

Study on Profitability Performance of Uthamapalayam Urban Cooperative Bank

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Abstract-- Urban Cooperative Banks (UCBs) play a vital role in providing financial services to urban and semi-urban populations in India. This study examines the profitability performance of Uthamapalayam Urban Cooperative Bank Ltd. over an eleven-year period from 2013–14 to 2023–24. Using secondary data sourced from bank records, annual reports, RBI publications, and related financial documents, the study analyses income and expenditure patterns, profitability trends, and key financial ratios.

The findings reveal that interest income remains the primary source of revenue, consistently contributing more than 94 per cent of total income, indicating limited revenue diversification. Although total expenses have generally declined, operating and other expenses have increased significantly in recent years. Net profit has shown considerable fluctuations, highlighting the need for improved financial planning and risk management. The interest rate spread remained positive, while the yield on advances showed a declining trend. The Credit-Deposit ratio and cost of deposits reflected moderate improvement in recent years.

The study concludes that while the bank has demonstrated resilience and growth potential, strategic measures such as revenue diversification, cost control, enhanced lending policies, and strengthened risk management are essential for ensuring sustained profitability and long-term financial stability.

Keywords-- Urban Cooperative Banks, Profitability Analysis, Income and Expenditure, Financial Performance, Credit-Deposit Ratio, Risk Management, Uthamapalayam Urban Bank

I. INTRODUCTION

Urban Cooperative Banks (UCBs) in India function under the regulatory supervision of the Reserve Bank of India (RBI) in accordance with the provisions of the Banking Regulation Act, 1949. They are required to comply with a comprehensive framework of prudential norms, regulations, and guidelines issued by the RBI to maintain financial stability and operational soundness. UCBs are governed by a Board of Directors elected by their members, following the cooperative principle of democratic control, where each member enjoys equal voting rights.

UCBs primarily serve the financial needs of urban and semi-urban populations. Registered as cooperative institutions, they are owned and managed by their members. These banks provide a wide range of banking services, including deposit facilities, credit services, remittance facilities, and other financial products. UCBs play a vital role in catering to the banking requirements of individuals, small businesses, and local communities in urban areas.

Statement of the Problem

Developing economies often face the challenge of inefficient utilisation of their available resources. Among these, capital is the most scarce and valuable productive resource. Efficient utilisation of capital accelerates growth rates, reduces production costs, and enhances the overall efficiency of the productive system. In such economies, fixed capital and working capital form the primary components of total capital. While fixed capital investment establishes productive capacity, working capital ensures that this capacity is effectively utilised. Consequently, financial performance analysis holds a crucial role in financial management.

Historically, financial management has focused on long-term financial decisions. This study has been undertaken to recommend suitable strategies for the Uthamapalayam Urban Cooperative Bank to optimise its fund allocation and investment portfolio to improve profitability and overall performance.

Finance is often regarded as the lifeblood of any business. It forms the foundation of every business operation. A financially sound organisation operates smoothly, with profit being its primary objective. The financial position of a business directly influences its profitability, liquidity, and solvency, acting as a benchmark for evaluating the management's competence and efficiency. Poor expenditure control, however, can significantly impact profitability.

Banks, in particular, must generate sufficient income to cover rising funding costs. Profitability is a critical metric for performance, as survival is directly tied to results and efficiency.

This study, therefore, focuses on analysing the profitability performance of the Uthamapalayam Urban Cooperative Bank Ltd. to identify opportunities for improvement and ensure sustainable growth.

II. OBJECTIVES OF THE STUDY

The objectives of the study are as follows:

- ⊕ To analyse the income and expenditure patterns of Uthamapalayam Urban Bank
- ⊕ To analyse the profitability performance of Uthamapalayam Urban Bank.
- ⊕ To offer suggestions based on the findings of the study.

III. METHODOLOGY

The study primarily relies on secondary data. The required data were collected from the office of UTHAMAPALAYAM Urban Cooperative Bank (UCB). Additional data were sourced from various references such as annual reports, occasional papers from NABARD, brochures, press releases, RBI Bulletin, journals, magazines, books, and relevant websites.

Period Of The Study

The profitability analysis of UTHAMAPALAYAM Urban Cooperative Bank is based on data spanning Eleven years, from 2013-2014 to 2023-2024.

Plan Of Analysis

The study employs the following methods for analysis:

- Growth rate
- Ratios
- Coefficient of correlation

IV. LITERATURE REVIEW

Alagu Pandian V. (July 2023) conducted a study titled "*A Study of Income and Expenditure Analysis of Madurai District Central Cooperative Bank*" to analyse income, expenditure, and profits from 2004 to 2018. The study revealed that interest income consistently contributed more than 90 per cent to the total income throughout the study period.

Mallick, S., & Das, S. (2020) explored the relationship between capital sufficiency, management skills, and profitability in India's scheduled urban cooperative banks. The study utilised ratio analysis, multiple regression analysis, arithmetic mean, standard deviation, coefficient of variation, test of significance, and coefficient of correlation.

Their findings suggested that management skill and profitability were negatively correlated, while other factors positively impacted profitability.

Gautam, T. (2022) applied data envelopment analysis to evaluate the efficiency of Urban Cooperative Banks (UCBs), finding that increased involvement in financial inclusion efforts improved bank efficiency.

Haralayya, B. (2021) analysed the Non-Performing Assets (NPA) of UCBs and compared them to ICICI Bank. The study found that UCBs had a significant proportion of NPAs. The researcher emphasised the importance of proper borrower selection and financial evaluations, suggesting that banks must proactively address NPAs.

Ramu, N. (2007) discussed how Urban Cooperative Banks (UCBs) operate in a competitive market alongside commercial banks, successfully applying cooperative principles. He argued that it was unfair to treat UCBs, which serve weaker sections of the population, as comparable to multinational banks focused on maximising shareholder profit.

Alagu Pandian V. (2022) conducted a performance evaluation of the Dindigul District Central Cooperative Bank using the Z-score technique. The study indicated that the bank might face financial difficulties shortly despite a healthy financial position. This analysis highlights the need for a comprehensive approach to financial performance, including trend analysis.

Megha (2015) studied the progress of UCBs in the Mewar region of Rajasthan, focusing on parameters such as branches, membership, share capital, net profit, deposits, loans, and working capital. The study revealed consistent growth in UCBs over five years (2009-2014).

Gaurav Kumar Gupta (2013) analysed the financial performance of a UCB in Lakhimpur Kheri, U.P. His findings showed reasonable growth in advances and deposits but highlighted that the bank's overly cautious lending policy hindered further expansion.

Sanjeevi (2017) assessed the operational and financial performance of UCBs in India, finding that financial performance was comparable between scheduled and non-scheduled banks, but scheduled banks performed better operationally.

Behera (2014) studied corporate governance in UCBs in India, revealing that many UCBs faced low profitability, rising NPAs, and a relatively low capital base. He also noted that political interference in UCBs was a growing concern.

Unny Pandhre (2016) analysed the credit-to-deposit management of cooperative banks in Goa. His study found that the banks had a positive growth trend in branches and membership. However, the mining ban in Goa in 2012 negatively impacted asset quality, deteriorating NPAs and profitability.

Sreekala S. (January 2010) studied asset and liability management in Salem Cooperative Bank. According to the least square method, the study predicted that net profit would increase in the next five years.

Anil Kumar Soni (October 2012) analysed the financial performance of the District Central Cooperative Bank Ltd, Rajnandgaon, using growth rate analysis with 2000 as the base year. The study revealed positive growth in all parameters, with the highest growth rate observed in investments (1229.87%).

Selvaraj N. & Balaji Kumar P. (January 2015) studied the deposit mobilisation patterns of the Dindigul District Central Cooperative Bank. Their study showed a positive trend in total deposits collected between 1995-2010.

Selvaraj N. (March 2015) analysed the financial performance of the Dindigul District Cooperative Bank Ltd. during 1995-2008, concluding that its liquidity position was inadequate to meet its obligations, indicating a need for better financial management.

V. RESEARCH GAP

While numerous studies have been conducted on various aspects of financial performance, income and expenditure analysis, and Urban Cooperative Banks' (UCBs) operational efficiency, there is a clear gap in the comprehensive evaluation of these banks, especially at the district level.

1. *Limited Focus on Profitability and Trends:* Although several studies have examined UCBs' income and expenditure patterns, few have undertaken a long-term profitability analysis incorporating multiple statistical tools to predict future financial health. Most studies focus on short-term analysis and descriptive statistics, lacking a more comprehensive approach, such as trend analysis or predictive modelling, to project the future financial trajectory.
2. *NPA Management and Political Influence:* While there is some research on NPAs and management practices, there is a lack of in-depth studies on how political influence and managerial decisions specifically affect the financial performance of UCBs in different regions.
3. *Comparative Performance Analysis:* There is a need for more comparative studies between UCBs and commercial banks or between different UCBs at the regional level to highlight differences in operational and financial performance, mainly focusing on factors like management skills, capital adequacy, and cost-efficiency.

This research will fill these gaps by providing a detailed and comprehensive analysis of the factors influencing profitability and performance in UCBs, focusing on long-term financial health.

The profitability of Uthamapalayam Urban Bank has been assessed by analysing the composition and growth of its income over the years. The bank's primary revenue source is interest income, consistently contributing over 94%. This highlights the bank's reliance on earnings from loans and advances, with minimal dependence on alternative revenue streams such as fees, commissions, or investment income.



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Table no – 1
Composition of the Total Income of UPM Urban Bank
(Rupees in Lakhs)

Year	Interest Income	Other Income	Total Income
2013-14	144.20 (95.30)	7.11 (4.70)	151.31 (100.00)
2014-15	149.22 (97.81)	3.34 (2.19)	152.56 (100.00)
2015-16	146.65 (96.79)	4.86 (3.21)	151.51 (100.00)
2016-17	136.28 (94.08)	8.57 (5.92)	144.85 (100.00)
2017-18	132.33 (97.51)	3.38 (2.49)	135.71 (100.00)
2018-19	117.70 (97.63)	2.86 (2.37)	120.56 (100.00)
2019-20	112.24 (99.31)	0.78 (0.69)	113.02 (100.00)
2020-21	98.11 (94.24)	6.01 (5.76)	104.12 (100.00)
2021-22	100.34 (97.73)	2.33 (2.27)	102.67 (100.00)
2022-23	123.37 (97.26)	3.47 (2.74)	126.84 (100.00)
2023-24	110.12 (97.66)	2.64 (2.34)	112.76 (100.00)

Source: Annual reports of Uthamapalayam Cooperative Urban Bank Ltd.

Note: The figures in Bracket are Percent to Total

The bank's total income fluctuated from 2013-14 to 2023-24, showing an overall declining trend. The highest recorded income was **Rs. 152.56 lakhs in 2014-15**, while the lowest was **Rs. 102.67 lakhs in 2021-22**.

The proportion of interest income to total income varied, peaking at **99.31% in 2019-20** and declining to its lowest at **94.08% in 2016-17**. This suggests that while interest income remained dominant, its contribution had slight variations.

The highest dependency on interest income (99.31%) in **2019-20** indicates a lack of diversification in revenue streams, making the bank vulnerable to fluctuations in lending activities and interest rates.

Other income, which includes non-interest revenues such as service charges, fees, and commissions, has been relatively low throughout the years.



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The highest recorded other income was **Rs. 8.57 lakhs in 2016-17 (5.92% of total income)**, while the lowest was **Rs. 0.78 lakhs in 2019-20 (0.69%)**.

A declining trend in other income suggests limited efforts in generating revenue from non-traditional banking activities.

Table no – 2
Composition of Total Expenses of UPM Urban Cooperative Bank (Rupees in Lakhs)

Year	Interest Paid	Operating and Other Expenses	Total Expenses
2013-14	92.11 (61.34)	58.05 (38.66)	150.16 (100.00)
2014-15	100.13 (66.58)	50.26 (33.42)	150.39 (100.00)
2015-16	109.01 (73.25)	39.80 (26.75)	148.81 (100.00)
2016-17	104.45 (72.67)	39.28 (27.33)	143.73 (100.00)
2017-18	75.12 (56.30)	58.31 (43.70)	133.43 (100.00)
2018-19	63.49 (54.68)	52.62 (45.32)	116.11 (100.00)
2019-20	59.13 (54.34)	49.69 (45.66)	108.82 (100.00)
2020-21	70.94 (66.55)	35.65 (33.45)	106.59 (100.00)
2021-22	58.88 (58.81)	41.24 (41.19)	100.12 (100.00)
2022-23	63.21 (52.57)	57.04 (47.43)	120.25 (100.00)
2023-24	61.60 (46.01)	72.27 (53.99)	133.87 (100.00)

Source: Annual reports of Uthamapalayam Cooperative Urban Bank Ltd.

Note: The figures in Bracket are Percent to Total

The table presents the composition of total expenses incurred by the Uthamapalayam Cooperative Urban Bank Ltd. over 11 financial years, from 2013-14 to 2023-24. The bank's total expenses are classified into Interest Paid and Operating and Other Expenses, with their respective proportions given in brackets. The share of interest paid as a percentage of total expenses fluctuated. It peaked at 73.25% in 2015-16 and was at its lowest at 46.01% in 2023-24. The proportion of operating and other expenses has increased significantly, from 26.75% in 2015-16 to 53.99% in 2023-24.

The total expenses of the bank showed a general declining trend over the years, from ₹150.16 lakhs in 2013-14 to ₹100.12 lakhs in 2021-22, before slightly increasing again to ₹133.87 lakhs in 2023-24.

The UPM Urban Cooperative Bank has experienced a shift in its cost composition over the study period. The share of interest expenses has declined while operating and other expenses have increased, particularly in recent years. The total expenses have decreased, reflecting controlled cost management or lower financial liabilities. However, the rising operational costs may require strategic interventions to maintain profitability and efficiency in the long run.



Chart no : 1

VI. GROWTH OF NET PROFIT OF UPM URBAN BANK

The net profit of UPM Urban Bank has shown significant fluctuations over the study period.

The compound growth rate (CGR) of 20.21% indicates an upward trend, but individual years exhibit considerable volatility.

Table no – 3
Growth of Net Profit of UPM Urban Bank
(Rupees in Lakhs)

Year	Net Profit	Growth Rate (%)
2013-14	1.15	---
2014-15	2.17	88.70
2015-16	2.70	24.42
2016-17	1.12	-58.52
2017-18	2.28	103.57
2018-19	4.45	95.18
2019-20	4.20	-5.62
2020-21	5.67	35.00
2021-22	1.88	-66.84
2022-23	6.78	260.64
2023-24	2.67	-60.62
CGR		20.21

Source: Annual reports of Uthamapalayam Cooperative Urban Bank Ltd.

The most notable increase was in **2022-23**, with a **260.64%** growth rate, suggesting a substantial recovery or exceptional performance. Other years of strong growth include **2017-18 (103.57%)** and **2018-19 (95.18%)**, indicating high profitability periods. The bank experienced sharp declines in **2016-17 (-58.52%)**, **2021-22 (-66.84%)**, and **2023-24 (-60.62%)**.

These years reflect periods of financial instability, possibly due to external economic factors, poor financial management, or operational challenges.

Despite periodic declines, the bank has recovered in several years, with net profit peaking in **2022-23 at 6.78 lakh rupees**. The fluctuations suggest a need for better financial stability and risk management strategies to sustain consistent profitability.

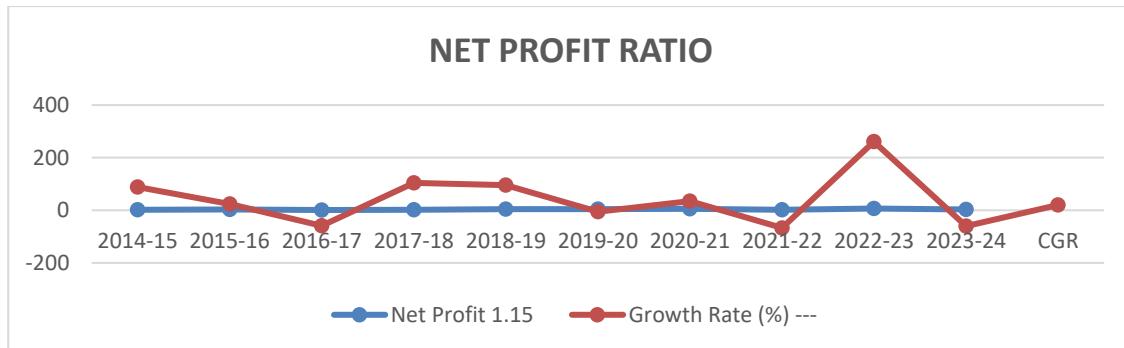


Chart no : 2

VII. SPREAD OF INTEREST RATES

The interest rate spread is the difference between the rates of income and expenditure.

The difference between the interest earned and the interest paid is known as the spread

Table no – 4
UPM Urban Bank's interest rate spread income
(Rupees in Lakhs)

Year	Interest Received	Interest Paid	Interest Spread
2013-14	144.20	92.11	52.09
2014-15	149.22	100.13	49.09
2015-16	146.65	109.01	37.64
2016-17	136.28	104.45	31.83
2017-18	132.33	75.12	57.21
2018-19	117.70	63.49	54.21
2019-20	112.24	59.13	53.11
2020-21	98.11	70.94	27.17
2021-22	100.34	58.88	41.46
2022-23	123.37	63.21	60.36
2023-24	110.12	61.60	48.52

Source: Annual reports of Uthamapalayam Cooperative Urban Bank Ltd.



Table 4 shows that the interest rate spread, representing the difference between interest earned and paid, fluctuated over the years at UPM Urban Bank. While the spread was lowest in 2020-21 at Rs. 27.17 lakhs, it peaked in 2022-23

at Rs. 60.36 lakhs. Despite variations, the bank consistently maintained a positive spread, indicating profitability in its interest income management.

VIII. NET PROFIT ON TOTAL ASSETS

Table no – 5
UPM Urban Bank's net profit as a percentage of total assets.
(Rupees in Lakhs)

Year	Net Profit	Total Assets	% of Total Assets
2013-14	1.15	1466.24	0.08
2014-15	2.17	1558.65	0.14
2015-16	2.70	1669.61	0.16
2016-17	1.12	1647.43	0.07
2017-18	2.28	1496.32	0.15
2018-19	4.45	1462.18	0.30
2019-20	4.20	1336.90	0.31
2020-21	5.67	1393.65	0.41
2021-22	1.88	1501.85	0.13
2022-23	6.78	1448.49	0.47
2023-24	2.67	1545.96	0.17

Source: Annual reports of Uthamapalayam Cooperative Urban Bank Ltd.

The net profit as a percentage of total assets for UPM Urban Bank has shown fluctuations over the years but has consistently remained below 1%. The ratio was lowest in 2016-17 (0.07%) and highest in 2022-23 (0.47%).

Despite variations in total assets, the profitability percentage has generally improved over time, indicating better returns on assets in recent years. However, the overall low percentage suggests that the bank operates with modest profitability relative to its asset base.

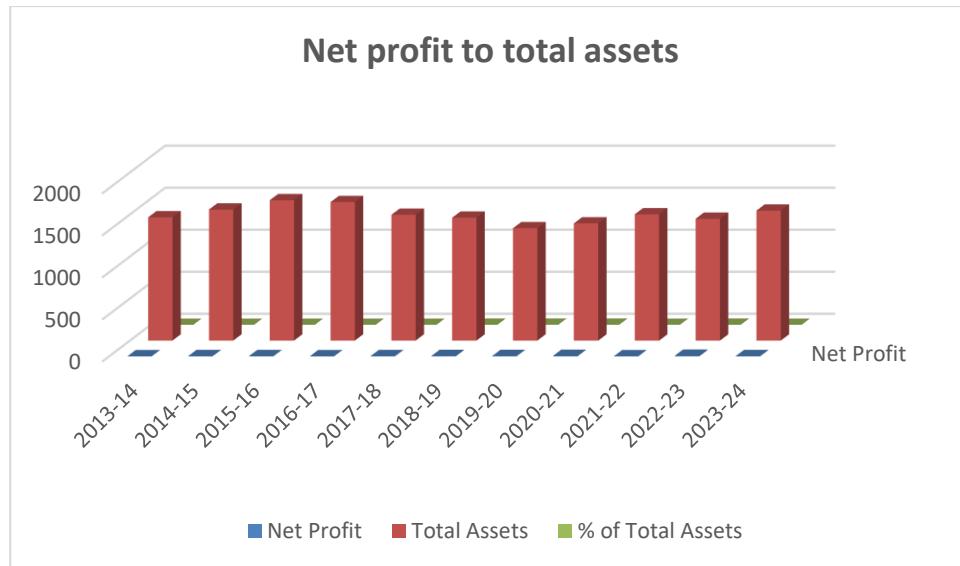


Chart no : 3

IX. YIELD ON ADVANCES

In exchange for the security of some assets or the borrowers' security, banks make loans and advances to traders, business people, and industrialists. As a result, banks are required to follow a conservative lending policy and principles. The rate of return on advances is calculated as follows:

$$\text{Yield on Advance} = \frac{\text{Interest Received}}{\text{Total Advance}} \times 100$$

Table no – 6
Computation of Yield on Advances (Rupees in Lakhs)

Year	Interest Received	Total Advances	Yield On Advances (%)
2013-14	144.20	733.39	19.66
2014-15	149.22	641.31	23.27
2015-16	146.65	710.63	20.64
2016-17	136.28	615.62	22.14
2017-18	132.33	539.80	24.51
2018-19	117.70	481.42	24.45
2019-20	112.24	451.09	24.88
2020-21	98.11	579.72	16.92
2021-22	100.34	558.30	17.97
2022-23	123.37	632.12	19.52
2023-24	110.12	691.15	15.93

Source: Annual reports of Uthamapalayam Cooperative Urban Bank Ltd.

The **Yield on Advances** of Uthamapalayam Cooperative Urban Bank Ltd. fluctuated between **15.93%** and **24.88%** over the study period (2013-14 to 2023-24). The highest yield was recorded in **2019-20 (24.88%)**, while the lowest was in **2023-24 (15.93%)**. The trend shows a **general decline** in yield, especially after 2018-19, despite **total advances** and **interest received** fluctuations. This could indicate changes in lending rates, asset quality, or loan portfolio composition.

X. CREDIT DEPOSIT RATIO

The credit-deposit ratio is the credit-to-deposit ratio. Credit refers to loans made by banks to their customers. A deposit is a money entrusted to a bank for safekeeping and investment purposes.

Table no – 7
Credit Deposit Ratio Of UPM Urban Bank(Rupees in Lakhs)

Year	CREDIT (ADVANCES)	DEPOSITS	CD RATIO (%)
2013-14	733.39	1222.27	60.00
2014-15	641.31	1297.65	49.42
2015-16	710.63	1397.73	50.84
2016-17	615.62	1404.89	43.82
2017-18	539.80	1245.25	43.35
2018-19	481.42	1202.90	40.02
2019-20	451.09	1077.72	41.86
2020-21	579.72	1067.04	54.33
2021-22	558.30	1103.17	50.61
2022-23	632.12	1062.34	59.50
2023-24	691.15	1216.36	56.82

Source: Annual reports of Uthamapalayam Cooperative Urban Bank Ltd.

The Credit Deposit (CD) Ratio of Uthamapalayam Cooperative Urban Bank Ltd. fluctuated between 40.02% and 60.00% over the study period. The highest CD ratio was recorded in 2013-14 at 60.00%, while the lowest was in 2018-19 at 40.02%. Overall, the trend shows a decline in the CD ratio from 2013-14 to 2019-20, reaching its lowest point, followed by a gradual increase from 2020-21 onward. This indicates a period of reduced lending activity relative to deposits, with some recovery in recent years.

XI. COST OF DEPOSIT

Deposits are funds that customers have entrusted to banks. It is the customers' savings. Furthermore, bankers collect the funds from customers and use them to make advances. The deposit cost is the minimum amount that must be paid as interest on deposits.



Table no – 8
The Cost Of Deposit of UPM Urban Bank (Rupees in Lakhs)

Year	INTEREST PAID	DEPOSITS	COST OF DEPOSITS (%)
2013-14	92.11	1222.27	7.54
2014-15	100.13	1297.65	7.72
2015-16	109.01	1397.73	7.80
2016-17	104.45	1404.89	7.43
2017-18	75.12	1245.25	6.03
2018-19	63.49	1202.90	5.28
2019-20	59.13	1077.72	5.49
2020-21	70.94	1067.04	6.65
2021-22	58.88	1103.17	5.34
2022-23	63.21	1062.34	5.95
2023-24	61.60	1216.36	5.06

Source: Annual reports of Uthamapalayam Cooperative Urban Bank Ltd.

Table 8 presents the cost of deposits for UPM Urban Bank over 11 years. The interest paid on deposits fluctuated, leading to variations in the cost of deposits, which ranged from 5.06% to 7.80%. The highest cost of deposits was recorded in 2015-16 (7.80%), while the lowest was in 2023-24 (5.06%).

A noticeable decline in deposit costs is observed from 2017-18 onwards, indicating a reduction in interest expenses. This trend suggests efforts by the bank to manage its deposit costs efficiently.

XII. SPREAD TO ADVANCES

Table no – 9
Spread to Advances (Rupees in Lakhs)

Year	SPREAD	ADVANCES	RATIO (%)
2013-14	52.09	733.39	7.10
2014-15	49.09	641.31	7.65
2015-16	37.64	710.63	5.30
2016-17	31.83	615.62	5.17
2017-18	57.21	539.80	10.60
2018-19	54.21	481.42	11.26
2019-20	53.11	451.09	11.77
2020-21	27.17	579.72	4.69
2021-22	41.46	558.30	7.43
2022-23	60.36	632.12	9.55
2023-24	48.52	691.15	7.02

Source: Annual reports of Uthamapalayam Cooperative Urban Bank Ltd.

The table presents the spread-to-advances ratio of Uthamapalayam Cooperative Urban Bank Ltd. over eleven years. The data shows fluctuations in the ratio, with the lowest recorded at 4.69% in 2020-21 and the highest at 11.77% in 2019-20.

Despite variations, the spread generally ranged between 5.17% and 11.77%, indicating changes in interest margins and loan disbursements over time. Notably, the spread dropped significantly in 2020-21 but rebounded in subsequent years.



Chart no : 4

XIII. SPREAD TO DEPOSITS

Table no – 10
Spread to Deposits (Rupees in Lakhs)

Year	SPREAD	DEPOSITS	RATIO (%)
2013-14	52.09	1222.27	4.26
2014-15	49.09	1297.65	3.78
2015-16	37.64	1397.73	2.69
2016-17	31.83	1404.89	2.27
2017-18	57.21	1245.25	4.59
2018-19	54.21	1202.90	4.51
2019-20	53.11	1077.72	4.93
2020-21	27.17	1067.04	2.55
2021-22	41.46	1103.17	3.76
2022-23	60.36	1062.34	5.68
2023-24	48.52	1216.36	3.99

Source: Annual reports of Uthamapalayam Cooperative Urban Bank Ltd.

The table shows the **Spread Deposits Ratio** of Uthamapalayam Cooperative Urban Bank Ltd. from 2013-14 to 2023-24. The spread (difference between interest earned and interest paid) and deposits have varied over the years, leading to fluctuations in the ratio. The ratio reached its **lowest (2.27%) in 2016-17** and **highest (5.68%) in 2022-23**. There is **no consistent trend**, with values fluctuating year to year. A **notable drop** occurred in 2016-17 and 2020-21, while a **sharp rise** was observed in 2022-23.

This indicates variations in the bank's interest earnings and costs over time, reflecting changing financial conditions and management strategies.

The UPM Urban Bank's Quantitative Variables And Profitability:

Using the co-efficiency technique of correlation, the current study attempted to analyse the extent of influence of interest income, other income, interest expenses, operating and others, and the profitability of urban banks.

XIV. CORRELATION

Correlation is the relationship that exists between two variables. The quantitative economic variables of interest earned, other income, interest paid, operating expenses, and other expenses were compared to the profitability of the Uthamapalayam Urban Bank over the years under consideration. The queue of the correlation coefficient formula is

The researcher in this study uses the correlation technique to ascertain the relationship between the following:

- Interest earned and profits.

- Other income and profits.
- Interest Paid and Profits
- Operating and other expenses to Profits

Table 14
below depicts the relationship between quantitative variables and UPM Urban Bank's profitability.

S. NO	QUANTITATIVE VARIABLES	CORRELATION
1	Interest earned and Net Profit.	-0.47
2	Other income and Net Profit.	-0.32
3	Interest Paid and Net Profit	-0.53
4	Operating and Other Expenses to Net Profit	-0.02

- A moderate degree of a negative relationship exists between interest earned and profitability.
- There is a moderate degree of Negative relationship between other income and profitability.
- There is a moderate degree of negative relationship between interest paid and profitability.
- There is a low degree of a negative relationship between operating and other expenses and profitability.

XV. SUGGESTIONS

- ✓ *Revenue Diversification:* The bank should focus on increasing non-interest income through service charges, commissions, and investment income to reduce dependency on interest income.
- ✓ *Expense Control:* Strategic cost-cutting measures, particularly in operating expenses, should be implemented to enhance overall profitability.
- ✓ *Stable Profitability Strategies:* The bank should adopt risk management techniques to mitigate profit fluctuations and maintain financial stability.
- ✓ *Enhanced Lending Strategies:* Improving loan policies and targeting high-yield lending segments can help reverse the declining trend in yield on advances.
- ✓ *Optimised Credit Deposit Ratio:* Encouraging better credit utilisation while maintaining adequate deposit levels can improve the CD ratio.

- ✓ *Deposit Cost Management:* Maintaining a low-cost deposit structure while ensuring customer retention through competitive interest rates is crucial.

XVI. CONCLUSION

The profitability analysis of Uthamapalayam Urban Bank reveals significant trends and challenges in its financial performance over the past decade. Interest income remains the dominant source of revenue, consistently contributing over 94% of the bank's total income. However, the total income has fluctuated, with a peak of Rs. 152.56 lakhs in 2014-15 and a low of Rs. 102.67 lakhs in 2021-22. The bank's heavy reliance on interest income, reaching 99.31% in 2019-20, underscores a lack of revenue diversification, making it susceptible to variations in lending activities and interest rate changes.

The bank's total expenses have shown a downward trend, from Rs. 150.16 lakhs in 2013-14 to Rs. 100.12 lakhs in 2021-22, before increasing again to Rs. 133.87 lakhs in 2023-24. The composition of expenses has shifted, with interest paid declining and operating and other expenses increasing significantly, reaching 53.99% in 2023-24. While this suggests controlled financial liabilities, rising operational costs necessitate strategic cost management to sustain profitability. Net profit has shown considerable volatility, with a compound growth rate (CGR) of 20.21%. The highest net profit was Rs. 6.78 lakhs in 2022-23, with an exceptional growth rate of 260.64%.

However, several years, including 2016-17, 2021-22, and 2023-24, experienced sharp declines, indicating financial instability. These fluctuations highlight the need for better risk management and financial planning to ensure steady profitability.

The interest rate spread remained positive, peaking at Rs. 60.36 lakhs in 2022-23 and dropping to Rs. 27.17 lakhs in 2020-21. This indicates that the bank has managed its interest income effectively, though variations suggest external economic influences. The net profit as a percentage of total assets has remained below 1%, with the highest at 0.47% in 2022-23. This indicates modest profitability relative to the asset base, necessitating efficiency improvements. The yield on advances has shown a declining trend, with a low of 15.93% in 2023-24, reflecting potential challenges in lending policies.

The Credit Deposit (CD) Ratio has fluctuated, reaching a low of 40.02% in 2018-19 before recovering to 56.82% in 2023-24. This suggests a period of reduced lending followed by a gradual increase. The cost of deposits has declined from 7.80% in 2015-16 to 5.06% in 2023-24, indicating effective management of deposit costs.

In conclusion, while Uthamapalayam Urban Bank has demonstrated resilience and growth potential, it faces challenges related to revenue diversification, cost management, and financial stability. Strategic initiatives focusing on increasing non-interest income, optimising operational expenses, and enhancing risk management practices will ensure sustained profitability and long-term growth.

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