

A Comparative Study of Performance of District Co-Operative Bank Ltd. Pauri & Haridwar District

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ABSTRACT

In modern oriented economy, the banking sector plays a vital role for the economic development of a country. Traditionally the banks only provides depository services and worked as financial provider but presently as the scenario has been changed which lead to tremendous improvements in banking services and operations. The various services that banks provide are RTGS, EFT, NEFT, and ATM, Debit and Credit cards, free advisory services, online banking, and mobile banking. In the modern oriented economy, Efficiency and profit earning capacity of the banks in India has given primal importance due to technology changes, high competition, great customer demand and changing banking rules and regulation. The pressure of meeting these changes have compelled banks to change the old ways of doing business. This study mainly is an attempt to analyze the major factors that influence financial performance of both the banks District Co-operative Bank Pauri Garhwal & District Co-operative Bank Haridwar. This Attempt is made to evaluate the financial performance and financial stability of the both the banks through the financial data. Thus the study is based on annual reports of District Co-operative Bank Pauri Garhwal & District Co-operative Bank Haridwar. The results indicated that the District Co-operative Bank Pauri Garhwal & Co-operative Bank Ltd. Haridwar District are maintaining the equitable standards and earning the profits.

Keywords: Net Profit, Financial Performance, Co-operative Bank, Financial Stability.

INTRODUCTION:

The finance collected through banks works as a lifeline of Indian economy system. Today, in India mostly everywhere banking facilities is easily accessible. The banking system of India is characterized by a large numbers of bank branches, providing many kinds of financial services to the people. Financial analysis of a bank is not only important to management of bank for decision making but also provides valuable information to all stakeholders. The performance of the banking sector, thus determines the pace of development of the economy. Similar to any other business enterprise, the efficiency of the bank is determined by financial statement & evaluation is also based on profitability and quality of the assets it possess. Therefore nowadays it is vital for bank to analysis there financial performance and improve their efficiency for better economy financial system. The purpose of the study is to classify and examine the factors which affect financial stability & performance of District Co-operative Bank Ltd. Pauri Garhwal & Co-operative Bank Ltd. Haridwar District. Financial performance of District Co-operative Bank Ltd. Pauri Garhwal & Co-operative Bank Ltd. Haridwar District is evaluated by financial ratios such as net profit, operating profit, return on assets, solvency etc.

About the District Co-Operatibe Bank Limited Pauri Garhwal:

The District Co-operative Bank Pauri Garhwal is one of the leading banks in Uttarakhand. It is always trying to provide highest level of services to their customers. The District Co-operative Bank Pauri Garhwal offers a

various types of personal & corporate services to their customers. The District Co-operative Bank Pauri Garhwal was established on 6th April 1953 with its head office in Kotdwar. The Bank was established to serve rural areas for agriculture sector. It's a bank of agriculturist because it provide loan to farmer at lower rate. The District Co-operative Bank Pauri Garhwal is based on Co- operative principles and delivering innovative banking products and services by consistent improvement of technology. The Bank is presently doing the leading business in both Agriculture as well as Non- Agriculture sector.

About the District Co-Operatibe Bank Limited Haridwar District:

In Garhwal Region, the first Co-operative bank was started in 1920 at Haridwar. All the branches and head office of the bank is totally computerized and CBS and equipped with all modern banking facility as a first step towards modern banking. Today bank provides RTGS/NEFT, SMS Alerts Facility to its customers and to provide ATM cum Debit Card, Net Banking, Mobile Banking etc. in progress. Bank main objective is Delivering best banking services to both Agriculture as well as Non- Agriculture sector.

REVIEW OF LITERATURE:

A variety of studies have been conducted with regards to the financial and operational affairs of the banks, various scholars, academicians and analyses have come up with their expertise to assess the performance of the banks.

- The study conducted by Virendar Koundal (2012) is one of the studies of "Performance of Indian Banks in Indian Financial System" that concludes that although various reforms have produced favorable effects on commercial banks in India.
- The study conducted by Deepti Tripathi and Kishore Meghani (2014) examined financial performance of Axis and Kotak Mahindra bank with the help of fund flow analysis, trend analysis, common-size analysis, comparative financial statement & ratio analysis. There is no significance difference between the Axis and Kotak Mahindra bank.
- K. V. Bhanumurthy (2015) examined People have misconception that the main banking business is accepting deposits and lending loans. The profitability of banks is reducing because of high level of non-performing assets. However the reality is that the banks are aggressively involving in off balance sheet business, particularly the foreign banks that can at any time threaten and destroy the stability of banks.
- Vidisha Shah (2015) discussed about the comparative analysis on performance of new private Sector banks and the public sector banks of India during the period 2011-2015 on many key parameters such as the P/E Ratio, Dividend Payout ratio, Return on equity ratio, Capital adequacy ratio, Credit deposit ratio.
- The study conducted by Renu Bagoria (2014) is one of the comparative studies between private sector banks and public sector banks and the adoption of various services provided by this bank. She concluded that the transaction of Mobile banking through public sector bank is higher than private sector.
- The study conducted by Muhammad Saifuddin Khan (2016) examines the relationship between funding liquidity and bank risk taking in the U.S. bank holding companies from 1986 to 2014, results concluded that bank size and capital buffers usually limit banks from taking more risk when they have lower funding liquidity risk.

OBJECTIVES OF THE PAPER:

The specific objectives of the paper are:

1. To compare the profit earning capacity of District Co-operative Bank Ltd. Pauri Garhwal & Co-operative Bank Ltd. Haridwar District from the year 2014-15 to 2016-17.
2. To show various factor affecting the financial stability the profit earning of the both banks during the period.

RESEARCH METHODOLOGY:

Sources of Data:

This research paper is an attempt of descriptive research based on secondary data. Secondary data was collected from various website, journals, magazines which focused on various aspects of financial performance of District Co-operative Bank Ltd. Pauri Garhwal & Co-operative Bank Ltd. Haridwar District. Ratio Analysis was applied to analyze and compare the trends in banking business and financial performance.

Universe of the Study:

For the purpose of the study, the universe consists of all the financial statement of District Co-operative Bank Ltd. Pauri Garhwal & Co-operative Bank Ltd. Haridwar District.

Sample Size:

Financial statement of last 3 years 2014-15 to 2016-17. The study shows the differences between financial performances of District Co-operative Bank Pauri Garhwal & District Co-operative Bank Ltd. Pauri Garhwal & Co-operative Bank Ltd. Haridwar District over the last 3 year periods.

Statistical Tool Used:

To have a meaningful analysis and interpretation of various data collected, the following tools were made for this study.

Ratio Analysis:

For the purpose of the study, following parameters have been taken:

1. Net Profit Ratio
2. Operating Profit Ratio
3. Return on shareholder’s Investment
4. Solvency Ratio
5. Total Assets Turnover Ratio
6. Proprietary Ratio

Period of the Study:

This study covers the period of 03 years from 2014-15 to 2016-17. The period of the study is enough to know the performance of both banks.

ANALYSIS OF DATA AND RESULTS :

As mentioned above, the study is based on a financial statement of last 3 years 2014-15 to 2016-17 of District Co-operative Bank Ltd. Pauri Garhwal & Co-operative Bank Ltd. Haridwar District.

Table 1: Net Profit Ratio (Rs. in Lakh)

YEAR'S	District Co-operative Bank Ltd. Pauri Garhwal District			District Co-operative Bank Ltd. Haridwar District		
	NET PROFIT	NET SALES	RATIO	NET PROFIT	NET SALES	RATIO
2014-15	643	7080	9.08	350	5144	6.80
2015-16	418	6051	6.91	307	4920	6.24
2016-17	388	5722	6.78	297	4976	5.97
	AVERAGE = 7.59			AVERAGE = 6.34		

Source: Annual Report of District Co-operative Bank Pauri Garhwal & District Co-operative Bank Haridwar District

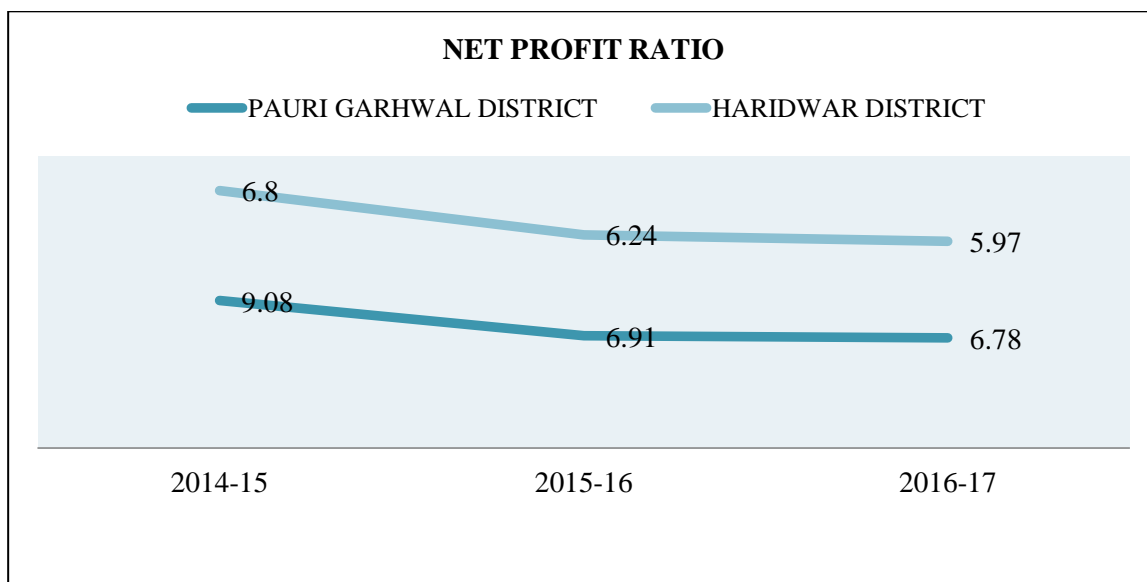


Table 2: Operating Profit Ratio (Rs. in Lakh)

YEAR'S	District Co-operative Bank Ltd. Pauni Garhwal District			District Co-operative Bank Ltd. Haridwar District		
	OPERATING PROFIT	NET SALES	RATIO	OPERATING PROFIT	NET SALES	RATIO
2014-15	933	7080	13.18	677	5144	13.16
2015-16	639	6051	10.56	572	4920	11.63
2016-17	599	5722	10.49	457	4976	9.18
	AVERAGE = 11.41			AVERAGE = 11.32		

Source: Annual Report of District Co-operative Bank Pauni Garhwal & District Co-operative Bank Haridwar District

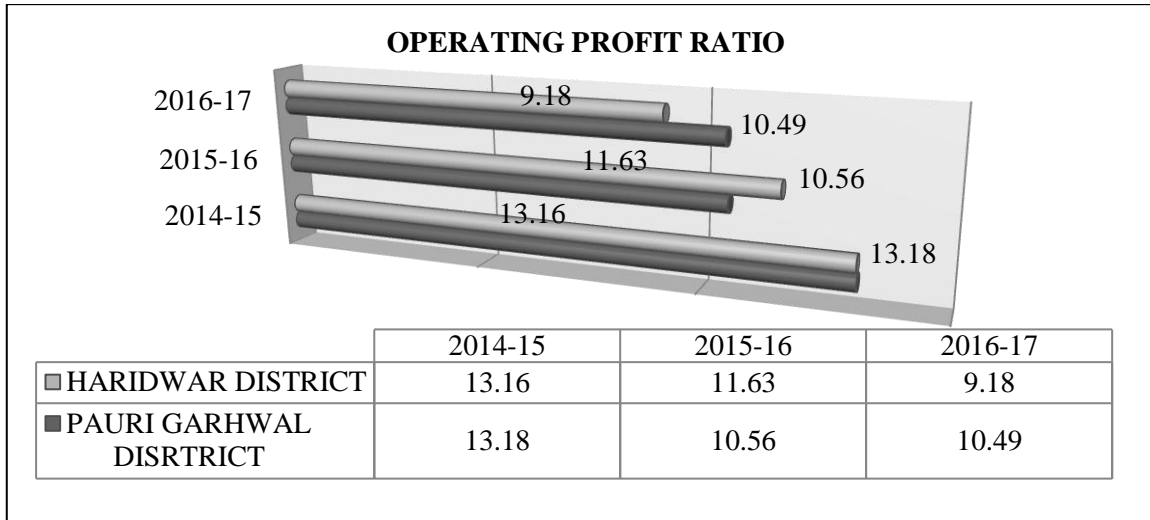


Table 3: Return on Shareholder's Investment (rs. In lakh)

YEAR'S	District Co-operative Bank Ltd. Pauni Garhwal District			District Co-operative Bank Ltd. Haridwar District		
	NET PROFIT	SHAREHOLDER'S FUND	RATIO	NET PROFIT	SHAREHOLDER'S FUND	RATIO
2014-15	643	5416	11.87	350	4903	7.14
2015-16	418	12425	3.36	307	5116	6.00
2016-17	388	16362	2.37	297	5175	5.74
	AVERAGE = 5.87			AVERAGE = 6.29		

Source: Annual Report of District Co-operative Bank Pauni Garhwal & District Co-operative Bank Haridwar District

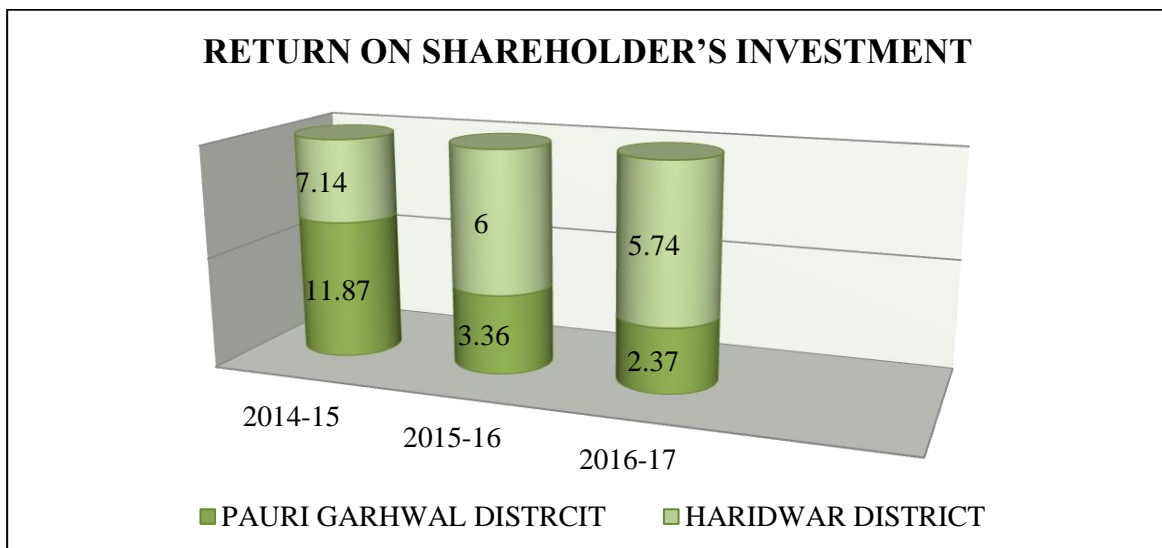


Table 4: Solvency Ratio (Rs. in Lakh)

YEAR'S	District Co-operative Bank Ltd. Pauri Garhwal District			District Co-operative Bank Ltd. Haridwar District		
		TOTAL ASSET	RATIO	EXTERNAL LIABILITY	TOTAL ASSET	RATIO
2014-15	54780	60196	0.91	53828	58731	0.92
2015-16	52627	65052	0.81	56749	62865	0.90
2016-17	57067	73429	0.78	48943	55118	0.89
	AVERAGE = 0.83			AVERAGE = 0.90		

Source: Annual Report of District Co-operative Bank Pauri Garhwal & District Co-operative Bank Haridwar District

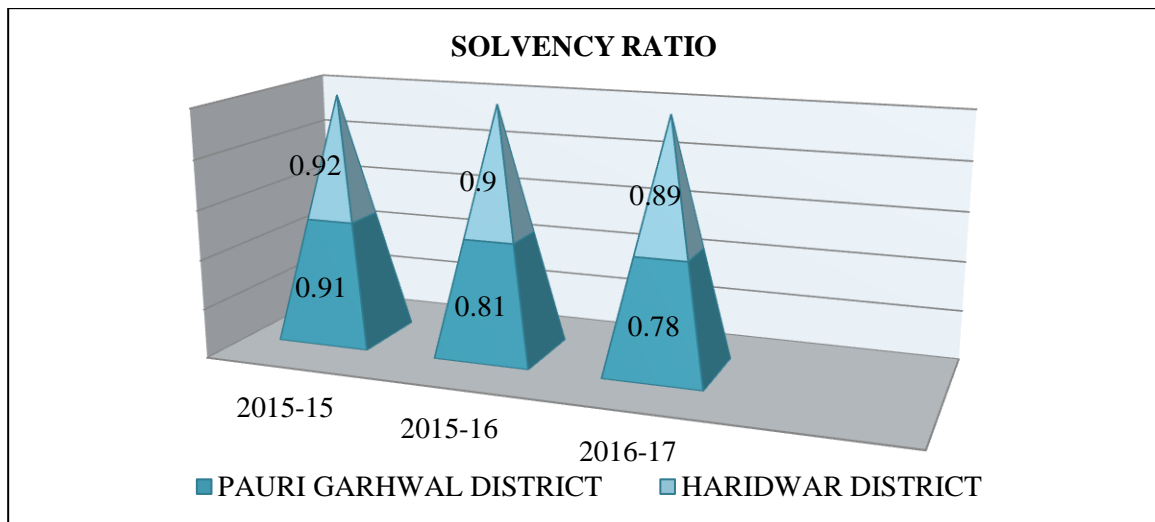


Table 5: Propertory Ratio (Rs. in Lakh)

YEAR'S	District Co-operative Bank Ltd. Pauri Garhwal District			District Co-operative Bank Ltd. Haridwar District		
	OWNER EQUITY	TOTAL ASSET	RATIO	OWNER EQUITY	TOTAL ASSET	RATIO
2014-15	5416	60196	0.09	4903	58731	0.08
2015-16	12425	65052	0.19	6116	62865	0.10
2016-17	16362	73429	0.22	6175	55118	0.11
	AVERAGE = 0.17			AVERAGE = 0.10		

Source: Annual Report of District Co-operative Bank Pauri Garhwal & District Co-operative Bank Haridwar District

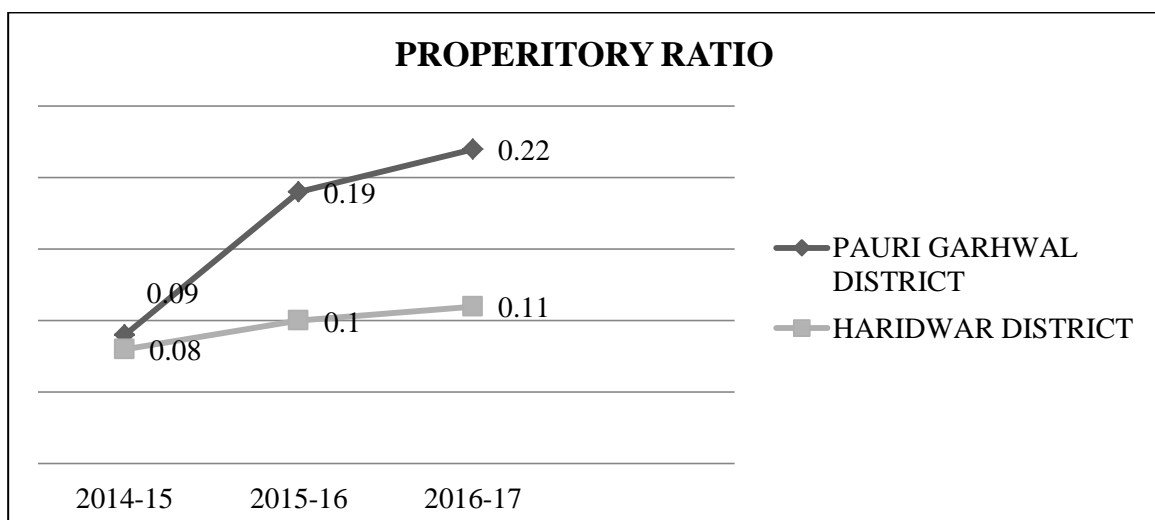
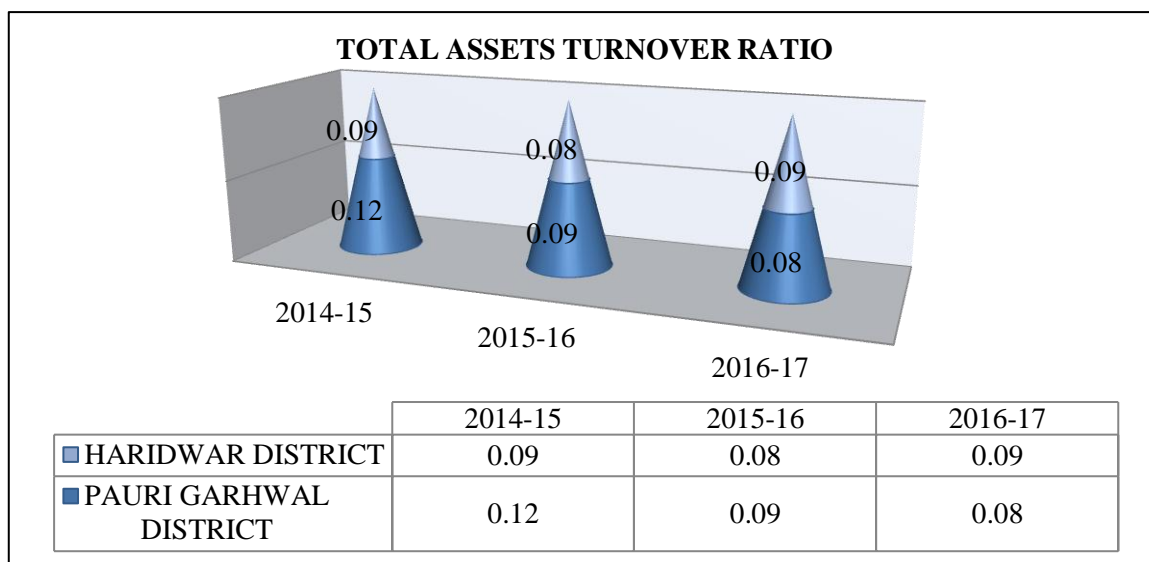


Table 6: Total Assets Turnover Ratio: (Rs. in Lakh)

YEAR'S	District Co-operative Bank Ltd. Pauri Garhwal District			District Co-operative Bank Ltd. Haridwar District		
	NET SALES	TOTAL ASSET	RATIO	NET SALES	TOTAL ASSET	RATIO
2014-15	7080	60196	0.12	5144	58731	0.09
2015-16	6051	65052	0.09	4920	62865	0.08
2016-17	5722	73429	0.08	4976	55118	0.09
	AVERAGE = 0.10			AVERAGE = 0.09		

Source: Annual Report of District Co-operative Bank Pauri Garhwal & District Co-operative Bank Haridwar District



FINDINGS:

- Net Profit of both District Co-operative Bank Ltd. Pauri Garhwal & Co-operative Bank Ltd. Haridwar District is fluctuating. The average Net Profit Ratio of District Co-operative Bank Ltd. Pauri Garhwal is 7.59% and Co-operative Bank Ltd. Haridwar District 6.34% which implies that the Net Profit Ratio of Co-operative Bank Ltd. Pauri Garhwal is more than that of the Co-operative Bank Ltd. Haridwar District.
- The average Operating Profit Ratio of Co-operative Bank Ltd. Pauri Garhwal is 11.41% and that of Co-operative Bank Ltd. Haridwar District is 11.32% which implies that the Operating Profit Ratio of Co-operative Bank Ltd. Pauri Garhwal is more than Co-operative Bank Ltd. Haridwar District by 0.09%.
- The return on shareholder’s investment is the highest in the year of 2014-2015 in both the banks due to the highest value of net profit. There after return on shareholder’s investment of District Co-operative Bank Pauri Garhwal & Co-operative Bank Ltd. Haridwar District is showing a declining trend.
- The average solvency ratio of District Co-operative Bank Ltd. Pauri Garhwal is 0.83 and Co-operative Bank Ltd. Haridwar District is 0.90, which implies that the Average Solvency Ratio of Co-operative Bank Ltd. Haridwar District is 0.90, which is more than that of Co-operative Bank Ltd. Pauri Garhwal.
- The return on total asset of both the banks is the highest in the year of 2014-2015 due to the highest value of net profit.
- The return on proprietor’s fund ratio of both the banks is the highest percentage in the year of 2016-2017 due to the highest value of owner equity.
- The comparative statement results show positive level. But there is no constant improvement in its values year by year.

SUGGESTIONS:

- ❖ Profitability performance of District Co-operative Bank Pauri Garhwal & Co-operative Bank Ltd. Haridwar District is not satisfactory level if we compare to profit of 2014-2015. Profit rate is low in last two years 2015-16 and 2016-17.

- ❖ The bank may try to keep this solvency position for reducing the risk of owners.
- ❖ To increase the return on total assets, the bank should prevent the frequent fluctuation between the net profit and total asset.
- ❖ It is also true that presently, both the banks District Co-operative Bank Pauri Garhwal & Co-operative Bank Ltd. Haridwar District are facing many external challenges, due to changing customer need and high level of satisfaction. Hence Bank should have to focus on retain the existing customers and have to offer new scheme day by day to attract the new customers. Internet Banking should be introduced immediately. It's a big requirement of banking customers. Internet Banking should be introduced immediately. It's a big requirement of banking customers.

CONCLUSION:

The performance of bank is not dependent on some limited parameters. But in this paper the performance of banks to be analyzed by taking into account the six parameters. The data related with all the parameters have clearly concludes that both the selected banks District Co-operative Bank Pauri Garhwal & Co-operative Bank Ltd. Haridwar District are maintaining the equitable standards and earning the profits, but both banks need to take some effective steps in order to improve overall performance of banks. In this competition era District Co-operative Bank Pauri Garhwal & Co-operative Bank Ltd. Haridwar District should have to concentrate on the customer's satisfaction by providing them best banking services.

LIMITATIONS OF THE STUDY:

- The study is based on secondary data collected from the secondary data source like annual report of District Co-operative Bank Pauri Garhwal & Co-operative Bank Ltd. Haridwar District. Therefore, the quality of the study depends upon the accuracy, reliability, and quality of secondary data source.
- The study is confined to three years data only (2014–2017).
- The study was confined to the District Co-operative Bank Pauri Garhwal & Co-operative Bank Ltd. Haridwar District in (Uttarakhand) only. So the finding may not be generalized in a broader perspective.

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