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A Financial Performance Analysis of Selected Co-Operative Banks of India

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ABSTRACT

India is the largest country having many and varied financial institutions public, private, co-operative banks, who are controlled and governed by Reserve Bank of India, and Ministry of Finance. Efficiency and profitability of the banking sector in India has assumed primal importance due to intense competition, greater customer demands and changing banking reforms. This study attempts primarily to measure the financial performance of The Kalupur Commercial Co-Operative Bank Ltd, The Ahmedabad Merchantile Co-Operative Bank Ltd, Nutan Nagarik Sahakari Bank Ltd which are leading co-operative sector banks of Gujarat. Financial performance of these banks have been analysed for the period 2007-08 to 2016-17. For analysis researcher has used financial ratio analysis (FRA) method which help to draw an overview about financial performance of co-operative sector banks. The study findings can be helpful for management of banks.

Keywords :Co-operative Sector Banks, Financial Performance, Efficiency, Profitability

INTRODUCTION

OVERVIEW OF BANKING

Bank is defined in many ways by various authors in the book son economics and commerce. It is very difficult to define a bank; because a bank performs multifarious functions may be defined in many ways according to their functions. The evolution of different types of banks, each specializing in a particular field, gives emphasis on each and every kind of bank. A general and comprehensive definition to cover all types of banking institutions would be unscientific and probably impossible. Each type of bank should have its own definition, explaining its specialized functions. Legislators have understood this difficulty and that is why the bill of exchange Act 1882 (England) defines

“A bank includes a body of persons, whether incorporated or not, who carry on the business of banking”

MARKET SIZE

The Indian banking sector is fragmented, with 46 commercial banks jostling for business with dozens of foreign banks as well as rural and co-operative lenders. State banks control 80 percent of the market, leaving relatively small shares for private rivals.

At the end of February, 13.7 crore accounts had been opened under Pradhanmantri Jan DhanYojna (PMJDY) and 12.2 croreRuPay debit cards were issued. These new accounts have mobilised deposits of Rs 12,694 crore (US\$ 2.01 billion).

Standard & Poor's estimates that credit growth in India's banking sector would improve to 12-13 per cent in FY16 from less than 10% in the second half of CY14.

CO-OPERATIVE BANK OVERVIEW

Co-operative endeavour is not new phenomenon to India. The history of co-operative movement in India is very old. Kautilya, in his Arthashastra described, "Guilds of workmen as well as those who carry on any co-operative work shall divide their earnings either equally, or as agreed upon among themselves". Cooperatives play an important role in the socio-economic development. The movement was started in India with a view to encourage and promote thrift and mutual help for the development of persons of small means such as agriculturists, artisans and other segments of the society. The Indian cooperative movement emerges from the poverty, exploitation, and distress. Mahatma Gandhi is of the opinion that those who own the wealth have right to an honourable livelihood, no better than that enjoyed by millions of others. The rest of their wealth belongs to the community, and, must be used for the welfare of the community. This becomes the base of the co-operative movement, which is based on the same principles of community camaraderie, mutual help, democratic decision-making and open membership to all.

LITERATURE REVIEW

Urs and Chitambaram (2000) studied performance of 14 District Central Cooperative Banks (DCCBs) in Kerala on 23 parameters and found inefficiency in their operations with lower capital and poor deployment of funds in the DCCBs.

Bhaskaran and Josh (2000), concluded that the recovery performance of co-operative credit institutions continues to be unsatisfactory which contributes to the growth of NPA even after the introduction of prudential regulations. They suggested legislative and policy prescriptions to make co-operative credit institutions more efficient, productive and profitable organization in tune with competitive commercial banking.

Jain (2001) has done a comparative performance analysis of District Central Co-operative Banks (DCCBs) of Western India, namely Maharashtra, Gujarat and Rajasthan and found that DCCBs of Rajasthan have performed better in profitability and liquidity as compared to Gujarat and Maharashtra.

Mayuri, J. Farmer's (2009) study was primarily based on the secondary data relating to the financial performance of 27 nationalized banks of India during 1989 to 1998. A regression analysis has been attempted to identify the quantifiable variables and to judge how far the changes in profitability are influenced by each of these variables. A detailed study has also been undertaken by selecting a very profitable bank and a highly loss making bank to identify the variables affecting the profitability of each of them. The application of the concept of Break Even Analysis has been attempted to differentiate between a profit earning bank and a losing bank and to help in suggestions how margin of safety can be improved.

Rachita Gulati and Sunil Kumar (2009) endeavour to explore the relationship between efficiency and profitability in 51 Indian domestic banks operating in the financial year 2006-2007. The empirical results show that de novo private sector banks dominate in the formation of the efficient frontier for Indian domestic banking industry. The

efficient- profitability matrix reveals that the resource utilization process in 22 banks that fall in the “Question Mark” and “Sleeper quadrants is not functioning well and featuring the presence of considerable wastage of inputs. Further, Tamil Nadu Mercantile Bank and Yes Bank may be considered as an ideal bench mark for the poor performing banks on the efficiency and profitability dimensions of performance evaluation.

Roma Mitra, Shankar Ravi (2008), A stable and efficient banking sector is an essential precondition to increase the economic level of a country. This paper tries to model and evaluate the efficiency of 50 Indian banks. The Inefficiency can be analyzed and quantified for every evaluated unit. The aim of this paper is to estimate and compare efficiency of the banking sector in India. The analysis is supposed to verify or reject the hypothesis whether the banking sector fulfils its intermediation function sufficiently to compete with the global players. The results are insightful to the financial policy planner as it identifies priority areas for different banks, which can improve the performance. This paper evaluates the performance of Banking Sectors in India.

B.Satish Kumar (2008), in his article on an evaluation of the financial performance of Indian private sector banks wrote Private sector banks play an important role in development of Indian economy. After liberalization the banking industry underwent major changes. The economic reforms totally have changed the banking sector. RBI permitted new banks to be started in the private sector as per the recommendation of Narashiman committee. The Indian banking industry was dominated by public sector banks. But now the situations have changed new generation banks with used of technology and professional management has gained a reasonable position in the banking industry.

Vradi, Vijay, Mauluri, Nagarjuna (2006), in his study on ‘ Measurement of efficiency of bank in India concluded that in modern world performance of banking is more important to stable the economy .in order to see the efficiency of Indian banks we have seen the fore indicators i.e. profitability, productivity, assets, quality and financial management for all banks includes public sector, private sector banks in India for the period 2000 and 1999 to 2002-2003. For measuring efficiency of banks we have adopted development envelopment analysis and found that public sectors banks are more efficient than other banks in India.

PetyaKoeva (July 2003) in his study on The Performance of Indian Banks. During Financial Liberalization states that new empirical evidence on the impact of financial liberalization on the performance of Indian commercial banks. The analysis focuses on examining the behaviour and determinants of bank intermediation costs and profitability during the liberalization period. The empirical results suggest that ownership type has a significant effect on some performance indicators and that the observed increase in competition during financial liberalization has been associated with lower intermediation costs and profitability of the Indian banks.

RESEARCH OBJECTIVE

1. To analyse financial performance of selected co-operative banks of Gujarat

2. To analyse the relation of financial performance between selected co-operative banks of Gujarat

RESEARCH METHODOLOGY

SOURCES OF DATA

Secondary sources of data has been utilised for this proposed research study
Secondary data have been collected from Annual Reports.

UNIVERSE

In the research study selected 3 co-operative banks.

PERIOD OF DATA COVERAGE

Ten years of financial statements has been analysed for co-operative banks taken under study.

ANALYSIS OF DATA

The proposed statistical tools for the analysis of data are ratio analysis and ANOVA test.

DATA ANALYSIS

1. RETURN ON WORKING CAPITAL RATIO

YEAR	The Kalupur Commercial Co-operative Bank Ltd	The Ahmedabad Merchantile Co-operative Bank Ltd	Nutan Nagarik Sahakari Bank Ltd
2007-08	1.09	0.58	1.19
2008-09	1.26	0.65	0.71
2009-10	1.28	0.73	0.66
2010-11	1.19	0.72	0.73
2011-12	1.03	1.44	0.59
2012-13	1.12	1.29	0.61
2013-14	1.13	1.45	0.52
2014-15	1.16	1.16	0.59
2015-16	1.27	1.09	0.57
2016-17	1.26	1.22	6.60

THE KALUPUR COMMERCIAL CO-OPERATIVE BANK LTD return on working capital ratio was 1.09 in the year 2007-08. It was improved to 1.28 in the year 2009-10 and it decreased to 1.03 in the year 2011-12. The table shows mixed tendency in return on working capital ratio during the study period. The highest ratio was 1.28 in the year 2009-10 whereas lowest 1.03 in the year 2011-12. The table also reveals that return on working capital ratio of THE AHMEDABAD MERCHANTILE CO-OPERATIVE BANK LTD was 0.58 in the year 2007-08, it gone up to 1.44 in the year 2011-12 but then it was decreased in the year 2015-16 to 1.09. Return on working capital ratio discloses fluctuating trend. The highest return on working capital ratio was 1.45 in the year 2013-14 whereas lowest 0.58 in the year 2007-08. In NUTAN NAGARIK SAHAKARI BANK LTD, the return on working capital ratio was 1.19 in the year 2007-08, it was decreased to 0.71 in the year 2008-09 but then after it was continuously decreased to 0.57 in the year 2015-16. So, it exhibits

decreasing trend during the study period. The highest return on working capital ratio was 6.60 in the year 2016-17 whereas lowest 0.52 in the year 2013-14.

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	0.30153	2	0.15076	0.12383	0.88402	3.35413
	7		9	3	6	1
Within Groups	32.8729	27	1.21751			
	2		6			
Total	33.1744	29				
	6					

Fcal is 0.12 and Ftab is 3.35.

Thus, Fcal < Ftab and p-value is higher than specified α of 0.05.

So, null hypothesis is accepted and it is concluded that there is no significant difference in Return on Working Capital Ratio between selected Co-operative Banks

2. INTEREST INCOME TO TOTAL INCOME RATIO

YEAR	The Kalupur Commercial Co-operative Bank Ltd	The Ahmedabad Merchantile Co-operative Bank Ltd	Nutan Nagarik Sahakari Bank Ltd
2007-08	95.00	97.28	69.10
2008-09	94.59	97.40	77.90
2009-10	93.30	95.54	92.21
2010-11	96.23	94.63	76.30
2011-12	94.52	95.75	89.28
2012-13	93.25	95.76	90.81
2013-14	93.30	92.91	91.43
2014-15	86.85	95.66	90.86
2015-16	87.13	90.46	87.16
2016-17	92.72	94.09	86.76

THE KALUPUR COMMERCIAL CO-OPERATIVE BANK LTD interest income to total income ratio was 95.00 in the year 2007-08. It was improved to 96.23 in the year 2010-11. Then it was decreased to 87.13 in 2015-16. The table shows mix trend in interest income to total income ratio during the study period. The average ratio was 92.69 during the study period. The table reveals that interest income to total income ratio of THE AHMEDABAD MERCHANTILE CO-OPERATIVE BANK LTD was 97.28 in the year 2007-08, it decreased up to 90.46 in the year 2015-16. Interest income to total income ratio discloses decreasing trend. The Average ratio was 94.95. In NUTAN NAGARIK SAHAKARI BANK LTD, the interest income to total income ratio was 69.10 in the year 2007-08, it was improved to 92.21 in the year 2009-10 then it was decreased to 87.16 in 2015-16. So, it exhibits fluctuating trend during the study period. The average ratio was 85.18 during the study period.

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	522.909	2	261.454	10.1479	0.00051	3.35413
	2		6	7	7	1
Within Groups	695.634	27	25.7642			
			2			
Total	1218.54	29				
	3					

Fcal is 10.14 and Ftab is 3.35.

Thus, Fcal > Ftab and p-value is lower than specified α of 0.05.

So, null hypothesis is rejected and it is concluded that there is significant difference in Interest Income to Total Income Ratio between selected Co-operative Banks

3. INTEREST INCOME AS PERCENTAGE TO TOTAL ASSETS RATIO

YEAR	The Kalupur Commercial Co-operative Bank Ltd	The Ahmedabad Merchantile Co-operative Bank Ltd	Nutan Nagarik Sahakari Bank Ltd
2007-08	5.42	6.05	6.43
2008-09	5.08	6.46	6.54
2009-10	6.55	6.94	7.38
2010-11	7.45	7.18	7.06
2011-12	7.58	6.87	7.54
2012-13	6.74	6.40	7.45
2013-14	7.53	7.22	7.85
2014-15	8.36	7.70	7.80
2015-16	8.76	7.78	8.24
2016-17	8.18	7.95	8.51

THE KALUPUR COMMERCIAL CO-OPERATIVE BANK LTD interest income as percentage to total assets ratio was 5.42 in the year 2007-08. It was gone up to 8.76 in the year 2015-16. The table shows increasing trend in interest income as percentage to total assets ratio during the study period. The average ratio was 7.16 during the study period. The table reveals that interest income as percentage to total assets ratio of THE AHMEDABAD MERCHANTILE CO-OPERATIVE BANK LTD was 6.05 in the year 2007-08; it increased up to 7.78 in the year 2015-16. Interest income as percentage to total assets ratio discloses increasing trend. The Average ratio was 7.05. In NUTAN NAGARIK SAHAKARI BANK LTD, the interest income as percentage to total assets ratio was 6.43 in the year 2007-08; it was improved to 8.24 in the year 2015-16. So, it exhibits increasing trend during the study period. The average ratio was 7.48 during the study period.

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	0.96328	2	0.48164	0.61854	0.54618	3.35413
	7		4	4	8	1
Within Groups	21.0241	27	0.77867			
	7		3			
Total	21.9874	29				
	6					

Fcal is 0.61 and Ftab is 3.35.

Thus, Fcal < Ftab and p-value is higher than specified α of 0.05.

So, null hypothesis is accepted and it is concluded that there is no significant difference in Interest Income as Percentage to Total Assets between selected Co-operative Banks

4. NET PROFIT AS PERCENTAGE TO TOTAL DEPOSIT RATIO

YEAR	The Kalupur Commercial Co-operative Bank Ltd	The Ahmedabad Merchantile Co-operative Bank Ltd	Nutan Nagarik Sahakari Bank Ltd
2007-08	1.71	1.01	1.59
2008-09	2.12	1.11	0.97
2009-10	1.89	1.22	0.84
2010-11	1.69	1.18	0.92
2011-12	1.41	2.29	0.72
2012-13	1.54	1.96	0.80
2013-14	1.51	2.15	0.73
2014-15	1.49	1.67	0.76
2015-16	1.60	1.52	0.68
2016-17	1.58	1.66	7.56

THE KALUPUR COMMERCIAL CO-OPERATIVE BANK LTD net profit as percentage to total deposits ratio was 1.71 in the year 2007-08. It was decreased to 1.60 in the year 2015-16. The table shows fluctuating trend during the study period. The highest ratio was 2.12 in the year 2008-09 whereas lowest 1.41 in the year 2011-12. The table reveals that net profit as percentage to total deposits ratio of THE AHMEDABAD MERCHANTILE CO-OPERATIVE BANK LTD was 1.01 in the year 2007-08, it gone up to 2.29 in the year 2011-12 then it was decreased to 1.52 in 2015-16. Net profit as percentage to total deposits ratio discloses increasing trend. The average ratio was 1.58 during the study period. In NUTAN NAGARIK SAHAKARI BANK LTD, the net profit as percentage to total deposits ratio was 1.59 in the year 2007-08, it was decreased to 0.97 in the year 2008-09 but then after it was continuously decreased to 0.68 in the year 2015-16. So, it exhibits decreasing trend during the study period. The average ratio was 1.56 during the study period.

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	0.05438	2	0.02719	0.01711	0.98303	3.35413
	3		2	8	8	1
Within Groups	42.8881	27	1.58845			
	8		1			
Total	42.9425	29				
	6					

Fcal is 0.017 and Ftab is 3.35.

Thus, Fcal < Ftab and p-value is higher than specified α of 0.05.

So, null hypothesis is accepted and it is concluded that there is no significant difference in Net Profit as Percentage to Total Deposits Ratio between selected Co-operative Banks

CONCLUSION

Based on the ratio analysis of selected co-operative sector banks, it can be concluded that, from return on working capital ratio it can be concluded that Nutan Nagarik Sahakari Bank Ltd performed better than the The Kalupur Commercial Co-operative Bank Ltd and The Ahmedabad Merchantile Co-operative Bank Ltd and during year 2016-17 co-operative bank performed better. From Interest Income to Total Income Ratio it can be observed that The Ahmedabad Merchantile Co-operative Bank Ltd stood number position followed by The Kalupur Commercial Co-operative Bank Ltd and Nutan Nagarik Sahakari Bank Ltd, during year 2009-10 co-operative banks have highest interest income than total income earned by the banks. From Interest Income as Percentage to Total Assets Ratio it can be seen that with 7.48 average ratio value Nutan Nagarik Sahakari Bank Ltd stood at first position followed by the The Kalupur Commercial Co-operative Bank Ltd and The Ahmedabad Merchantile Co-operative Bank Ltd. During year 2015-16 co-operative banks have highest interest income than total assets. From the as percentage to total deposit ratio analysis it can be seen that, The Kalupur Commercial Co-operative Bank Ltd performed better than The Ahmedabad Merchantile Co-operative Bank and Nutan Nagarik Sahakari Bank Ltd. There is no significant difference in Return on Working Capital Ratio between selected Co-operative Banks. There is significant difference in Interest Income to Total Income Ratio between selected Co-operative Banks. There is no significant difference in Interest Income as Percentage to Total Assets between selected Co-operative Banks. There is no significant difference in Net Profit as Percentage to Total Deposits Ratio between selected Co-operative Banks

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