REVIEW OF RESEARCH
ISSN: 2249-894X
IMPACT FACTOR : 5.7631(UIF)
UGC APPROVED JOURNAL NO. 48514
VOLUME - 8 | ISSUE - 9 | JUNE - 2019

A STUDY ON FINANCIAL PERFORMANCE OF POOVARANY SERVICE CO-OPERATIVE BANK

Devendrasinh Dalpatsinh Zala[1] and Dr. C. M. Thakkar[2]
[1] Research Scholar, Rai University, Saroda, Ahmedabad.
[2]Principal , Shri Trikamjibhai Chatwani Arts and
J.V. Gokal Trust Commerce College, Radhanpur.

ABSTRACT:
The banking sector in India has a very big canvas of history. The co-operative banks are small-sized units which operate both in urban and non-urban centers. They finance small borrowers in industrial and trade sectors besides professional and salary classes. Regulated by the Reserve Bank of India, they are governed by the Banking Regulations Act 1949 and banking laws (co-operative societies) act, 1965. This study attempts primarily to measure the financial performance of Poovarany Service Co-Operative Bank. Financial performance has been analysed for the period 2012-13 to 2017-18. Analyse the ratio here used financial ratio analysis (FRA) method which help to draw an overview about financial performance of Poovarany Service Co-Operative Bank. This article provides important seed of knowledge and is very useful for bankers and new researchers.

KEYWORDS*: Co-operative Banks, Profitability, India, Ratio Analysis.*

INTRODUCTION

A 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 bank. Co-operative banks are often created by persons belonging to the same local or professional community or sharing a common interest. Co-operative banks generally provide their members with a wide range of banking and financial services (loans, deposits, banking accounts etc.). Co-operative banks differ from stockholder banks by their organization, their goals, their values and their governance. In most countries, they are supervised and controlled by banking authorities and have to respect prudential banking regulations, which put them at a level playing field with stockholder banks. Depending on countries, this control and supervision can be implemented directly by state entities or delegated to a co-operative federation or central body.

Co-operative banking is retail and commercial banking organized on a co-operative basis. Co-operative banking institutions take deposits and lend money in most parts of the world. Co-operative banking, includes retail banking, as carried out by credit unions, mutual savings and loan associations, building societies and co-operatives, as well as commercial banking services provided by manual organizations (such as co-operative federations) to co-operative businesses.

SIGNIFICANCE OF THE STUDY

Financial analysis is the process of determining financial strengths and weakness of the firm by establishing strategic relationship between the items of the balance sheet, profit and loss account and other operating data. The purpose of financial analysis is to diagnose the information contained in financial statements so as to judge the profitability and financial soundness of the firm. So to understand the financial performance of the firm, its shareholders have to take into account the balance sheet and income statement. The balance sheet reveals the financial position of a firm during a given period of time. The income statement shows the financial performance of affirm over a period of time.

STATEMENT OF THE PROBLEM

The main aim of a co-operative bank is to provide services to its members; service rather than profits is the main motto of co-operative banks. A co-operative bank promotes economic activity and provides banking facilities and services to the rural people. Thriftand savings is the basis of the working co-operative banks. The performance of the bank depends upon the deposits and loans. The Poovarany Service Co-Operative Bank is situated in Pala in Kottayam district. The main aim of this bank is to provide various services to its members and public. The aim of this study is to reveal if the financial performance of the bank is good or not.

SCOPE OF THE STUDY

The study is related to the financial analysis of 'The Poovarany Service Co-operative Bank Ltd. ,the study is meant for evaluating relationship between the components part of the financial statement to obtain to better understanding of the bank's financial position and performance.

OBJECTIVES OF THE STUDY

Following are the specific objectives of the case study,
1) To analysis the financial performance of the Poovarany Service Co-operative Bank.
2) To evaluate the overall performance of the bank.
3) To evaluate the growth rate of deposits and loans for a period of 2012-13 to 2017-18.

PERIOD OF STUDY

The study "Financial performance of the Poovarany Service Co-operative Bank Ltd." is conducted for a period of 6 years starting from year 2012-13 to 2017-18.

SOURCES OF DATA

The present study is mainly based on secondary data, which were compiled from annual reports, books of accounts, byelaws and other published records of the bank.

METHODOLOGY

For analyzing financial performance of the bank, the Published Annual Reports and other publications from 2012-13 to 2017-18. have been drafted to suit the requirements of the study. Financial analysis has been done through financial ratios, trend analysis and comparative study.

LIMITATIONS OF THE STUDY

The main limitations of the study are:
i. The study has been limited to years.
ii. For the purpose of analysis secondary data has been used. It would have been more meaningful, if primary data were used.
iii. The result of the study is depending on the accuracy of the data supplied by the bank.

HISTORY OF CO-OPERATIVE BANKS IN INDIA

For the co-operative banks in India, co-operatives are organized groups of people and jointly managed and democratically controlled enterprises. They exist to serve their members and depositors and produce better benefits and services for them.

Professionalism in co-operative banks reflects the co-existence of high level of skills and standards in performing, duties entrusted to an individual. Co-operative bank needs current and future development in information technology. It is indeed necessary for cooperative banks to devote adequate attention for maximizing their returns on every unit of resources through effective services. Co-operative banks have completed 100 years of existence in India. They play a very important role in the financial system. The cooperative banks in India form an integral part of our money market today. Therefore, a brief resume of their development should be taken into account. The history of cooperative banks goes back to the year 1904. In 1904, the co-operative credit society act was enacted to encourage cooperative movement in India. But the development of cooperative banks from 1904 to 1951 was the most disappointing one.

The first phase of co-operative bank development was the formation and regulation of cooperative society. The constitutional reforms which led to the passing of the Government of India Act in 1919 transferred the subject of "Cooperation" from Government of India to the Provincial Governments. The Government of Bombay passed the first State Cooperative Societies Act in 1925 "which not only gave the movement, its size and shape but was a pace setter of co-operative activities and stressed the basic concept of thrift, self-help and mutual aid." This marked the beginning of the second phase in the history of Co-operative Credit Institutions.

REVIEW OF LITERATURES

Kalyankar (2013), in his study titled, "Wilful Default in Loans of Co-operatives" examined the trends in deposits, share capital, working capital, loans outstanding, advances, over dues and recoveries at the district level financing institutes. Socioeconomic factors responsible in projecting and promoting future development in the operations and approaches of the co-operative credit organizations were also considered to examine the specific progress made by Central Co-operative Bank of Parbhani District. The study revealed that the cropping intensity, irrigation facility and working capital of the societies were the major factors for explaining over dues at primary agricultural credit societies' level. The socio-economic factors were not responsible for increasing over dues at the borrowers' level, but over dues were mainly mounted due to the non-economic factors in case of wilful defaulters.

Kurulkar (2013), in his published work on "agricultural finance in backward region", reported glaring defects in the set-up of co-operative credit system. He pointed that out of the ten sample owners who obtained long- term credit from the co-operative banks, 30% could not secure short- term credit. Lack of short- term or production credit to the farmers who availed long-term credit resulted in lower output per acre, thereby resulting in over dues.

Devadas (2017), in his book titled, "Co-operative Banking and Economic Development" studied the role of Assam Co-operative Apex Bank Ltd. in economy of the State. He found that apart from working as a commercial bank it had to discharge three other functions, i.e., to finance primary credit societies, to act as banking centre for primary societies, and to undertake supervision of primary societies. He found that bank had not been able to achieve much in these three fields due to lack of adequate support from government of the state.

Patel (2015), in his paper on "Viability of rural banking", inferred that low volume of business per branch and per employee and high level of credit deposit ratio were two major factors causing losses in rural banking system. He observed that relative share of non-farm sector loans in rural banks was going up.

Murthi et al (2016), in their paper titled, "Reducing Over dues in Credit Co-operatives: Some Alternatives" undertook a study to evaluate the Quantitative Progress made in respect of supply of Institutional Credit. The study concluded that the progress in respect of supply of credit was phenomenal over the period of study but this progress pales into significance, if the magnitude of overdues was considered. It was finally concluded that the change of Loaning Policies like Induction of Liaison Workers, efforts of Elders Committee, Motivated Management would not have helped recovery of loans in the absence of homogeneity, irrespective of size, the market share of each factor in percentage terms has to be taken into account instead of absolute levels. Economic systems with different levels of economic development and varying degrees of regulations were not comparable. The results further revealed that profitability of a bank was a function of allocation efficiency, volume of credit, provisioning for loan losses, interest rate movements and operating cost structure.

Pathania et al (2018), in their study titled, "A Study of Performance of HP State Co-operative Bank" observed that the performance of the Himachal Pradesh State Co-operative Bank Ltd. in terms of membership drive, share capital, deposit mobilization, working capital and advances has improved over the period of five years, i.e., 1991-92 to 1995-96. However, recovery performance was unsatisfactory and overdues had increased sharply. This was due to the after effects of loan waiver scheme. The per member and per branch performance of the bank revealed that there is a significant growth in share capital, deposits, borrowings, advances and profits. They suggested that in the context of globalization and liberalization of economy, cooperative banks should ensure their business on healthy lines by having professional manpower, training and a sense of competition.

Kapoor (2019), in recognition of the relevance and catalytic role of co-operative banks in the development of agriculture and non-agriculture sector of Indian rural economy, Government of India on 9th April 1999, appointed a task force under the chairmanship of JagdishKapoor for revival of co-operative banks. The main objective of the committee was to review the functioning of co-operative credit structure and suggest measures to make them member driven professional business enterprises. The licensing of DCCBs be brought under the provision of Banking Regulation Act, 1949, Bifurcation of DCCBs should be on the sole criterion of viability (not on Political considerations), DCCBs should be included in 2nd schedule of RBI Act, Asset liability management should be implemented in the SCBs and DCCBs, NABARD should establish a co-operative development fund,RBI/NABARD should issue guidelines for a common accounting system in SCBs and DCCBs were the suggestions of the committee

Niranjanraj et al. (2000), in their study titled, "Measuring the Performance of DCCBs" observed that suitable models should be developed to evaluate the performance of co-operative banks. They suggested that performance of co-operative banks should not be measured in terms of financial/economic achievements only but their performance as co-operative organizations (social achievements) should also be evaluated.

Satyasai et al. (2000), conducted a study regarding restructuring Rural Credit Co-operative Institutions. They analysed performance of rural co-operative credit institutions on the basis of borrowings and lending operations, cost structure, financial viability, etc. and found that co-operative system, in general, had failed to perform its functions properly. They advised the co-operative banks to diversify their business and also to overcome internal (rising transaction cost, declining business level, mismanagement of overdues) and external (excessive bureaucratization, politicization) weaknesses.

Viswanath (2001), in his study titled, "An Analysis of Performance of Agricultural Credit Co-operatives and their Overdues Problems in India" concluded that during the period 1950-51 to 1995-96, the total loans advanced by PACs increased from 24 crore to 14,201 crore i.e. 587 times, but unfortunately this increase was followed by a corresponding increase in overdues. The results of Development Index in PACs of 16 states indicated that the performance of only 5 states, i.e., Karnataka, Gujarat, Tripura, Orissa, and Maharashtra was above the National average, while that of the remaining 11 states including Punjab were below the average. Using correlation technique, the extent of relationship between overdues and four variables, i.e., number of societies, total membership, working capital and total amount of loans advanced was studied. He concluded that there was a direct and positive link between over dues and membership on one hand, and over dues and working capital, amount of loans advanced on the other.

Krishana et al. (2003), in their research paper, "Performance of Regional Rural Banks in Karnataka ? An Application of Principal Components and Discriminant Function Analysis" tried to identify the important discriminating characteristics of the two identified groups of Regional Rural Banks in the state of Karnataka. They used the discriminate function approach and sought to obtain linear discriminate coefficient, such that the squared difference between the mean Z-score for the one group and the mean Z-score for the other group was as large as possible in relation to the variation of Z-scores within the groups. They concluded that the number of employees per branch had maximum discriminating power to the extent of 55%, followed by amount of borrowings (18%), credit deposit ratio (14%) and income to expenditure ratio (13%).

Nair (2004) in his paper titled, "Village Co-operatives ? A Century of Service to the Nation" observed that by 2004, the formal institutionalized co-operative sector completed a century of its service to the nation. Analysing the progress of Primary Agricultural Co-operative Societies, he observed that during the half century spread over 1951- 2001, the PACs made rapid strides in membership, owned funds, deposits, and channelising production credit for farmers. They were versatile in the sense; they can take up any type of rural financing and rural service activity at short notice and at lowest transaction cost. But besides excelling on all fronts, the co-operatives are feeling handicapped due to mounting NPAs. The overdue loans of PACs increased to95,899.60 million in 2000-01 as compared to 63.79 million indicated in 1950-51 , thereby subjecting them to a sustained and systematic process of reviews, reorganisation and restructuring.

NABARD (2005) conducted a study "Development in Co-operative Banking", to evaluate the financial performance of 1872 urban co-operative banks and 1, 06,919 rural co-operative credit institutions. The findings of the study revealed that in all financial institutions in the rural sector (SCBs, DCCBs, SCARDBS, and PCARDBS), percentage of NPAs in the substandard category declined, while it had increased in doubtful category. NABARD was worried about deterioration in asset quality of these banks. However, all the institutions were able to meet the necessary provisioning requirements. It further highlighted that NPAs ratio in DCCBs varied significantly across the states from 5% to 68% at the end March 2004. Only in four states (Haryana, Himachal Pradesh, Punjab and Uttranchal), the NPA ratio was less than10%. NABARD suggested that co-operative banks should implement One Time Settlement system (OTS) and refer small value advances to LokAdalatsand high value advances to Debt Recovery Tribunals (DRTS). Further, State Governments were requested to help co-operative banks in reducing NPAs by taking special recovery derives.

DATA ANALYSIS

Table 1 : Current Asset

Current Asset Structure							
Particulars	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**Total**
Advances	8.55	11.68	12.27	12.69	18.56	21.73	100
Other Income	12.57	13.32	14.21	21.02	17.64	27.09	100
Interest Receivable	12.39	16.96	14.23	17.42	22.01	27.95	100
Stock	5.67	8.57	16.86	23.15	23.75	24.24	100
Cash at Bank	11.83	13.54	13.85	16.57	21.96	22.22	100

From the above table it can be seen that the current asset of the bank shows an increasing trend. The amount of current asset is highest in 2017-18 and lowest in 2012-13. Interest receivable and stock also shows an increasing trend.

Table 2 : Current Liability

Current Liability Structure of the Bank							
Particulars	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**Total**
Advances	7.57	13.43	12.6	13.34	19.39	33.65	100
Interest Payable	9.3	11.12	10.46	17.14	22.99	26.96	100
Overdue Interest Reserve	13.55	15.92	7.86	11.25	12.75	12.77	100
Undistributed Profit	7.87	9.22	8.57	12.54	14.26	15.24	100

The total current liability shows an increase except for the year 2014-15. Overdue Interest Reserve and undistributed profit shows a fluctuating trend but the total current liability is increasing.

Table 3 : Working Capital

Working Capital Position of the Bank			
Year	**Current Assets**	**Current Liabilities**	**Working Capital**
2012-13	151547927.00	60283737.00	91264190.00
2013-14	200442836.00	95235326.00	105207510.00
2014-15	200937007.00	88338579.00	112598428.00
2015-16	232673851.00	99251692.00	133422159.00
2016-17	311631425.00	137253442.00	174377983.00
2017-18	407361436.00	221636715.00	185724721.00

Table No. 3 shows an increasing trend in working capital and is more in the year 2017-18 and less in the year 2012-13, in the year of study. Working capital has increased from 9, 12, 64,190 to 18, 57, 24,721.

Table 4 : Fixed Deposit

Year	Amount Deposited	Trend
2012-13	229192319	100
2013-14	267109869	116.54
2014-15	298934376	130
2015-16	373293714	163
2016-17	429583479	187
2017-18	488659317	213

Table 4 : shows a trend analysis of fixed deposits. It shows an increasing trend, It is more in the year 2018 and is less in the year 2013 .It is increased from 22,91,92,319 to 48,86,59,317.

CONCLUSION

The study on the financial analysis of Poovarany Service Co-operative Bank Ltd. (No. 2882) was undertaken to analyze the financial performance of the bank by analyzing the short term financial position, long term financial position and profitability. This study is based on secondary data like annual reports of the bank and other published materials. For the purpose of his study Ratio analysis is used. From this study, it is concluded that the overall performance of the bank is good. The bank achieves remarkable performance in deposits mobilization, granting loans and advances and other services. The ultimate aim of the Poovarany Service Co-operative Bank is to provide the best possible services to the public. Thus the bank has a very significant role in the development of this area.

REFERENCES

- Devadas, Bhorali (2017), Co-operative Banking and Economic Development, Deep & Deep Publications, Delhi.
- Kalyankar (2013), "Wilful Default in Loans of Co-operatives", Indian Co-operative Review, Volume XX No.2, New Delhi.
- Kapoor (2019), "Revival of Co-operative Banks", Report of Task Force Constituted by Government of India.

- Krishna (2003), "Performance of Regional Rural Banks in Karnataka-An Application of Principal Components and Discriminant Function Analysis", Artharvikas - Journal of Economic Development, Vol. XXXIX. Jan- June.
- Kurulkar (2013), "Agriculture Finance in Backward Region", Himalaya Publishing House, Bombay.
- NABARD (2005), A Report "Development in Co-operative Banking", accessed on 14.05.09.
- Nair (2004) , "Village Co-operatives - A Century of Service to the Nation", Yojana, (March) , New Delhi.
- Niranja and Chtanbaran (2000), "Measuring the Performance of DCCBs", NAFSCOB Bulletin (Oct - Dec.), Mumbai.
- Patel (2015), "Viability of Rural Banking", Prajnan, (Jan-Mar.), Pune Murthi and Saraswati (1996), "Reducing Over dues in Credit Co-operatives: Some Alternatives", India Cooperative Review, Vol. XXVI No. 1 (Jan), New Delhi.
- Pathaniya and Sing (2018), "A study of Performance of HP State Co-operative Bank", India Co-operative Review Vol. XXXIV , No.2 (April), New Delhi.
- Rajamohan and Pasupathy (2009), "Performance Evaluation of TAICO (Tamil Nadu Industrial Co-operative Bank Ltd.) - An Application of Structural and Growth Analysis, India Co-operative Review, Vol. XXXXVII (Oct.), No.2, New Delhi.
- Rajamohan and Pasupathy (2009), in their study titled, "Performance Evaluation of TAICO (Tamil Nadu Industrial Co-operative Bank Ltd.) ? An Application of Oct.-Dwc.), Pune.
- Sathyasai (2000) "Restructuring Rural Credit Co-operative Institutions "Economic and Political Weekly, Volume 35 (5), Mumbai.
- SuryanK.Uthaya, and Veluraj R. (2005),"Profitability Analysis of the Pondicherry State Co-operative Bank", NAFSCOB Bulletin, (April), Mumbai.
- Viswanath (2001). "An Analysis of Performance of Agricultural Credit Co-operatives and their Over dues Problems in India", India Co-operative Review, Vol. XXXI, No.3 (July), New Delhi.