# Deciphering Financial Strength: Evaluating Urban Cooperative Banks in India through the CAMEL Model

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## ABSTRACT

*Urban Cooperative Banks (UCBs) are vital to India's banking sector, especially in urban and semi-urban areas. Evaluating their financial performance is essential to understand their economic contribution. This study assesses UCBs' financial performance over a specified period, identifying key indicators and trends influencing their operations. The main objective of this study is to evaluate the financial performance of Urban Cooperative Banks (UCBs) in India from 2020-21 to December 2022. It seeks to identify and quantify key indicators that act as benchmarks for assessing UCB performance. Furthermore, the study utilizes the CAMEL model calculations to analyze these banks' financial frameworks across India.*

*This research employs a quantitative methodology, drawing on data from the Reserve Bank of India (RBI) and Urban Cooperative Banks (UCBs) financial reports. The CAMEL framework is applied to examine the banks' Capital adequacy, Asset quality, Management efficiency, Earnings potential, Liquidity status, Credit flow to agriculture, and asset expansion to assess their financial progress during the defined timeframe.*

*Findings and Results: It sheds light on the bank's ability to withstand economic challenges, adapt to market changes, and capitalise on expansion opportunities, thereby highlighting its long-term sustainability and potential for development in the evolving financial landscape*

*Practical Implications: Here the researchers proposed study offers practical insights for banking associations, policymakers, investors, and stakeholders in the UCB sector. By identifying financial strengths and weaknesses, this research can guide strategic interventions to enhance UCB's stability and growth.*

**Keywords:** Urban Cooperative Banks (UCBs), Financial Performance, CAMEL Model, Compound Annual Growth Rate (CAGR), The Reserve Bank of India -RBI, Banking Sector India, Financial Indicators, SWOC Analysis, Economic Growth.

## 1. INTRODUCTION:

India's banking sector is undergoing a significant transformation (Asher, M. G. (2007). [1]). Despite this, financial activity in rural areas remains limited. The majority of India's population resides in rural and semi-urban areas, where literacy rates are relatively low (Vikram Mohite, (2008). [2]). In recent years, there has been a rise in the number of banks and financial institutions targeting rural communities, aiming to serve the nation's needs and tap into this substantial, previously underserved market (Soyeliya Usha L, 2013) [3].

Recent high-profile incidents have led to increased scrutiny of banks. The term "financial inclusion" is frequently used to describe India's initiatives to extend financial services to its rural population (Shetty, M. D., (2022). [4]. However, financial inclusion has struggled to take hold, largely due to high levels of debt and pervasive credit manipulation in rural areas (Jyoti Gupta, Suman Jain, (2012). [5]).

Several factors contribute to the lack of financial services, including insufficient financial literacy, inadequate access to services, and poor infrastructure. A major barrier is that many small farmers lack the collateral needed to secure loans (V. M. Tidake, (2016). [6]). Additionally, the inadequate infrastructure hampers banks' ability to establish ATMs and branches. For instance, the Grameen Foundation is developing a peer-to-peer lending model that does not require collateral. Microfinance in India began in the 1950s when small rural enterprises received loans from commercial banks (Shetty, M. D., & Bhat, S., (2022). [7]). UCBs were established in the 1970s to serve rural areas primarily and have been crucial in fostering economic growth and financial inclusion (Haralayya, D., (2021). [8]).

Opening additional branches has achieved two critical goals: providing loans to rural areas and mobilising rural deposits. UCBs are also focused on empowering women in both rural and urban slums, recognizing them as key stakeholders. However, despite the presence of numerous commercial banks and UCBs across India, a significant portion of the population, especially in rural and semi-urban areas, still lacks access to banking services (Shetty, M. D., (2022). [9]). Traditional banks face challenges in reaching the unbanked population, making it difficult for them to extend services widely.

With the rise of new financial institutions and digital banking, traditional banks, including UCBs, are under pressure to compete on growth, cost-efficiency, and accessibility. By promoting financial inclusion, UCBs have the potential to significantly transform India's banking landscape (PATIL, M. M. D., & MAHAVIDYALAYA, P. D. V. P. (2019). [10]).

UCBs can also help reduce the amount of black money in the economy by providing the unbanked and rural populations with access to formal banking channels. UCBs in southern India are among those working to address this issue (Munirajasekhar Bezawada, (2013). [11]). In such a competitive environment, banks must prioritize their financial performance, focusing on growth, sustainability, and high-quality management. The CAMEL model is widely regarded as the most comprehensive tool for evaluating a bank's financial performance, incorporating all significant aspects of a bank's operations. Regulators use the CAMEL model to oversee and manage risks in banks and other financial institutions (Shetty, M. D., (2023). [12]); (N. Ganesan, (2009). [13]); (Sanobar Anjum, (2013). [14]).

## 2. REVIEW OF LITERATURE:

Here the role of banks especially in urban and semi-urban areas plays a vital role. To support the people of tier 2 and tier 3 cities in their business and other agricultural activities UCBs play a major role by providing the required financial support (Biresh K. Sahoo, Jati K. Sengupta, Anandadeep Mandal. (2007). [15]). Many studies have been conducted on UCB's performance, but not much was explored on the CAMEL model and CAGR approach Kathiriya, A. D. (2013). [16].

The provided narrative literature review is a structured and tabulated review of various studies focused on different aspects of banking in India. It includes research on the performance, growth, and practices of different types of banks, including, the Regional Rural Banks (RRBs), Cooperative Banks, and Urban Cooperative Banks (UCBs). Each entry in table number 1 summarizes a specific study, outlining the field of research, focus, outcome/observation, and references taken out from the Google Scholar database to review papers published from 2005- 2023 based on the availability of data and information through different sites.

**Table 1:** Contribution by different scholars

| Sl No | Field of research | Focus | Outcome/Observation | References |
|---|---|---|---|---|
| 1 | Performance evaluation and working conditions | The study focuses on the overall performance of | The study concludes the positive and uptrend growth of | Babu, K. V. S. N. J. (2012). [17] |

| | | | | |
|---|---|---|---|---|
| | of cooperative banks. | cooperative banks. | the cooperative movement. | |
| 3 | Current scenario and prospects of UCB in India | This study purely focuses on UCBs and their current position in terms of fund management | It reveals that the UBCs are doing very positive work in building a nation and have a standard fund management process. | Singh, F., & Singh, B. (2006). [18] |
| 4 | The banking industry in India and its tremendous growth | Talks much about the growth of the banking industry post-LPG, 1991 in India. | It reveals the standard operating procedure followed by Indian banks and how it brings success to their operations. | Shetty, M. D., & Nikhitha, M. K. (2022). [19] |
| 5 | Comparative study of selected RRBs in India | The study focuses on the method of techniques used by banks in analyzing the financial performance of selected RRBs. | It reveals that the models used for the study were very useful and RRBs are doing a tremendous job in bringing development in rural areas. | Aithal, P. S. (2017). [20] |
| 6 | Scheduled Urban Cooperative Banks-The case analysis | The study mainly considers the Indian scheduled banks and their growth in the recent trends. | It concludes that these banks are contributing much towards the Indian economy. | Singh, V. (2013). 21] |
| 7 | Lending practices of Himachal Pradesh Cooperative Banks | The study concentrates and focuses on lending practices and procedures carried down Himachal | The outcome of the study interprets the drastic growth in the cooperative banks in HP. | Kumar, K. (2021) [22] |

| | | | | |
|---|---|---|---|---|
| | | Pradesh cooperative banks | | |
| 8 | Sources and applications of funds at selected UCB in India | This study concentrates much on financial plan and investment avenues of UCB's and their fund management | The outcome of the study proves that outstanding performance of UCB's and their strategy in building the fintech | Nethala, V. J., Pathan, M. F. I., & Sekhar, M. S. C. (2022),.[23] |
| 9 | Current Scenario of State Co-Operative Bank in India and Its' Working Performance | This particular study concentrates on the treasury management of UCBs and their fund diversification part. | It emphasizes the code of conduct the cooperative banks follow in financial discipline and making more profit out of that. | Rajendran, M. P., & Rajkumar, K. P. [24] |
| 10 | Current Scenario of State Co-Operative Bank in India and Its' Working Performance | The study focuses on how banking leads to the economic growth of the country and it also focuses on how it can be achieved. | The cooperative banking growth will lead to the country's economic growth. | Nagi, S.(2019) [25] |

### 2.1 Research Gap:

The study acknowledges that while certain financial indicators are considered, additional factors and analyses could further support the objectives. While observing and evaluating the overall performance offers a general perspective, it may not furnish detailed insights into individual banks. Hence, the CAMEL model's comprehensive assessment criteria, standardized framework, regulatory compliance implications, risk identification capabilities, and role in instilling investor confidence become imperative. Through its structured approach, the CAMEL model ensures consistency and reliability in performance evaluations, facilitating banks in demonstrating regulatory compliance, pinpointing potential risks, and bolstering investor confidence.

### 2.2 Theoretical Background :

This model was designed by FFIEC which is the financial institution of the USAin the year 1979 and now this method is used worldwide. This model helps to elaborate the banking performance and market risk associated with it. This particular model/system has been used for a long back i.e. since 1990 and it is getting updated from time to time as per the standards and requirements.

The CAMEL model is largely used in financial institutions and the accuracy of the particular used model has brought it to another level. The financial effectiveness and permissibility have made the CAMEL model more attractive and widely used too in assessing banking activities. Any wrong decisions, inefficiency and improper fund management will lead to an imbalance in the country's economy (Talla, N. G., Bethapudi, A., & Reddy, G. R. (2013). [26]. this model helps to solve many complex problems and to make the right decisions in terms of fund management and profitability of the financial institutions.

CAMEL approach has a major understanding as below.

1. The higher the capital adequacy ratio better the bank can face the forthcoming losses in the business. So, this analysis helps in identifying banks' capital to challenge the future financial threat.
2. The quality of banking assets is very important in identifying the NPA with which banks are struggling. This calculation aids in determining the overall value of outstanding amounts owed to banks and the risk linked to their non-recovery.
3. Management quality is much required in financial institutions for the long run success, and hence quality work and quality management services are required. Furthermore, the institutions need to adapt to changes in per environment and new regulatory policies.
4. Earnings quality helps to identify the bank's strength to pay back its debts. This demonstrates how well the company generates profits because profits are the source of paying debts.
5. Liquidity of the company deals with the capacity of the company to face commitments and when they are held to maturity. (Shetty, M. D. & Bhat, S. (2024). [27]). Insolvency arises due to a low liquidity position which in turn leads to a big collapse. Meeting the financial obligation is a major survival activity for any financial institution.

## 3. RESEARCH METHODOLOGY :

This study seeks to assess the financial robustness of Urban Cooperative Banks (UCBs) in India by utilizing the CAMEL framework, which includes Capital Adequacy, Asset Quality, Management Efficiency, Earnings, and Liquidity (Ramu, N. (2007). [28]). The research will start with an in-depth literature review on UCBs and the CAMEL framework, followed by data gathering from annual reports, financial statements, and publications from the Reserve Bank of India (RBI). A detailed analysis will be performed to evaluate each aspect of the CAMEL framework, highlighting key financial strengths and vulnerabilities among selected UCBs. This study will offer insights into the financial stability of UCBs. (Aithal, P. S. (2017) [29]). However, certain challenges remain to be addressed, such as the shortage of investment advisors and skilled personnel in these UCBs to manage financial operations.

### 3.1 Objectives :

1) To Assess the Financial Stability of UCBs Using the CAMEL Model:
2) To Compare the Performance of Scheduled and Non-Scheduled UCBs:
3) To Investigate the Impact of UCBs on Agricultural Financing:
4) To Analyze Deposit and Advance Growth Trends in UCBs:

### 3.2 Research Methodology :

| Aspect | Details |
|---|---|
| Sources of Data | Secondary Source – Substantial required data collected from annual reports of selected UCBs operating throughout India. |
| Period of Study | Duration - Financial statements available for years ending 2021 to 2022 with the central bank for financial management in India. |

| | |
|---|---|
| Analytical Framework | - **CAMEL Model**: Detailed methodology for calculating each component of the CAMEL model. |
| | - **Data Analysis Tools:** SPSS (Statistical Package for the Social Sciences). Statistical tools and software used for data analysis. |

## 4. DATA ANALYSIS :

The banking sector in India, particularly Urban Cooperative Banks (UCBs), is instrumental in fostering financial inclusion and supporting rural and semi-rural communities. Despite their dedicated service to local communities, UCBs encounter unique challenges and opportunities in maintaining financial health while fulfilling social objectives. This report aims to appraise the drastic performance of UCBs by analysing various financial indicators and researchers have used CAMEL Financial Analysis on UCBs

The CAMEL financial analysis is a supervisory rating system used primarily by regulatory authorities to gauge the identical soundness of financial institutions, particularly banks. The acronym CAMEL represents five essential aspects of a bank's performance that have been utilized in the data analysis which focuses on key parameters such as

1. Capital Adequacy Ratio (CAR)
2. Asset Quality(AQ)
3. Management Quality(MQ)
4. Earnings Quality(EQ)
5. Liquidity Ratio(LR),
6. Flow of credit towards agriculture and
7. Asset Growth

Each component provides a critical perspective on different aspects of a bank's operations and financial stability. Additionally, trends in asset growth, deposits, and advances growth are examined to illuminate the financial dynamics within the UCB sector. A comparative analysis between Scheduled and Non-Scheduled UCBs across different financial metrics is conducted to identify areas of strength and opportunities for improvement which help in analysing its advantages and benefits to the bank (Aithal, P. S. (2017). [30]). Furthermore, the report will delve into the contribution of UCBs towards agricultural financing and support for rural sectors, comparing it with Regional Rural Banks (RRBs) and Commercial Banks over recent years. (Aithal, P. S., Shailashree, V., & Kumar, P. M. (2015) [31]). By investigating trends in deposits and advances within UCBs, the factors contributing to the decline in deposits are identified, and implications for financial sustainability are evaluated. Through these analyses, the report seeks to gain insights into the financial landscape of UCBs in India and explore implications for their sustainability and growth.

### 4.1 Capital Adequacy Ratio:

According to its definition, Capital Adequacy measures the bank's capital relative to its risk-weighted assets, ensuring the bank has sufficient capital to absorb potential losses and continue operating under adverse conditions. Key ratios include the Common Equity Tier 1 (CET1) ratio, Tier 1 capital ratio, and Total capital ratio. A strong capital base protects depositors and promotes the stability and efficiency of financial systems.

The stability of the financial institution relies on the quality of the capital utilized. If CAR is high, thenshareholders' equity will also be high and hence company can accommodate its financial obligation very easily. This substantial ratio aids in assessing the financial soundness of the banks and the strength of their core capital. Common Equity Tier 1 capital is the one in which the measure of a bank's core capital, which consists of equity (i.e., shareholdings) and retained earnings is calculated. Risk-weighted assets deal with the analysis of measuring the bank's exposure to risk.

**Table 5:** Capital Adequacy Ratio (CAR).

| Sl No | Location | Scheduled UCB (2021) | Scheduled UCB (2022) | Non-scheduled UCB (2021) | Non-scheduled UCB (2022) |
|---|---|---|---|---|---|
| | **Year** | 2021 | 2022 | 2021 | 2022 |
| | **CAR (combined)** | 9.3 | 14.2 | 15.3 | 16.9 |
| 1 | Tier 1 cities | 5.3 | 10.2 | 13.2 | 14.5 |
| 2 | Tier 2 cities | 4.0 | 4.0 | 2.1 | 2.4 |

Source: Offsite returns submitted to RBI all Banks Comments:
The data highlights a clear uptrend in both Scheduled and Non-scheduled Urban Cooperative Banks (UCBs) from 2021 to 2022. Tier 1 cities lead in both categories, reflecting robust financial activity, while Tier 2 cities show growth at a slower pace. Policymakers can target interventions to further develop Tier 2 cities, promoting inclusive economic growth. Notably, Scheduled UCBs exhibit significant improvement and dominance over Non-scheduled UCBs, contributing to a positive Capital Adequacy Ratio (CAR) for combined UCBs in both city tiers. Overall, the data suggests a favourable outlook for the urban banking sector, with strengthened financial positions and capital adequacy.

### 4.2 Asset Quality :

According to its definition, Asset Quality assesses the quality of the bank's assets, particularly its loan portfolio, and its exposure to credit risk. Key ratios include the non-performing loans (NPL) ratio, loan loss reserves to gross loans, and provisions coverage ratio. High asset quality indicates that the bank is less likely to face significant losses from defaults.
This calculation will give a picture of how much the NPA proportion is there against the total loans by the UCBs. It is always better if the banks have a lower ratio which means the loans are at lower risk.

**Table 5:** Asset Quality Ratio.

| Sl. No | Location | Scheduled UCB (2021) | Scheduled UCB (2022) | Non-scheduled UCB (2021) | Non-scheduled UCB (2022) |
|---|---|---|---|---|---|
| | **Year** | 2021 | 2022 | 2021 | 2022 |
| **AQ (combined)** | | 2.28 | 2.54 | 2.20 | 2.05 |
| 1 | Tier 1 cities | 1.80 | 2.10 | 1.30 | 1.85 |
| 2 | Tier 2 cities | 0.48 | 0.44 | 0.90 | 0.20 |

The table presents data on Scheduled and Non-scheduled Urban Cooperative Banks (UCBs)
for the years 2021 and 2022, categorized by location and type. Overall, there's a notable increase in Scheduled UCBs from 2021 to 2022, with Tier 1 cities leading the growth. However, Non-scheduled UCBs show a mixed trend, with Tier 1 cities experiencing an increase while Tier 2 cities exhibit a decrease. This suggests that while Tier 1 cities continue to drive the expansion of UCBs, Tier 2 cities face challenges or changes in their UCB landscape. The analysis shows a clear picture that Non-scheduled USBs have a good asset quality, This consequently implies they have fewer NPA when compared to Scheduled banks. However, further analysis could explore the factors influencing these variations and inform targeted interventions for balanced UCB development across different urban centres.

### 4.3 Management Quality:

According to its definition, Management Quality evaluates the competence, experience, and effectiveness of the bank's management team. Key indicators include strategic planning, risk governance practices, compliance controls, and regulatory compliance. Strong management is crucial for making sound strategic decisions and maintaining operational efficiency.

This particular ratio talks about the total advances to total deposits of the UCBs. It points out the efficiency of the management in terms of managing the funds available with the bank. A higher value determines that the bank has good potential management to use its assets and make more income out of it.

**Table 5:** Management Quality.

| Sl No | Location | Scheduled UCB | | Non-scheduled UCB | |
|---|---|---|---|---|---|
| | Year | 2021 | 2022 | 2021 | 2022 |
| | MQ (combined) | 67% | 81% | 70% | 86% |
| 1 | Tier 1 cities | 43 % | 53 % | 41 % | 60 % |
| 2 | Tier 2 cities | 24 % | 29 % | 29 % | 26 % |

(Source: Compiled by the researcher)

The table offers insights into the performance of both Scheduled and Non-scheduled Urban Cooperative Banks (UCBs) across various city tiers for 2021 and 2022. Overall, there's a notable increase in UCB penetration rates over the two years, with Tier 1 cities leading in UCB penetration. Both Scheduled and Non-scheduled UCBs exhibit positive growth, indicating enhancements in their quality of work and income generation capabilities. Despite a slightly slower pace, Tier 2 cities also experience growth. These findings suggest an overall improvement in UCB accessibility and usage, reflecting positive developments in urban banking infrastructure and financial inclusion efforts.

### 4.4 Earnings Quality :

| Sl No | Location | Scheduled UCB | | Non-scheduled UCB | |
|---|---|---|---|---|---|
| | Year | 2021 | 2022 | 2021 | 2022 |
| | EQR (combined) | 1.48 | 2.01 | 1.83 | 2.15 |
| 1 | Tier 1 cities | 0.80 | 1.50 | 1.23 | 1.65 |
| 2 | Tier 2 cities | 0.68 | 0.51 | 0.60 | 0.50 |

(Source: Compiled by the researcher)

According to its definition, Earnings examine the bank's ability to generate consistent and sustainable profits. Important ratios encompass Return on Assets (ROA), Return on Equity (ROE), and Net Interest Margin (NIM). Healthy earnings provide the bank with the capacity to grow, invest, and absorb losses. The analysis of the Earnings Quality Ratio (EQR) indicates an overall improvement for Urban Cooperative Banks (UCBs) from 2021 to 2022. Scheduled UCBs saw their combined EQR rise from 1.48 to 2.01, while non-scheduled UCBs' EQR increased from 1.83 to 2.15, suggesting enhanced earnings sustainability.

In Tier 1 cities, the EQR for scheduled UCBs improved from 0.80 to 1.50, and for non-scheduled UCBs, it rose from 1.23 to 1.65, indicating better operational efficiency. Conversely, in Tier 2 cities, the EQR for scheduled UCBs declined from 0.68 to 0.51, and for non-scheduled UCBs, it decreased from 0.60 to 0.50, highlighting difficulties in maintaining earnings quality in these smaller urban areas. These results reflect the productivity and contributions of bank employees, and the increasing net margin signifies a positive financial position. As usual, the exponential performance of UCBs in Tier 1 cities in values of generating net margin remains impressive.

### 4.5 Liquidity Ratio :

Liquidity, by definition, evaluates the bank's capability to fulfil its short-term liabilities and manage cash flow effectively. Important ratios include the Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR), and the loan-to-deposit ratio. Sufficient liquidity guarantees that the bank can meet withdrawal requests and other financial obligations without suffering substantial losses. This ratio reflects the ability of UCBs to meet shortterm obligations. It serves as a comprehensive indicator of the UCB's overall liquidity status, with the Quick Ratio being the most commonly used metric.

**Table 7:** Liquidity Ratio (LR)

| Sl No | Location | Scheduled UCB | | Non-scheduled UCB | |
|---|---|---|---|---|---|
| | Year | 2021 | 2022 | 2021 | 2022 |
| | LR (combined) | 2.48 | 2.94 | 3.50 | 3.89 |
| 1 | Tier 1 cities | 1.80 | 2.10 | 2.10 | 2.45 |
| 2 | Tier 2 cities | 0.68 | 0.84 | 1.40 | 1.44 |

(Source: Compiled by the researcher)

The data reveals that both scheduled and non-scheduled Urban Cooperative Banks (UCBs) saw an increase in their LR/QR ratios from 2021 to 2022, signalling enhanced performance. Non-scheduled UCBs consistently display higher LR ratios compared to their scheduled counterparts. Additionally, Tier 1 cities show higher ratios and more substantial growth than Tier 2 cities, indicating better performance and more favourable conditions in major urban areas. Overall, the liquidity position of both scheduled and non-scheduled UCBs is on a positive trajectory, demonstrating that UCBs are becoming financially stronger in managing their short-term debts.

### 4.6 Flow of credit towards Agriculture:

The researcher aims to investigate the primary objective of cooperative banks, particularly their focus on supporting rural agriculture and small industries. Understanding their proportion of support and investment in the agriculture sector is crucial, considering their initial mandate to aid rural development and small-scale industries.

| Year | Cooperative Banks (%) | RRB's | Commercial Banks ( %) | Total |
|---|---|---|---|---|
| 2015-16 | 16.7 | 13.0 | 70.20 | 100 |
| 2016-17 | 13.4 | 11.6 | 75.0 | |
| 2017-18 | 12.9 | 12.1 | 74.9 | |
| 2018-19 | 12.1 | 11.9 | 76.0 | |
| 2019-20 | 11.3 | 11.9 | 76.8 | |
| 2020-21 | 12.1 | 12.1 | 75.8 | |
| 2021-22 | 13.0 | 11.0 | 76.0 | |

Source: Data submitted to NABARD (official RBI)

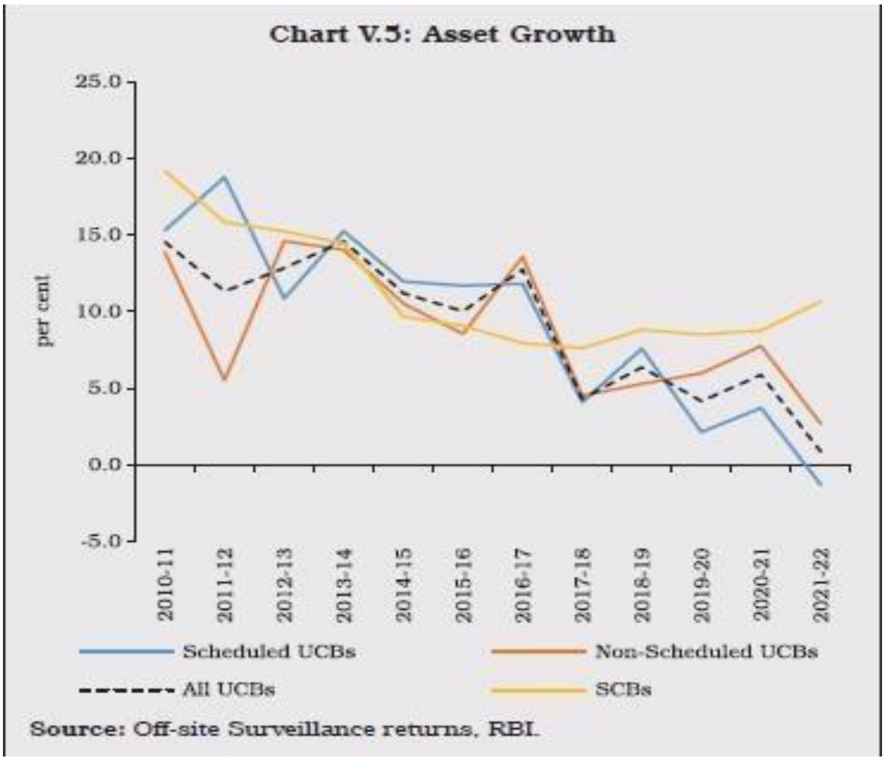
The table depicts the allocation of market share among Cooperative Banks, Regional Rural Banks (RRBs), and Commercial Banks from the financial years 2015-16 to 2021-22. Over this period, there's a noticeable fluctuation in market share percentages. Cooperative Banks started at 16.7% in 2015-16 and saw a gradual decline until 2019-20, where they stood at 11.3%, before picking up slightly to 12.1% in 2020-21 and further to 13.0% in 2021-22. RRBs started at 13.0% in 2015-16, and declined to 11.0% in 2021-22, showing a fluctuating trend. Conversely, Commercial Banks began at 70.2% in 2015-16 and maintained a relatively stable share over the years, ending at 76.0% in 2021-22. These figures indicate varying market dynamics and competitive landscapes among different banking sectors over the observed period.

So, the data suggests that Commercial Banks have maintained a stable market share of around 70-76% over the observed period. However, Cooperative Banks and Regional Rural Banks (RRBs) have experienced fluctuations, with Cooperative Banks declining from 16.7% in 2015- 16 to 11.3% in 2019-20 before a slight recovery, and RRBs declining from 13.0% to 11.0% by 2021-22. These trends indicate potential challenges for Cooperative Banks and RRBs in maintaining competitiveness. To remain relevant, they may need to focus on enhancing digital capabilities and adopting customer-centric approaches.

### 4.7 Asset Growth :

When we look into the balance sheet of the UCBs in comparison with SCB the data analysis gives a negative picture for a few years concerning scheduled UCBs. The growth in the SCBs is very drastic and impresses the investors. Even the CAGR growth from 2014-15 to 2021-22 is just 4.75 % which is the lowest in the records.

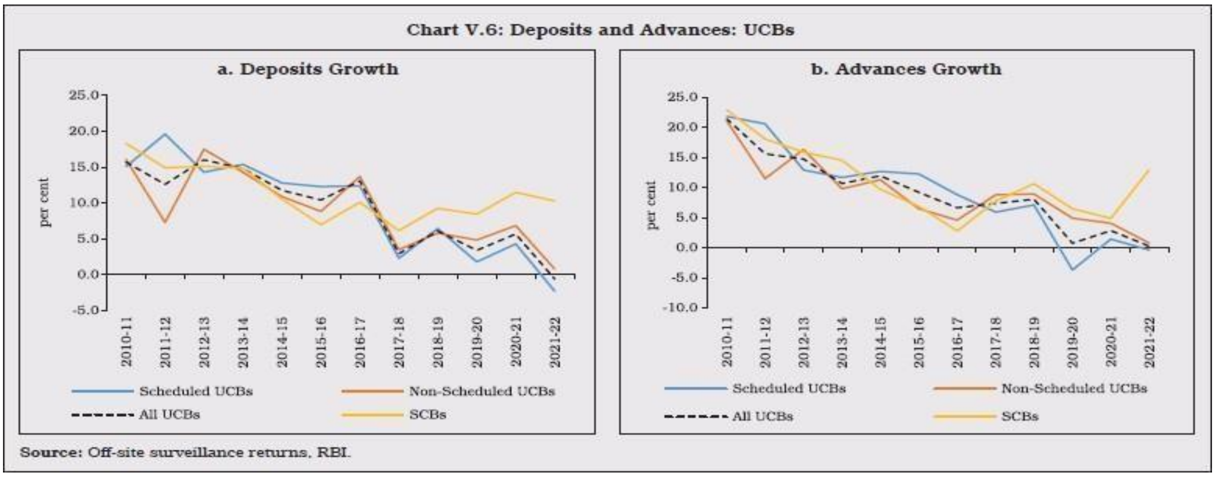
**Figure 1 :** Chart showing Asset Growth




### 4.8 Deposits and Advances Growth :

Banks' financial statements look attractive only when the bank advances and deposits go hand in hand. Banks can make a profit only when they have fewer NPAs and strong customer service. Here the researcher wanted to study how these USBs compete with SCBs in terms of Deposits and Advances.

**Figure 2:** Chart showing Deposits and Advances growth of UCBs




There is a drastic fall in deposits when it comes to UCB's year by year. This happens for many reasons, as we are aware that these banks do not work for a profit matrix. Their main agenda is to provide financial needs to the needy people in rural and semi-rural areas. Since these banks do not offer high returns on investment for customers and they cannot lend more money on advances, the attraction towards these banks is quite less as reported in the above calculations.

## 5. OVERALL PERFORMANCE AND FINDINGS:

After the basic study conducted on the Indian UCB, it was observed that these banks have enormous opportunities to perform well in terms of finance and investments [32]. However, there were a few standard findings observed in the study which is listed below.

• These banks have enough capital for their operating activities; however, utilization of funds was quite decent and aggregate. (8.1).
• These banks have decent NPA when it comes to their loans and advances. It has a decent number and this is because of their strict guidelines and procedures at each branch level (8.2).
• The management looks quite effective in terms of diversifying the funds in different activities so that banks will earn more profit. (8.3).
• Comparatively the number of non-scheduled banks is higher and the earnings ratio is also good in these banks compared to the scheduled ones (8.4).
• These banks have got good liquidity position as they maintain proper records and discipline in their investments (8.5) and (9).
• Their lending practice is quite low compared to SCB which is trying to capture the entire market through their attractive products. (11).

## 6. DISCUSSIONS AND SUGGESTIONS :

Examining Urban Cooperative Banks (UCBs) in India with the CAMEL model provides valuable insights into their performance across several parameters: Capital Adequacy, Asset Quality, Management Quality, Earnings Quality, and Liquidity. The results emphasize the differences in performance between Scheduled UCBs (SUCBs) and Non-Scheduled UCBs (NUCBs), as well as their contributions to agricultural financing and overall asset expansion.

**6.1 Capital Adequacy Ratio (CAR):** The CAR assessment reveals that both SUCBs and NUCBs have exhibited positive growth in their net capital funds, reflecting enhanced financial stability and more robust core capital [33]. This trend is crucial for ensuring that these banks can fulfil their financial commitments and sustain shareholder trust
**6.2 Asset Quality:** The asset quality data indicates that NUCBs have a lower Non-Performing Asset (NPA) ratio compared to SUCBs, suggesting that NUCBs have better loan management practices and lower credit risk. This lower NPA ratio is crucial for maintaining financial health and stability, as high NPAs can erode profitability and capital base.

**6.3 Management Quality:** The management quality ratios, which measure the efficiency of using deposits to generate advances, show improvement over the years for both SUCBs and NUCBs [34-37]). This improvement reflects better management practices and the potential to generate higher income from available assets.

**6.4 Earnings Quality:** The net margin ratios indicate that UCBs, particularly those in Tier 1 cities, have shown significant growth in earnings. This growth reflects the productivity and effectiveness of the bank staff in generating revenue and improving the financial standing of the banks.

**6.5 Liquidity:** The liquidity ratios demonstrate a positive trend, with both SUCBs and NUCBs showing strong liquidity positions. This strength is vital for meeting short-term obligations and ensuring overall financial stability.

**6.6 Flow of Credit towards Agriculture:** The data on credit flow towards agriculture reveals that UCBs have consistently contributed a significant portion of their credit to the agricultural sector. (Karunakaran, N. (2020). [38]. However, this contribution has seen a declining trend over the years, highlighting a potential area for policy intervention to reinforce UCBs' role in supporting rural agriculture.

**6.7 Asset Growth:** The asset growth comparison between UCBs and Scheduled Commercial Banks (SCBs) shows that UCBs have lagged in terms of growth rate. The lower CAGR growth of UCBs indicates challenges in expanding their asset base and attracting investments.

**6.8 Deposits and Advances Growth:** The decline in deposits for UCBs suggests a need for strategic initiatives to attract more customers and enhance their deposit base. The limited attraction towards UCBs due to lower returns and conservative lending practices underscores the necessity for creative financial solutions and services.

## 7. SUGGESTIONS :

The study aimed to understand how UCBs contribute to the country’s overall economic progress and rural development. Despite efforts by these Urban Cooperative Banks to enhance their performance in recent years, they remain ranked among the lowest. The outcomes, though, are not particularly promising. The bank's expansion and financial performance have lagged behind those of its competitors. They must improve their performance if they are to promote general growth and productivity. It must take several actions to raise its level of performance. The bank ought to concentrate on expanding its presence in rural regions. It ought to concentrate on credit deployment more effectively as well.

## 8. CONCLUSION AND SCOPE FOR FUTURE WORK :

The banking sector has experienced substantial transformations over the past two decades, necessitating a comprehensive evaluation of Urban Cooperative Banks' (UCBs) productivity at both the branch and personnel levels. Assessing productivity is crucial for pinpointing areas that need improvement and making necessary adjustments to ensure efficient and effective operations. This research seeks to evaluate the overall performance of UCBs in India using the CAMEL model, a wellestablished framework for assessing banks' financial health. By analyzing data from financial statements sourced from the RBI and other official channels, this study employs the CAMEL model to offer insights into UCBs' performance. Regulators use this model to assess financial stability and detect potential risks. By comparing CAMEL ratings across two years, this study aims to equip decision-makers with clear and actionable strategies to address challenges and leverage opportunities for UCBs.

### Scope for Future Work

Future research on Urban Cooperative Banks (UCBs) in India could delve into several critical areas, including the effects of regulatory changes, technological advancements, regional variances, customer perceptions, and sustainability practices. Investigating how shifts in regulations impact UCBs and uncovering potential areas for policy improvement is essential. Furthermore, examining the influence of technological integration, disparities in performance across different regions, customer preferences, and the adoption of sustainable banking practices can yield valuable insights. These insights can help in enhancing UCBs’ operational effectiveness and their broader societal impact.

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