Volume 1, Issue 3 December 2015 ISSN NO: 2454 - 9827

North Asian International Research Journal Consortium

North Asian International Research Journal of Social Science & Humanities

NAIRJC JOURNAL PUBLICATION

North Asian International Research Journal Consortium

Welcome to NAIRJC

ISSN NO: 2454 - 9827

North Asian International Research Journal Social Science and Humanities is a research journal, published monthly in English, Hindi, Urdu all research papers submitted to the journal will be double-blind peer reviewed referred by members of the editorial board. Readers will include investigator in Universities, Research Institutes Government and Industry with research interest in the general subjects

Editorial Board

Address: - Dr. Ashak Hussain Malik House No. 221 Gangoo, Pulwama, Jammu and Kashmir, India - 192301, Cell: 09086405302, 09906662570, Ph. No: 01933-212815,
Email: nairjc5@gmail.com , nairjc@nairjc.com , info@nairjc.com Website: www.nairjc.com

FINANCIAL PERFORMANCE ANALYSIS OF TJSB SAHAKARI BANK LTD

SANDIP MALLICK

PhD Research Scholar, Department of Commerce, University of Kalyani.

ABSTRACT

Urban co-operative banks have been playing a crucial role in Indian economy by catering to the needs of the lower and middle income group of people of urban and semi-urban areas. These banks, with their extensive branch network in such areas where other banking facilities are not available, engage in recreation of the development process through savings and deposit mobilisation and funding small borrowers, SSIs, professionals and salaried class. In this backdrop, an attempt has been made in this paper to study the financial efficiency of The TJSB Sahakari Bank Ltd. To assess the financial efficiency the researcher has used various ratios as analytical technique. It has been concluded that the overall financial efficiency of The TJSB Sahakari Bank Ltd is sound but there is a concern for high rate of overdue.

Key Words: Urban Co-operative Banks, Financial Efficiency, Ratios

INTRODUCTION:

Urban Co-operative Banks are playing a vital role in Indian economy by catering to the needs of small and middle income groups of people. Over the years these banks are mobilising the savings and deposits of small investors into profitable advances to the SSIs, Retailers, and in salaried groups in such areas where other banking facilities are not available. The co-operative movement in India was pioneered by Vithal Laxman in the year 1889 when first mutual aid society named 'Anyonya Sahakari Mandali' was set up in the state of Baroda. The first urban co-operative credit society was registered in Kanjivaram in the erstwhile Madras province in October 1904. Co-operative banks came to be organised in local areas and communities to meet the financial need of their members and contribute to the sustainable development of their communities. By increasing banking services in such areas where other banks are less present co-operative banks popularize the co-operative movement among middle or low income households in our country. The term Urban Co-operative Banks (UCBs), though not formally defined, refers to primary co-operative banks organised on co-operative basis, located in urban and semi-urban areas to cater to the need of small borrowers, small entrepreneurs, SSIs, and salaried class. 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. They have also registered a significant growth in numbers, size and volume of business, members, working fund, etc. So, there was a demand of UCBs to be recognised as scheduled banks. In 1988 RBI had passed a notification dated 18th day of August and included eleven UCBs in the second scheduled of the RBI Act, 1934. As on 31st March 2013 there are 1606 UCBs out of which 51 scheduled and 1555 are non-scheduled. Thus UCBs are playing an important role in Indian economy and emerging as an integral part of Indian financial system.

SIGNIFICANCE OF THE STUDY:

Due to certain changes in Indian economic policies and in the wake of formation of new banks after liberalization and foreign direct investment in banking sector, the co-operative banks in general and UCBs in particular have gone under a crisis. At the same time failure of some good UCBs and have made people conscious about their savings and investment in the safest way. That is why the need to find the actual financial performance of the UCBs has been felt. This study on The TJSB Sahakari Bank Ltd makes an attempt to analyze the financial performance and the growth potential and it is certainly learning for the other urban cooperative banks functioning in India as bank is at present is functioning with 110 branches spread in four states viz. Maharashtra, Gujarat, Goa and Karnataka and have around 46777 members with annual business mix of ₹ 11600 crore.

REVIEW OF LITERATURE:

There are many research studies that try to evaluate- whether the Co-operative Banks are operating efficiently or not. An attempt is made in the following paragraphs to review some of important earlier works by the scholars with a view to find whether any researcher has worked on the topic of the proposed study:

Hosmani (1995) used various ratios to evaluate the performance of Malaprabha Grameena Bank of Karnataka and found profitability ratios were negative due to higher burden ratio in compare to spread ratio.

Padmini (1997) in her doctoral research observed that though fund mobilisation was done reasonably well in most of the district central banks of Kerala, but sufficient attention was not given for efficient utilisation of these funds.

Ramesh & Patel (1999) attempted to evaluate the growth pattern of the UCBs in India for the period from 1974-75 to 1993-94 and spotlighted that UCBs had made remarkable progress but their borrowings and overdue had unfortunately increased during the study period.

Desai (2006) on his doctoral research of selected UCBs in North Gujarat noticed that UCBs are facing the problems of high cost of business operation, low capital base, inadequate loan appraisal and credit planning, poor recovery performance, mounting overdue and relatively low level of customer satisfaction.

Talla et al(2011) in their study of Dharmavaram Co-operative Bank (DUCB) found that there was significant growth in the deposit mobilisation, membership, loans and advances, working capital, reserves in reference to DUCB but there was no significant growth in the increase of Net Profit and Earning Per Share. The bank was also facing the problem of overdue during the period of the study.

Das (2012) analysed financial and operational viability of state co-operative banks in Northeast India during 2002-2009 and observed that all the financial variables (e.g. capital, reserves, deposits, advances, collection, etc.) increased with higher growth rate but it was evidence from the study of some financial indicators that state co-operative banks in Northeast region were not at par with all India level.

Gansekaran et al (2012) attempted to examine the growth and success of the UCBs in the district of Vellore through different statistical tools viz. Karl Pearson's Co-efficient Correlation, Chi-square Analysis and Multiple Regression Analysis and opined that overall performance of the UCBs in all performance indicators were showing a significant and un-disturbing trend and they concluded that UCBs are the road of progress.

Babu & Selkhar (2012) suggested to take certain measures such as professionalization of management, good corporate governance, technology absorption and scrupulous adherence to regularity framework for strengthening the uniqueness and growth of UCBs.

Sant & Chaudhari (2012) studied ten UCBs in the districts of Greater Mumbai and Jalgaon and found that advancement of communication technology the UCBs had been successful in reducing their burden ratio and credit-deposit ratio over the time. They concluded that overall performance of the selected UCBs increased considerably in the years of analysis.

Soni & Saluja (2013) analysed the financial position of the DCC Bank Ltd Rajnandgaon through of ratio analysis technique and explored that solvency, liquidity and profitability of DCC Bank were sound but the bank had not succeeded in mobilising deposits in satisfactory level because of heavy competition from other banks and financial institutions. The DCC Bank Rajnandgaon was also suffering from high overdue during the study period.

Unnamalai (2014) conducted a study on working capital management of TDCC Bank and found that 13 of the 23 district central co-operative banks were operating under losses. He emphasises on the working capital management for the purposes of the success of the co-operative banks.

Research Gap:

The review of literature clearly reveals that no research work was previously conducted on the operational efficiency of scheduled UCBs in India especially in the western part of India where maximum number of scheduled UCBs are located. Hence the research aims to fill up the gap by analysing financial efficiency of The TJSB Sahakari Bank Ltd.

OBJECTIVES OF THE STUDY:

The researcher has identified the following objectives as a part of the study:

Primary Objective: To investigate the financial efficiency of The TJSB Sahakari Bank Ltd

Secondary Objectives:

1. To analyse the income generating capacity of working capital of The TJSB Sahakari Bank Ltd.

2. To highlight the deposits mobilisation capacity of The TJSB Sahakari Bank Ltd.

3. To analyse the profit generating capacity of working capital of The TJSB Sahakari Bank Ltd.

4. To analyse the profit generating capacity of assets of The TJSB Sahakari Bank Ltd.
5. To analyse the financial solvency position of the TJSB Sahakari Bank Ltd.

RESEARCH METHODOLOGY:

The study is based on secondary data taken from published annual reports of TJSB Sahakari Bank Ltd. The published annual reports of the bank have been collected from the official website of the bank. The present study is made for five years from 2010-2011 to 2014-15. The following ratios have been used to analyse the financial performance:

Table-1: Various Financial Ratios and their Significance.

Ratio	Formula	Significance
Solvency Ratios		
Current Assets Ratio	**Current Assets/Current liabilities** **CA**: cash in hand, balance with other banks, short-term loan-	Higher the ratio indicates better the solvency.

(CAR)	advances and bills receivables, interest receivable, sundry debtors. **CL:** deposit, short term borrowings (cash credit overdraft), interest payable, sundry creditors, bills payables and other short term liabilities.	
Acid Test Ratio (AT R)	**Quick Assets / Current Liabilities** **QA:** cash in hand and balance with other banks	Higher the ratio indicates better the solvency.
Debt-Equity Ratio (DER)	**Long Term Liabilities / Net Worth** **Long term Liabilities:** Long term Loans **Net worth:** statutory reserves+ capital reserves+ profits and other reserves + share capital	Higher of DER represents higher dependency over external funds.
Capital Adequacy Ratio (CRAR)	**Tier I capital + Tier II capital / Risk weighted assets**	A bank with a higher capital adequacy is considered safer because if its loans go bad, it can make up for it from its net worth. indicates Bank's sound financial capability, health and stability
Profitability Ratios		
Net profit to Total Assets Ratio (NPTAR)	**Net Profit x 100 / Total Assets**	Increasing trend over the years indicates the overall efficiency of the bank.
Net Profit to Working Capital Ratio (NPWCAR)	**Net profit x 100 / Working Capital**	The ratio is considered an indicator of how effectively a bank is using its fundsto generate profit from a bank's normal core business operations
Operating Profit to Working	**Operating profit x 100 / Working Capital**	The ratio is considered an indicator of how effectively a company is using its investments

Capital Ratio (OPWCR)		to generate profit from a bank's normal core business operations.
Earnings Ratios		
Interest Income to Working Capital Ratio (IIWCR)	**Income from Interest x 100/ Working Capital**	A higher ratio indicatesgenerating more revenue using less investment.
Non-interest Income to Working Capital Ratio (NIWCR	**Income other than Interest x100/ Working Capital**	A higher ratio indicates greater efficiency.
Overdue to Advances Ratio (OAR)	**Overdue amount x 100 / Total Loan and Advances**	The lower the ratio, the better is the performance.
Credit Deposit Ratio (CDR)	**Total Loan and Advances / Total Deposit**	A higher ratio indicates more reliance on deposits for lending and vice-versa .

RESULTS AND DISCUSSIONS:

The financial data of The TJSB Sahakari Bank Ltd that are collected from the annual reports of six consecutive financial years have been shown in Table-2 below:

Table-2: Financial Ratios of The TJSB Sahakari Bank Ltd.

Parameters/FY	**2014-15**	**2013-14**	**2012-13**	**2011-12**	**2010-11**	**2009-10**	**Mean**	**SD**
CAR (Times)	2.67	2.35	2.53	2.44	2.13	2.05	2.36	0.24
ATR (Times)	0.59	0.38	0.45	0.51	0.50	0.44	0.48	0.07
DER (%)	37.20	35.31	27.69	45.97	41.24	51.37	39.80	8.34
CRAR (%)	14.96	15.05	13.48	15.03	15.94	14.43	14.82	0.81
NPTAR (%)	1.28	1.41	1.31	1.29	1.30	1.41	1.33	0.06
NPWCR (%)	1.28	1.24	1.19	1.12	1.15	1.25	1.21	0.06
OPWCR (%)	2.04	2.21	1.98	2.25	2.34	2.29	2.19	0.14
IIWCR (%)	10.28	10.31	10.18	9.73	9.25	9.62	9.90	0.43
NIWCR (%)	0.66	0.75	0.67	0.65	0.61	0.54	0.65	0.07
OAR (%)	2.89	2.52	2.61	4.05	4.01	4.64	3.45	0.89
CDR (%)	61	66	64	60	57	60	61	3.20

The ideal current ratio of banks in India is 1.33:1. TJSB Sahakari Bank Ltd has the average Current Ratio of 2.36:1. The ratio was highest for the year 2014-15 (2.67) and lowest for the year 2009-2010 (2.05).As the ratio is above the standard we can conclude that the bank had maintained a satisfactory level of the liquidity position and had sufficient current assets to meet the current liabilities.

The Acid Test Ratio has been regarded as an important parameter of the liquidity position of any bank. TJSB Sahakari Bank Ltd has the average Acid Test Ratio of 0.48:1.This ratio was highest in the financial year 2014-15 (0.59) and the bank had maintained this ratio bellow 1 throughout the study period. Lower the ratio indicates that liquid assets are insufficient to meet the current liabilities. But maintaining high level of liquid assets in the form of cash may adversely affect its profitability. The ratio in the present case indicates that the bank has been efficiently managing the liquid assets.

As per the RBI guide line a co-operative bank should have maintain its Credit Deposit Ratio over 70%. In present case we have found that TJSB Sahakari Bank Ltd had Credit Deposit Ratio maintained an average CDR of 61%.

This ratio was highest in the financial year 2013-14 (66%) and lowest in the financial year 2010-11 (57%). If the bank maintains more CD ratio it will improve the profit and profitability position of the bank.

Debt Equity Ratio represents the long term borrowed funds to net worth. The ratio registered highest for the year 2009-10 (51.37%) and lowest in the year 2012-13 (27.69%). The bank had maintained the average DER of 39.80% during the study period and fluctuated over the years. As higher of DER represents higher dependency over external funds, we may conclude that TJSB Sahakari Bank Ltd need to reduce its borrowings to reduce the dependency over outside borrowers.

An ideal Capital Adequacy Ratio of 9% indicates Bank’s sound financial capability, health and stability. TJSB Sahakari Bank Ltd with an average CRAR of 14.82% satisfies the condition and we can conclude that the financial health of the bank is sound and stable.

The Net Profit to Total Assets Ratio was positive and had been maintained an average of 1.33% during the study period. The ratio was highest in the year 2013-14 and 2009-10 (1.41%) and lowest in the year 2014-15 (1.28%). As the ratio had been maintained over 1% throughout the study period we may conclude that the assets of TJSB Sahakari Bank Ltd are being used profitably over the years.

The Net Profit to Working Capital shows the average rate of return on the working capital of the bank was 1.21%. The year 2014-15 registered the maximum ratio of 1.28%.Whereas average operating profit to working capital ratio was 2.19% and it was highest in the year 2009-10 (2.29%) and lowest in the year 2011-12 (1.98%). As these ratios had been maintained over 1% throughout the study period we may conclude that the working capital of TJSB Sahakari Bank Ltd is being used profitably over the years.

The Interest Income to Working Capital Ratio (IIWCR) and Non-Interest Income to Working Capital Ratio (NIWCR) indicate how the bank is using its fund to generate income. Higher the ratios indicate higher efficiency of the management. The positive trend of this ratio acclaims the effectiveness of the management. The average IIWCR of the bank was 9.90% whereas the average NIWCR of the bank was 0.65%. This indicates that the bank is highly depends on interest income.

The average overdue Ratio of 3.45% indicates inefficiency in regards to collection of loans and advances in time. This may adversely affect on financial position as well as the profitability of the bank. Though, a negative trend of this ratio during the study reveals that the bank is trying to overcome this crisis.

FINDINGS OF THE STUDY:

- The solvency position of the bank is satisfactory but the bank need reduce its outside borrowings so that profitability of the bank may increase.
- Current Assets of the bank are capable to meet the Current Liabilities but Liquid Assets of the bank is needed to be increased.
- The deposit mobilization capacity of the bank is not satisfactory. Lots of efforts are needed to be taken to improve this situation.
- Working Capital Management of the bank is satisfactory. The bank is efficiently using its fund to generate income and in making of profits.
- Non-Interest Income of the bank is needed to be increased so that the dependency over Interest income may be reduced.
- The major concerning part of the study is higher rate of overdue that is being faced by the bank over the years.

SUGGESTIONS:

- The loan policies of the bank should be changed. Quick credit appraisal with lower rate of interest may attract the members to take the loan. New policies, lower processing fees, abolishment of unnecessary delay in sanctioning loan, adaptation of modern technologies and recruitment of efficient staff may improve the deposit mobilization rate in future.
- A good mechanism is to be set up by the bank to recover overdue. Keeping up to date records in daily basis and adopting scientific method may drop the overdue rate. A good customer care relation may also be useful in reducing overdue rate of the bank.
- Besides the normal business activities of the bank, extending locker rent services in all branches, providing draft and pay order issue services, making accord with educational institutions to collect fees in lieu of service charge and in making contract with shopping malls, retailers and with online shops for providing POS service in lieu of commission may increase Non-Interest income of the bank and that can be helpful for improving the profitability and reducing over dependency on Interest Income of the bank.

CONCLUSION:

The overall financial efficiency of the TJSB Sahakari Bank Ltd in all respect viz. IIWCR, NIWCR, OPWCR, CDR and NPTAR is satisfactory though there is some concern with regard to high rate of overdue. So it is advised to the managements of the TJSB Sahakari Bank Ltd to develop more effective credit appraisal policy and loan recovery strategy. For attracting new customers and satisfying present ones the may introduce modern technique of banking like internet banking, credit cards, ATM services so that TJSB Sahakari Bank Ltd can mobilise their deposits more efficiently. Besides their normal business operation TJSB Sahakari Bank Ltd may increase locker rent services and draft issue services so that increase of non-interest income may improve the profitability of the bank.

REFERENCES:

1. Anitha, N. (2015). LIQUIDITY MANAGEMENT OF URBAN CO-OPERATIVE BANKS IN NAMAKKAL DISTRICT. *SELP Journal of Social Science , VI* (25), 69-71.

2. Das, S. K. (2012). State Co-operative banking in Northeast India: Financial and Operational Viability Analysis. *Journal of North East India Studies, 2* (1), 13-32.

3. Desai, S. V. (2006). *Performance appraisal of urban Co-operative banks in Nort Gujrat.*

4. Deshmukh, J., & Somalkar, D. P. URBAN CO-OPERATIVE BANKS – PAST, PRESENT &FUTURE SCENARIO. *ABHINAV NATIONAL MONTHLY REFEREED JOURNAL OF REASEARCH IN COMMERCE & MANAGEMENT, 2* (1), 71-74.

5. Gnanasekaran, E., Anbalgan, D. M., & Nazar, N. A. (2012). A study on the Urban Cooperative Banks Success and growth in Vellore District – Statistical Analysis. *International Journal of Advanced Research in Computer Science and Software Engineering Volume 2, Issue 3, 2012 434-437 , 2* (3), 434-437.

6. Goyal, A., & Kaur, H. (2011). Performance evaluation of urban cooperative banks in India. *Elixir Management Arts* .

7. Gupta, J., & Jain, S. (2012). A study on Cooperative Banks in India with special reference to Lending Practices. *International Journal of Scientific and Research Publications, 2* (10), 1-6.

8. Hosmani, S. (1995). *Performance and Impact of Regional Rural Banks , A Case study of Malaprabha Grameena Bank in Karnataka.*

9. Jawahar Babu, D. (2012). Performance Evaluation of Urban Cooperative Banks In India. *IOSR Journal of Business and Management (IOSRJBM) , 1* (5), 28-30.

10. Jawahar Babu, D., & Selkhar, B. (2012). The Emerging Urban Co-Operative Banks (Ucbs) In India: Problems and Prospect. *IOSR Journal of Business and Management (IOSRJBM), 2* (5), 01-05.

11. Khandare, D. V. (2012). SOME ISSUES IN CUSTOMERS SERVICES OF URBAN COOPERATIVE BANKS: A CASE STUDY OF BEED DISTRICT. *IRJC International Journal of Social Science & Interdisciplinary Research, 1* (10), 145-152.

12. Mayilvaganan, D. S., & Soundararajan, E. (2013). Urban Co-Operative Banks in India – an Overview. *PARIPEX - INDIAN JOURNAL OF RESEARCH, 2* (8), 42-44.

13. Padmini, E. (1997). *Funds Management of Dictrict Co-operative Banks in Kerala.*

14. Ramesh, B., & patel, M. (1999). Performance Evaluation of Urban Co-operative Banks in India. *Asian Economic Review* , 323-330.

15. Ravichandran, K., & Pandian, V. A. (2013). AN ECONOMIC ANALYSIS OF VISVESVARYA URBAN COOPERATIVE BANK . *International Journal of Management and Social Sciences Research (IJMSSR), 2* (1), 62-69.

16. Sant, D. S., & Chaudhari, D. P. (2012). A Study of the Profitability of Urban Cooperative Banks (In Greater Mumbai And Jalgaon for 5 Years). *ZENITH International Journal of Multidisciplinary Research, 2* (5), 124-134.

17. Soni, A. K., & Saluja, H. P. (2013). Financial Ratio Analysis of DCC Bank Limited Rajnandgaon A Case Study. *International Journal of Accounting and Financial Management Research, 3* (1), 93-106.

18. Talla, N. G., Bethapudi, A., & Reddy G, R. (2011). AN ANALYTICAL STUDY ON FINANCIAL PERFORMANCE OF DHARMAVARAM URBAN COOPERATIVE BANK, A.P, INDIA. *ABHINAV NATIONAL MONTHLY REFEREED JOURNAL OF RESEARCH IN COMMERCE & MANAGEMENT, 2* (8), 01-13.

19. Trivedi, P. K. (n.d.). A Camel Model Analysis of Scheduled Urban Co-operative Bank in Surat City–A case study of Surat People's Co-operative bank. *IOSR Journal of Business and Management (IOSR-JBM)* , 48-54.

20. Unnamalai, D. T. (2014). A Study on Working Capital Management of TDCC Bank. *International Journal in Management and Social Science, 2* (5), 16-26.

21. Websites:
    a. www.rbi.org.in
    b. tjsb.co.in

Publish Research Article

Dear Sir/Mam,

We invite unpublished Research Paper,Summary of Research Project,Theses,Books and Book Review for publication.

Address:- Dr. Ashak Hussain Malik House No-221, Gangoo Pulwama - 192301
Jammu & Kashmir, India
Cell: 09086405302, 09906662570,
Ph No: 01933212815
Email: nairjc5@gmail.com, nairjc@nairjc.com, info@nairjc.com
Website: www.nairjc.com