly tested by using ‘t’ statistics on variables like value of the plant and machinery, building, the value of tools used, value of the vehicles of the industry, value of the raw materials kept in the business, value of finished goods stored in the business, production by the respondents, the sales effected, the capacity utilisation of the respondents, the total amount of working capital of the business and the profits in the business of the respondents have not significantly increased after getting support from the UCB.

6.1 CHANGE IN AVERAGE VALUE OF MACHINERY

Machinery is one of the important fixed assets in industries. Large portion of the fixed capital is used to purchase the machinery. Machinery is installed to convert the raw material into finished goods. Machinery which is required for the manufacture of a product is obtainable from inside and outside of the country. In some cases machinery is got fabricated, while in others, second hand machinery is considered suitable.

The validity of the above statement was tested with the help of test of significance (-t-test) and the results are presented in Table 1.
It is evident from the Table 1 that the apparent increase in the value of the machinery of the industry after getting support compared to that one before getting support is statistically significant as the calculated ‘t’ value (2.906) is greater than its corresponding table value (2.58) at one percent level. Therefore the null hypothesis is rejected. Hence it may be concluded that due to the UCB support, the value of the machinery of the industry has substantially increased.

6.2 CHANGE IN AVERAGE VALUE OF THE BUILDING

Building includes factory premises and sheds, office block, storage space for raw materials, and finished goods required for an industrial enterprise. They are building according to the plans approved by the local bodies and such other agency which regulate the setting up particular type of industries.

To find out the validity of the validity of the above statement, test of significance (t-test) was applied and the results are presented in Table 2

<table>
<thead>
<tr>
<th>S.No</th>
<th>Period</th>
<th>Rs</th>
<th>Percentage</th>
<th>“t”</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Before Getting Support From the UCB</td>
<td>1466128.20</td>
<td>+89.28</td>
<td>2.906**</td>
</tr>
<tr>
<td>2</td>
<td>After Getting Support From the UCB</td>
<td>2775192.30</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data

**Significant at one per cent level

Table value 2.58

It could be observed from Table 2 that the apparent in the value of the building of the industry after getting support compared to that one before getting support is statistically significant as the calculated ‘t’ value (5.861) is greater than its corresponding table value (2.58) at one percent level. Therefore the null
hypothesis is rejected. Hence it may be concluded that UCB helped the industries to purchase and remodel
the building.

6.3 CHANGE IN THE AVERAGE AMOUNT OF WORKING CAPITAL

Working capital is the Amount of fund which is required for its day to day operations. It is short term
finance. It is utilized to purchase raw materials, inventories, spare parts and payment of wages. It is required
for running the business; it is raised out of one’s own funds and short term loans in the form of cash credit
and overdraft from the UCB.

To find out the validity of the above statement, test of significance (t-test) was applied and the results
are presented in Table 3.

Table 3 Change in the Average Values of Working Capital - Test of Significance

<table>
<thead>
<tr>
<th>S.No</th>
<th>Period</th>
<th>Rs</th>
<th>Percentage</th>
<th>“t”</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Before Getting Support From the UCB</td>
<td>1556830.00</td>
<td>+47.97</td>
<td>6.989**</td>
</tr>
<tr>
<td>2</td>
<td>After Getting Support From the UCB</td>
<td>2303783.30</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data

**Significant at one per cent level

Table value 2.58

It is evident from the Table 3 that the apparent increase in the value of working capital of the
industry after getting support was compared to that one before getting support is statistically significant as
the calculated ‘t’ value (6.989) is greater than its corresponding table value (2.58) at one percent level.
Therefore, the null hypothesis is rejected. Hence, it may be concluded that due to the UCB support. The
amount of the working capital of the industry has substantially increased.

6.4 CHANGE IN AVERAGE VALUE OF THE VEHICLES

Vehicles are used in conveyance or transportation. These are bough for transporting raw materials,
finished goods, spare and the like. Mostly the vehicle is purchased by the industry to transport the raw
material from the place of availability to the place of consumption at a minimum transport cost. The value
of vehicle of the industry was collected for both before and after support from the UCB and are presented in
Table 4

To verify the validity of the above statement test of significance (t-test) was applied and the results
are presented in Table 4
Table 4 Change in Average Value of Vehicle - Test of Significance

<table>
<thead>
<tr>
<th>S.No</th>
<th>Period</th>
<th>Rs</th>
<th>Percentage</th>
<th>“t”</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Before Getting Support From the UCB</td>
<td>1123557.70</td>
<td>+103.70</td>
<td>4.032**</td>
</tr>
<tr>
<td>2</td>
<td>After Getting Support From the UCB</td>
<td>2288701.90</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data

**Significant at one per cent level

Table value 2.58

It is evident from the Table 4 that the apparent increase in the value of vehicle of the industry after getting support was compared with one before getting support is statistically significant as the calculated ‘t’ value (4.032) is greater than is corresponding table value (2.58) at one percent level. Therefore, the null hypothesis is rejected. Hence, it may be concluded that due to the UCB support, the value of the vehicle of the industry has substantially increased.

6.5 CHANGE IN THE AVERAGE VALUE OF THE INDIGENOUS RAW MATERIALS

Raw material is inevitable for production. The availability of the raw material has been a great problem in small scale unit. Some of them chronically in short supply; some are very scarce at times and abundant at others; and there are great price variations. In view of the serious shortage of raw materials, the industry keeps indigenous raw materials for their continuous flow of production.

To find out the validity of the above statement, test of significance (t-test) was applied and the result are presented in Table 5.

Table 5 Change in Average Value of the Indigenous Raw material - Test of significance

<table>
<thead>
<tr>
<th>S.No</th>
<th>Period</th>
<th>Rs</th>
<th>Percentage</th>
<th>“t”</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Before Getting Support From the UCB</td>
<td>1038000.00</td>
<td>+23.91</td>
<td>5.025**</td>
</tr>
<tr>
<td>2</td>
<td>After Getting Support From the UCB</td>
<td>1286210.00</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data

**Significant at one per cent level

Table value 2.58
From the Table 5 it could be observed that the apparent increase in the value of indigenous raw material of the industry after getting support compared with one before getting support is statistically significant as the calculated ‘t’ value (5.025) is greater than its corresponding table value (2.58) at one percent level. Therefore, the null hypothesis is rejected. Hence, it may be concluded that due to the UCB support, the value of the indigenous raw material of the industry has substantially increased.

6.6 THE CHANGE OF THE PERCENTAGE IN CAPACITY UTILIZATION

Capacity Utilization refers to the extent to which an enterprise actually used its installed productive capacity. Thus it refers to the relationship between the actual output that ‘is’ produced with the installed equipment and the potential output which ‘could’ be produced with it, if capacity was fully used, Implicitly the capacity utilization is also an indicator of how efficiently the factors of production is being used. The capacity utilization is estimated on present-enterprise performance, prevailing market conditions, competitive atmosphere and the technical snags. Profits of an industry mainly depend on the utilization capacity of the industry. All the factors of production must be utilized to the maximum extent without being kept idle.

The validity of the above statement was tested with the help of test of significance (t-test) and the result are presented in Table 6

Table 6 Change in percentage of Capacity Utilization - Test of significance

<table>
<thead>
<tr>
<th>S.No</th>
<th>Period</th>
<th>Rs</th>
<th>Percentage</th>
<th>“t”</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Before Getting Support From the UCB</td>
<td>73.64</td>
<td>+27.71</td>
<td>88.220**</td>
</tr>
<tr>
<td>2</td>
<td>After Getting Support From the UCB</td>
<td>94.06</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data

**Significant at one per cent level

Table value 2.58

It is evident from the Table 6 that the apparent increase in the percentage of capacity utilization of the industry after getting support compared to that one before getting support is statistically significant as the calculated ‘t’ value (88.220) is greater than its corresponding table value (2.58) at one percent level. Therefore the null hypothesis is rejected. Hence it may be concluded that the percentage of capacity utilization may be increased due to the support of the UCB.
6.7 CHANGE PERCENTAGE OF PRODUCTION

The performance of the industry is measured in terms of production. The four factors of production namely raw materials, labor, capital and organization are directed towards are achievements of production. In order to ensure the continuous flow of production, the industry maintains sufficient amount of raw materials. In addition, industry keeps the amount of cash to pay wages, overdraft and meet its other obligations during the process of production.

To find out the validity of the above statement test of significance (t-test) was applied and the results are presented in table 7

<table>
<thead>
<tr>
<th>S.No</th>
<th>Period</th>
<th>Rs</th>
<th>Percentage</th>
<th>“t”</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Before Getting Support From the UCB</td>
<td>7415837.60</td>
<td>+43.03</td>
<td>7.533**</td>
</tr>
<tr>
<td>2</td>
<td>After Getting Support From the UCB</td>
<td>10607360.00</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data

**Significant at one per cent level

Table value 2.58

It is evident from Table 7 that the apparent increase in the production of the industry after getting support when compared to that one before getting support is statistically significant as the calculated ‘t’ value (7.533) is greater than its corresponding table (2.58) at one per cent level. Therefore the null hypothesis is rejected. Hence it may be concluded that UCB helped the industry to increase the production of the industry.

6.8 CHANGE IN AVERAGE SALES

Sale is an important function in the business. The profile of the industry mainly depends on the sales. Production will be increased, if sales are performed simultaneously. The main aim of any business is to earn huge profits by making sale. In order to increase the sale volume, the industry maintains sufficient volume of stock of finished goods. To increase the sales volume demand must be created. The entrepreneurs spend large amount of money for advertisement and sales promotional activities as they increase the sales volume of the products. Besides an industry may extent credit facilities to its all customer? Hence mass production is possible. This leads to reduction in the cost of production.

The validity of the above statement was tested with the help of test of significance (t-test) and the results are presented in Table 8
Table 8 Change in Average Sales - Test of Significance

<table>
<thead>
<tr>
<th>S.No</th>
<th>Period</th>
<th>Rs</th>
<th>Percentage</th>
<th>“t”</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Before Getting Support From the UCB</td>
<td>4666306.70</td>
<td>+40.54</td>
<td>8.878**</td>
</tr>
<tr>
<td>2</td>
<td>After Getting Support From the UCB</td>
<td>6558416.70</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data

**Significant at one per cent level

Table value 2.58

From the table 8 it could be observed that the apparent increase in the value of sales after getting support when compared to that one before getting support is statistically significant as the calculated ‘t’ value (8.878) is greater than its corresponding table value (2.58) at one per cent level. Therefore the null hypothesis is rejected. Hence it may be concluded that due to the UCB, the sales of the industry was substantially increased.

6.9 CHANGE IN AVERAGE PROFITS

The primary objective of business is to produce and sell goods for profits to fulfill human wants. A business which does not earn profits cannot stay in the market for a longer period. The income of enterprise, therefore, must exceed expenditure over a period of time. Profits are necessary for the enterprise to ensure its own survival, growth and expansion. The business enterprise should work for reasonable profits which should cover its own future risk. If the profits are made by over-charging customers, indulging in malpractices such as hoarding black -市场营销, smuggling, it will be against the ethics of business.

To find out the validity of the above statements, test of significance (t-test) was applied and the results are presented in Table 9

Table 9 Change in Average Profits

<table>
<thead>
<tr>
<th>S.No</th>
<th>Period</th>
<th>Rs</th>
<th>Percentage</th>
<th>“t”</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Before Getting Support From the UCB</td>
<td>506900.00</td>
<td>+22.72</td>
<td>19.287**</td>
</tr>
<tr>
<td>2</td>
<td>After Getting Support From the UCB</td>
<td>622070.00</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data

**Significant at one per cent level

Table value 2.58
It is found from the Table 9 that the apparent increase in the profits of the industry after getting support compared to that one before getting support is statistically significant as the calculated ‘t’ value (19.287) is greater than its corresponding table value (2.58) at one per cent level. Therefore, the null hypothesis is rejected. Hence it may be concluded that due to the UCB support the profits of the industry has been increased.

7. SUGGESTIONS

- RBI should identify the places without bank facilities and help the people in those places to have a branch of urban cooperative banks.
- Semi-urban and rural area customers must be educated periodically by the urban cooperative banks to realize the importance of getting loan from urban co-operative bank at low rate of interest.
- The State and Central Government should co-operate all the urban cooperative banks to educate the banking habits among the people of India and to express their transparency of functions and operations.
- The successful credit operations can be achieved with the cooperation of the customers. The urban cooperative banks should transparently express the availability of the loans and documents demanded. This would help the customers to avail the loans without any procedural delays.
- The industrial sector must be intensely monitored by the urban cooperative banks and help the industrial sector by disbursing the loans as per the direction of RBI, State and Central Governments without any delay.

8. CONCLUSION

The Financial impact of urban co-operative bank support on customers was measured by the extent of increase or decrease in the selected nine variables before and after getting support from the UCB. The effective quantitative change in each variable was analyzed and tested. All the variables consisting of plant and machinery, building, working capital, vehicles, Indigenous raw materials, capacity utilization, production, sales and profits of the industries significantly increased.

REFERENCE