

# A Study of Financial Performance of Co-Operative Banks: Case of Poovarany Service Co-Operative Bank of Kerala, India

Prof. S. K. Baral\*

## ABSTRACT

*Agriculture plays a stupendous role and occupies a cardinal place in the Indian economy. The fact that half of the national income is being contributed by export of agro-based produces substantiates this point. Further, majority of the Country's people is depending on agriculture in one way or the other. Hence, the welfare of the people and their economic condition, and also the economic development of the Country depend, to a greater extent, on the output, progress and prosperity of agricultural sector. In spite of this significant role of agriculture, it is unfortunate to note the pathetic situation of agriculturists as half of the rural population live below poverty line and most of them remain indebtedness. One of the reasons for this has been on account of inadequate returns from agriculture sector. Besides, modernization schemes in agriculture resulted in the substantial increase in the investments on seeds, fertilizers, pesticides, irrigational facilities, cost of labour and on labour saving equipment. As a result, the financial requirement of farming-community has been increasing year after year on a consistently increasing basis. To put it differently, the farmers are in need of higher amounts of credit/loan for the purpose of undertaking agricultural activities. In this background, Co-operative Banks, based on their past performance, are recognized as the better institutions for the provision of sound and dynamic credit to farmers and as a case study, Poovarany Service Co-Operative Bank of Kerala has been selected for analysis.*

*Keywords: Financial Performance, Co-operatives, Agricultural, Farmers.*

## 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 a firm over a period of time.

\* Head, Department of Commerce & Registrar (I/c), Indira Gandhi National Tribal University, Amarkantak, Madhya Pradesh, India

## 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. Thrift and 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 2008-09 to 2013-14.

## 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 2008-09 to 213-14.

## 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 2008-09 to 2013-14 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 co-operative 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.

### **Types of Co-operative Banks**

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. The co-operative banking structure in India is divided into following 5 components:

#### **1. Primary Co-operative Credit Society**

The primary co-operative credit society is an association of borrowers and non-borrowers residing in a particular locality. The funds of the society are derived from the share capital and deposits of members and loans from central co-operative banks. The borrowing powers of the members as well as of the society are fixed. The loans are given to members for the purchase of cattle, fodder, fertilizers, pesticides, etc.

#### **2. Central Co-operative Banks**

These are the federations of primary credit societies in a district and are of two types- those having a membership of primary societies only and those having a membership of societies as well as individuals. The funds of the bank consist of share capital, deposits, loans and overdrafts from state co-operative banks and joint stocks. These banks provide finance to member societies within the limits of the borrowing capacity of societies. They also conduct all the business of a joint stock bank.

#### **3. State Co-operative Banks**

The state co-operative bank is a federation of central co-operative bank and acts as a watchdog of the co-operative banking structure in the state. Its funds are obtained from share capital, deposits, loans and overdrafts from the Reserve Bank of India. The state cooperative banks lend money to central co-operative banks and primary societies and not directly to the farmers.

#### **4. Land Development Banks**

The Land development banks are organized in 3 tiers namely; state, central, and primary level and they meet the long term credit requirements of the farmers for developmental purposes. The state land development banks oversee, the primary land development banks situated in the districts and tehsil areas in the state. They are governed both by the state government and Reserve Bank of India. Recently, the supervision of land development banks has been assumed by National Bank for Agriculture and Rural development (NABARD). The sources of funds for these banks are the debentures subscribed by both central and state government. These banks do not accept deposits from the general public.

#### **5. Urban Co-operative Banks**

The term Urban Co-operative Banks (UCBs), though not formally defined, refers to primary co-operative banks located in urban and semi-urban areas. These banks, till 1996, were allowed to lend money only for non-agricultural

purposes. This distinction does not hold today. These banks were traditionally centered on communities, localities, work place groups. They essentially lend to small borrowers and businesses. Today, their scope of operations has widened considerably.

The origins of the urban co-operative banking movement in India can be traced to the close of nineteenth century. Inspired by the success of the experiments related to the cooperative movement in Britain and the co-operative credit movement in Germany, such societies were set up in India. Co-operative societies are based on the principles of cooperation, mutual help, democratic decision making, and open membership. Cooperatives represented a new and alternative approach to organization as against proprietary firms, partnership firms, and joint stock companies which represent the dominant form of commercial organization. They mainly rely upon deposits from members and non-members and in case of need, they get finance from either the district central co-operative bank to which they are affiliated or from the apex co-operative bank if they work in big cities where the apex bank has its Head Office. They provide credit to small scale industrialists, salaried employees, and other urban and semi-urban residents.

#### HISTORY OF COOPERATIVE BANKS IN KERALA

The beginning of the Kerala State Cooperative Bank Ltd (KSCB) dates back to early 20th century. In 1914, the then Maharaja of Travancore, his highness The Sri.Moolam Thirunal Ramavarma, by his proclamation introduced the "Travancore Cooperative Societies Regulation Act. As per the Act, the first cooperative society - The Trivandrum Central Cooperative Bank - was registered in the year 1915. The bank started functioning on 18th January 1916 with a share capital of Rs.1.00 Lakh consisting of 1000 shares of Rs.100each.

Later, in 1943, the bank was converted into the Travancore Central Cooperative Bank with a federal character, for the entire Travancore State. Aftermath of the Indian independence, the bank was reorganized as a State Cooperative Bank for Travancore Cochin State in 1954. On linguistic basis, the State Kerala was formed in the year 1956. Then the bank was also elevated to the position of State Cooperative Bank, and further it became The Kerala State Cooperative Bank Ltd. The Kerala State Cooperative Bank was approved and retained as an Apex Bank, in which, only Cooperative Banks approved by the Registrar of Cooperative Societies were allowed as members. At present all the 14 District Cooperative Banks in the State and the Government of Kerala are the members and Shareholders of the Bank. At present, The Kerala State Cooperative Bank is not only the leader of cooperative sector in the state but also a model for cooperative banking structure in the country.

#### REVIEW OF LITERATURES

**Kalyankar (1983)**, 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 (1983)**, 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 (1987)**, 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 (1995)**, 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 (1996)**, 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 (1998)**, 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 (1999)**, 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 Jagdish Kapoor 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 to 95,899.60 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 than 10%. NABARD suggested that co-operative banks should implement One Time Settlement system (OTS) and refer small value advances to Lok Adalats and 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 drives.

#### FINANCIAL STATEMENT ANALYSIS AND INTERPRETATION

Financial Analysis is a process of evaluating the relationship between component parts of a financial statement to obtain a better understanding of firm's position and performance. The term financial analysis includes both interpretation and analysis. The word analysis and interpretation are interrelated. Though they are different processes, the latter cannot be made without the former. Analysis establishes relationship and interpretation predicts or gives practical hints for decision making.

Financial analysis and interpretation can be defined as the, 'process of determining the strength and weakness of a firm by establishing strategic relationship between the items of the balance sheet and profit and loss account and other operative data'. In other words of Metcaf and Titard 'analysing financial statement is a process of evaluating the relationship between component parts of a financial statement to obtain a better understanding of firm's position and performance'.

Generally financial statement analysis involves three steps. The first step involves the selection of information relevant to the analysis of financial statement. The second step involves an orderly classification and systematic analysis of the

data and third step consists of forming certain conclusions and generalisation on the basis of analysis of data.

Here an attempt is made to analyse the financial performance of the Poovarany Service Co-Operative Bank Ltd. No.2882 with the help of financial ratio in order to obtain valuable insight in to its financial position and profitability of the bank.

### Profitability Analysis

The primary objective of a business undertaking is to earn profits. Profit earning is considered essential for the business. Profitability is the profit making ability of the enterprise. Co-operative societies are formed with the objective of service to their members; profit is only a secondary objective. But profit necessary for the smooth functioning of the bank. Profitability ratios measure the result of the business operations or overall performance and effectiveness of the firm. The year wise progress of profit is presented as follows;

**Table-1: Year-Wise Progress of Profits of the Bank**

Year	Amount	Progress in Percentage (%)
2008-2009	5,70,830	-
2009-2010	4,81,555	84.36
2010-2011	44,42,961	922.62
2011-2012	27,49,164	61.87
2012-2013	30,53,308	111.06
2013-2014	52,34,575	171.43

*Source:* Annual Report of Poovarany Service Co-operative bank 2008-09 to 2013-14

### Current Asset Structure

**Table-2: Current Asset Structure**

Particulars	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	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

*Source:* Annual report of Poovarany Service Cooperative Bank Ltd. No.2882, 2009-2014.

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 2013-14 and lowest in 2008-09. Interest receivable and stock also shows an increasing trend.

**Figure-1: Current Asset Structure**



### Current Liability Structure

**Table-3: Current Liability Structure of the Bank**

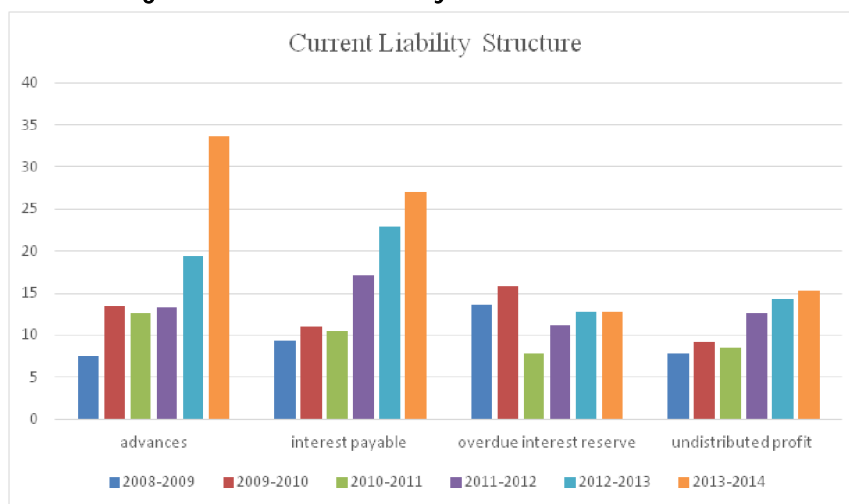
Particulars	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	Total
Advances	7.57	13.43	12.60	13.34	19.39	33.65	100
Interest Payable	9.30	11.12	10.46	17.14	22.99	26.96	100
Overdue Interest Reserve	13.55	15.92	7.86	11.25	12.75	12.77	100
Undistributed Profit	7.87	9.22	8.57	12.54	14.26	15.24	100

**Source:** Annual report of Poovarany Service Cooperative Bank Ltd. No.2882, 2009-2014

The total current liability shows an increase except for the year 2010-11. Overdue Interest Reserve and undistributed profit shows a fluctuating trend but the total current liability is increasing.



**Figure-2: Current Liability Structure of the Bank**



### Working Capital

Working capital is that the portion of assets of a business, which are used in or related to current operations. The term working capital refers to excess of current assets or current liability. In accounting working capital is the difference between the inflow and outflow of funds. The concept is widely used to judge the soundness of short term financial position of the firm.

Working Capital= Current Asset - Current Liability

**Table-4: Working Capital Position of the Bank**

Year	Current Assets	Current Liabilities	Working Capital
2008-2009	15,15,47,927	6,02,83,737	9,12,64,190
2009-2010	20,04,42,836	9,52,35,326	10,52,07,510
2010-2011	20,09,37,007	8,83,38,579	11,25,98,428
2011-2012	23,26,73,851	9,92,51,692	13,34,22,159
2012-2013	31,16,31,425	13,72,53,442	17,43,77,983
2013-2014	40,73,61,436	22,16,36,715	18,57,24,721

*Source:* Annual report of Poovarany Service Cooperative Bank Ltd. No.2882, 2009-2014

Table No. 4 shows an increasing trend in working capital and is more in the year 2013-14 and less in the year 2008-09, in the year of study. Working capital has increased from 9, 12, 64,190 to 18, 57, 24,721.

### Current Ratio

Current ratio is the relationship between current asset and current liability. The ratio is a measure of general liquidity and is most widely used to make the analysis of short term financial position or liquidity of the firm. This ratio is an indicator of firm's commitment to meet its short term liabilities.

Generally a current ratio of 2:1 is accepted as a standard ratio. That is Rupees 2 current asset or every rupee one current liability. A relatively high current ratio is an indication of the firm's ability to pay its current liabilities in time.

Current ratio= Current Asset/ Current Liability.

**Table-5: Current Ratio of the Bank**

Year	Current Asset	Current Liability	Ratio
2008-2009	15,15,47,927	6,02,83,737	2.51:1
2009-2010	20,04,42,836	9,52,35,326	2.10:1
2010-2011	20,09,87,007	8,83,38,579	2.27:1
2011-2012	23,26,73,851	9,92,51,692	2.34:1
2012-2013	31,16,31,425	13,72,53,442	2.27:1
2013-2014	40,73,61,436	22,16,36,715	1.83:1

**Source:** Annual report of Poovarany Service Cooperative Bank Ltd. No. 2882, 2009-2014

The current ratio of the bank is satisfactory except for the year 2013-14. The bank is having a satisfactory liquidity position and is in a position to pay off its current liabilities except for the year 2013-14.

#### Analysis of Long Term Financial Position

Long term solvency refers to the ability of the concern to meet its long term obligations. It indicates firms ability to repay the long term debts when due and its periodic interest payments.

**Table-6: Capital Structure of the Bank**

Liabilities	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Total
Share Capital	13.22	13.90	14.87	16.74	19.29	21.95	100
Reserves & Surplus	12.97	12.99	13.80	13.87	21.22	25.15	100

**Source:** Annual report of Poovarany Service Cooperative Bank Ltd. 2009-2014

Table No. 6 shows capital structure of the banks increasing trend in six years. Share capital of the bank also increased from 13.22 in 2008-09 to 21.95 in 2013-14. Reserves and surplus has increased from 12.97 to 25.15 in the year 2013-14.

**Table-7: Asset Structure Of The Bank**

Assets	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Total
Fixed assets	17.08	19.91	22.37	28.37	32.84	35.26	100
Investments	5.08	6.08	6.15	7.24	7.86	8.34	100
Loans and advances	9.69	10.82	12.86	17.56	17.67	18.32	100

*Source: Annual report of Poovary Service Cooperative Bank Ltd. 2009-2014*

Table No.7 shows that the Assets of the bank has increased from 17.08 in the year 2008-09 to 35.26 in the year 2013-14. Fixed asset, investments and loans and advances also sows an increasing trend, during the period under study. Loans and advances contribute a major share of fixed assets of the bank.

#### ANALYSIS DEPOSITS AND LOANS

The following are the analysis of deposits of the Poovary Service Co-operative Bank Ltd. No. 2882, from 2008-09 to 2013-14. A trend analysis is also shown below:

**Table-8: Fixed Deposits**

Year	Amount Deposited	Trend
2009	22,91,92,319	100
2010	26,71,09,869	116.54
2011	29,89,34,376	130
2012	37,32,93,714	163
2013	42,95,83,479	187
2014	48,86,59,317	213

*Source: Annual report of Poovary Service Cooperative Bank Ltd. 2009-2014*

Table No. 3.8 shows a trend analysis of fixed deposits. It shows an increasing trend, It is more in the year 2014 and is less in the year 2009. It is increased from 22,91,92,319 to 48,86,59,317.

#### Home Safe Deposits

**Table-9: Home Safe Deposits**

Year	Amount Deposited	Trend
2009	2,13,056	100
2010	1,87,802	88
2011	1,79,897	84
2012	1,79,865	84
2013	1,80,826	85
2014	1,82,575	86

*Source: Annual report of Poovary Service Cooperative Bank Ltd. 2009-2014*

Table No. 9 shows a trend analysis of Home safe. It shows a decreasing trend. In the years of study, it is highest in the year 2009 and is lowest in the years 2011 and 2012.

### Savings Deposits

**Table-10: Savings Deposits**

Year	Amount Deposited	Trend
2009	1,80,72,678	100
2010	2,50,25,042	138
2011	3,42,78,947	190
2012	3,74,70,946	207
2013	3,77,48,020	208
2014	3,37,36,823	187

Source: Annual report of Poovarany Service Cooperative Bank Ltd. 2009-2014

Table No. 10 shows a trend analysis of Savings. It shows an increasing trend. It is highest in the year 2013 and lowest in the year 2009.

### Recurring Deposits

**Table-11: Recurring Deposits**

Year	Amount Deposited	Trend
2009	4,14,600	100
2010	4,43,500	107
2011	5,24,700	127
2012	5,21,700	126
2013	1,22,500	30
2014	2,20,100	53

Source: Annual report of Poovarany Service Cooperative Bank Ltd. 2009-2014

Table No. 11 shows a trend analysis of Recurring. It shows an increasing trend except for the 2013 and 2014. It is highest in the year 2011 and is lowest in the year 2013.

## Current Deposits

**Table-12: Current Deposits**

Year	Amount Deposited	Trend
2009	4,48,996	100
2010	50,436	11
2011	51,912	12
2012	52,221	12
2013	5,22,277	12
2014	3,46,749	77

*Source: Annual report of Poovarany Service Cooperative Bank Ltd. 2009-2014*

Table No. 12 shows a trend analysis of Current Deposits. It shows a decreasing trend. It is highest in the year 2009 and is lowest in the year 2010.

## S.B Zero Deposits

**Table-13: S.B Zero Deposits**

Year	Amount Deposited	Trend
2009	-	-
2010	1,91,897	100
2011	80,313	42
2012	3,22,678	168
2013	4,07,670	212
2014	3,48,713	182

*Source: Annual report of Poovarany Service Cooperative Bank Ltd. 2009-2014*

Table No. 13 shows a trend analysis of S.B Zero Deposits. It shows an increasing trend except for the year 2011. It is highest in the year 2013 and is lowest in the year 2010.

## Gold Loans (6 months)

The following are the loans and advances of Poovarany Service Co-operative Bank Ltd. No.2882 in the years 2008-09 to 2013-14. A trend analysis is also shown below:

**Table-14: Gold Loans (6 months)**

Year	Loan Amount	Trend
2009	64,46,599	100
2010	1,00,90,365	157
2011	99,61,340	155
2012	1,07,58,441	167
2013	1,54,90,449	240
2014	2,39,67,858	372

*Source: Annual report of Poovarany Service Cooperative Bank Ltd. 2009-2014*

Table No. 14 shows a trend analysis of Gold Loans (6 months). It shows an increasing trend. It is highest in the year 2014 and is lowest in the year 2009.

**Gold Loans (3 months)**

**Table-15: Gold Loans (3 months)**

Year	Loan Amount	Trend
2009	1,64,62,426	100
2010	2,04,02,993	124
2011	2,54,78,134	155
2012	3,54,81,556	216
2013	5,07,12,314	308
2014	3,68,48,363	223

*Source: Annual report of Poovarany Service Cooperative Bank Ltd. 2009-2014*

Table No. 15 shows a trend analysis of Gold Loan (3 months). It shows an increasing trend. It is highest in the year 2013 and is lowest in the year 2009.

**Kissan Credit**

**Table-16: Kissan Credit**

Year	Loan Amount	Trend
2009	60,24,588	100
2010	28,66,596	48
2011	19,12,000	32
2012	12,60,000	21
2013	17,05,000	28
2014	12,85,000	21

*Source: Annual report of Poovarany Service Cooperative Bank Ltd. 2009-2014*

Table No. 16 shows a trend analysis of Kissan Credit. It shows a decreasing trend. It is highest in the year 2009 and is lowest in the year 2014.

#### Consumer Loan

**Table-17: Consumer Loan**

Year	Loan Amount	Trend
2009	17,249	100
2010	17,249	100
2011	17,249	100
2012	17,249	100
2013	17,249	100
2014	17,249	100

*Source: Annual report of Poovarany Service Cooperative Bank Ltd. 2009-2014*

Table No. 17 shows a trend analysis of Consumer Loan. It shows a neutral trend. It is same in all the years of study.

#### House Loan (Staff)

**Table18: House Loan (Staff)**

Year	Loan Amount	Trend
2009	20,32,425	100
2010	16,74,535	82
2011	28,70,680	141
2012	23,97,100	118
2013	18,12,820	89
2014	17,45,200	86

*Source: Annual report of Poovarany Service Cooperative Bank Ltd. 2009-2014*

Table No. 18 shows a trend analysis of House Loan (staff). It shows a decreasing trend except for the years 2011 and 2012. It is highest in the year 2011 and is lowest in the year 2010.

## SHG Loan

**Table-19: SHG Loan**

Year	Loan Amount	Trend
2009	2,05,432	100
2010	1,79,687	87
2011	5,62,220	274
2012	8,17,593	398
2013	7,63,985	372
2014	12,29,038	598

Source: Annual report of Poovarany Service Cooperative Bank Ltd. 2009-2014

Table No. 19 shows a trend analysis of SHG Loan. It shows an increasing trend except for 2010. It is highest in the year 2014 and is lowest in the year 2010.

## Salary Security

**Table-20: Salary Security**

Year	Loan Amount	Trend
2009	4,12,914	100
2010	5,50,723	133
2011	7,57,250	183
2012	5,02,189	122
2013	6,81,837	165
2014	11,14,327	270

Source: Annual report of Poovarany Service Cooperative Bank Ltd. 2009-2014

Table No. 20 shows a trend analysis of Salary Security. It shows an increasing trend. It is highest in the year 2014 and is lowest in the year 2009.



### 3.26 Mid Term Loan

**Table-21: Mid Term Loan**

Year	Loan Amount	Trend
2009	6,85,92,032	100
2010	7,02,77,197	102
2011	8,76,22,640	128
2012	9,75,59,784	142
2013	11,31,04,423	165
2014	11,36,55,467	166

*Source: Annual report of Poovarany Service Cooperative Bank Ltd. 2009-2014*

Table No. 21 shows a trend analysis of Mid Term Loan. It shows an increasing trend. It is highest in the year 2014 and is lowest in the year 2009.

#### Special mid Term Loan

**Table -22: Special mid Term Loan**

Year	Loan Amount	Trend
2009	997,048	100
2010	121,265	12
2011	45,046	5
2012	38,669	4
2013	32,297	3
2014	32,297	3

*Source: Annual report of Poovarany Service Cooperative Bank Ltd. 2009-2014*

Table No. 22 shows a trend analysis of Special Mid Term Loan. It shows a decreasing trend. It is highest in the year 2009 and is lowest in the years 2013 and 2014.

#### Fixed Deposit Loan

**Table-23: Fixed Deposit Loan**

Year	Loan Amount	Trend
2009	35,38,844	100
2010	60,28,352	170
2011	89,34,800	253
2012	43,24,905	122
2013	62,85,086	178
2014	56,89,935	161

*Source: Annual report of Poovarany Service Cooperative Bank Ltd. 2009-2014*

Table No. 23 shows a trend analysis of Fixed Deposit Loan. It shows an increasing trend. It is highest in the year 2011 and is lowest in the year 2009.

#### Normal Loan

**Table-24: Normal Loan**

Year	Loan Amount	Trend
2009	5,69,78,752	100
2010	8,06,47,682	142
2011	9,86,00,861	173
2012	13,24,02,035	232
2013	16,08,97,692	282
2014	22,51,33,545	395

Source: Annual report of Poovary Service Cooperative Bank Ltd. 2009-2014

Table No. 24 shows a trend analysis of Normal Loan. It shows an increasing trend. It is highest in the year 2014 and is lowest in the year 2009.

#### Employees O.D.

**Table No. 25: Employees O.D.**

Year	Loan Amount	Trend
2009	8,22,479	100
2010	8,61,175	105
2011	8,14,458	99
2012	8,40,709	102
2013	4,68,897	57
2014	6,72,038	82

Source: Annual report of Poovary Service Cooperative Bank Ltd. 2009-2014

Table No. 25 shows a trend analysis of Employees O.D. It shows a decreasing trend except for the years 2010 and 2012. It is highest in the year 2010 and is lowest in the year 2013.

## House Renovating Loan

**Table-26: House Renovating Loan**

Year	Loan Amount	Trend
2009	2,900	100
2010	2,900	100
2011	2,900	100
2012	2,900	100
2013	-	-
2014	-	-

*Source: Annual report of Poovarany Service Cooperative Bank Ltd. 2009-2014*

Table No. 26 shows a trend analysis of House Renovating Loan. It shows a neutral trend except for the years 2013 and 2014. It is same in the years from 2009 to 2012 and is zero from 2013 to 2014.

### FINDINGS AND SUGGESTIONS

The study on the Financial Analysis of The Poovarany Service Co-operative Bank Ltd. was to analyze the financial position of the bank that is liquidity, profitability and solvency. The study is based on the secondary data like annual reports of the bank and other published records. The study in The Poovarany Service Co-operative Bank as concluded to achieve the following objectives.

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 2008-2009 to 2013-14.

### FINDINGS

The major findings of the study are:

1. The share capital of the bank shows an increasing trend during the period of study.
2. The net profit of the bank shows an increasing trend during the study period.
3. The current asset of the bank shows an increasing trend during the study period.
4. The current liabilities of the bank shows a varying trend during the study period.
5. Working capital position of the bank is satisfactory because it is increasing in the period of study.
6. In all the six years under the study shows current ratio of the bank is more than 2:1 except the year 2013-14.
7. Cash at bank shows an increase in all years.
8. Reserves and surplus shows an increase in all years.
9. Deposits constitute a major part of the total liabilities of the bank.
10. Proprietors fund of the bank as show a constant increase over the six years of study.
11. The deposits of the bank has increased all years of study.
12. The loans and advances of the bank have increased all years of study.

### Suggestions

1. Profitability of the bank is satisfactory because it is increasing all the years of study.
2. In all the years the current ratio of the bank is increasing the ideal ratio 2:1, except the year 2013-14. Therefore, effort must be taken to put it back.

3. Deposits and loans of the bank show a healthy trend, effort must be needed to maintain the same.
4. The working capital shows a healthy trend as it is increasing all the years and the bank has to maintain the same.

The bank should take necessary step to create public confidence regarding the operations of the bank.

#### 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

1. Devadas, Bhorali (1987), Co-operative Banking and Economic Development, Deep & Deep Publications, Delhi.
2. Kalyankar (1983), "Wilful Default in Loans of Co-operatives", Indian Co-operative Review, Volume XX No.2, New Delhi.
3. Kapoor (1999), "Revival of Co-operative Banks", Report of Task Force Constituted by Government of India.
4. Krishna (2003), "Performance of Regional Rural Banks in Karnataka-An Application of Principal Components and Discriminant Function Analysis", Arthavikas - Journal of Economic Development, Vol. XXXIX. Jan- June.
5. Kurulkar (1983), "Agriculture Finance in Backward Region", Himalaya Publishing House, Bombay.
6. NABARD (2005), A Report "Development in Co-operative Banking", accessed on 14.05.09.
7. Nair (2004), "Village Co-operatives - A Century of Service to the Nation", Yojana, (March), New Delhi.
8. Niranja and Chtanbaran (2000), "Measuring the Performance of DCCBs", NAFSCOB Bulletin (Oct - Dec.), Mumbai.
9. Patel (1995), "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.
10. Pathaniya and Sing (1998), "A study of Performance of HP State Co-operative Bank", India Co-operative Review Vol. XXXIV, No.2 (April), New Delhi.
11. 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. XXXVII (Oct.), No.2, New Delhi.
12. 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.
13. Sathysai(2000) "Restructuring Rural Credit Co-operative Institutions "Economic and Political Weekly, Volume 35 (5), Mumbai.
14. Suryan K.Uthaya, and Veluraj R. (2005),"Profitability Analysis of the Pondicherry State Co-operative Bank", NAFSCOB Bulletin, (April), Mumbai.
15. 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.
16. [www.rbi.org.in](http://www.rbi.org.in)
17. [www.Banknetindia.com](http://www.Banknetindia.com)
18. <http://en.wikipedia.org/wiki/Bank#History>
19. [http://en.wikipedia.org/wiki/Banking\\_regulation](http://en.wikipedia.org/wiki/Banking_regulation)

20. [http://en.wikipedia.org/wiki/Banking\\_in\\_India#Early\\_history](http://en.wikipedia.org/wiki/Banking_in_India#Early_history)
21. [www.rbi.org.in/scripts/publications](http://www.rbi.org.in/scripts/publications)
22. <http://www.scribd.com/doc/5434275/indian-banking-sector>
23. <http://www.scribd.com/doc/4569884/The-Reserve-Bank-of-India89>
24. [http://finance.indiamart.com/investment\\_in\\_india/Scheduled\\_commercial\\_banks.hm](http://finance.indiamart.com/investment_in_india/Scheduled_commercial_banks.hm)
25. ICBA, International Co-operative Banks Association by [http://en.wikipedia.org/wiki/Regional\\_Rural\\_bank](http://en.wikipedia.org/wiki/Regional_Rural_bank)
26. [http://www.rbi.org.in/scripts/fun\\_urban.aspx](http://www.rbi.org.in/scripts/fun_urban.aspx)
27. <http://www.scribd.com/doc/8361020/india-banking-sector>
28. [www.nabard.org](http://www.nabard.org)

Reproduced with permission of copyright owner.  
Further reproduction prohibited without permission.