

A Study on Financial Performance of District Co-operative Bank Limited of Pauri Garhwal

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Abstract: Finance is one of the basic foundations of all kinds of economic activities in the modern oriented economy. It is analysed that Finance statements are prepared primarily for decision making. This research paper mainly focuses on investigating the major factors that influence District Co-operative Bank on their financial performance. It is noted that the Co-operative banks has been maintaining fair financial performance and it can further improve if the banks put in more effort and concentrates on with the overall service quality of their product and formulate strategies to maintain proper fund. This paper is of descriptive in nature and the data used is collected through secondary sources. The major findings of this study is that the District Co-operative Bank of Pauri Garhwal is maintaining fair financial performance and it has ample of scope for further improvement. The study also identified specific areas for District Co-operative Bank of Pauri Garhwal to work on different areas which can ensure sustainable growth for the bank. An attempt in the study was made to analyse the differences between financial performances of District Co-operative Bank of Pauri Garhwal over the last 4 year periods.

Keywords: Banking sector, Co-operative Bank, Financial analysis.

I. INTRODUCTION

It is generally seen that Finance statements are prepared primarily for decision making. Financial analysis is the process of critically examine the financial strength and weakness of the Bank by properly establishing relationship between an item or amount appearing in the Balance sheet and the profit and loss account. The knowledge of financial performance helps, to decision makers, in predicting, comparing, and evaluating the earning ability of banks. The nature of analysis will differ depending upon the purpose of analysis. Financial analysis is used for setting financial policy and to evaluate economic trends, builds long term plans and identifies area for investment. The purpose of this research is to search and examine the factors, which influence financial performance of District Co-operative Bank of Pauri Garhwal. Financial analysis is the process of examining financial information

to reach business decisions. The key source of information for financial analysis is the financial statements of organizations. Bank is back bone of an economy's financial system. For the past three decades, India's banking system has several outstanding achievements to its credit. Bank is a very important and vital for economic development in mobilizing capital and other resources. Therefore, it is vital for bank to analysis their financial performance and improve it for better economy financial system.

II. ABOUT THE DISTRICT CO-OPERATIVE BANK LIMITED PAURI GARHWAL

Bank is back bone of an economy's financial system. The District Co-operative Bank Pauri Garhwal is one of the leading banks in Uttarakhand. It has been constant Endeavour to provide highest level of services to their customers. The District Co-operative Bank Pauri Garhwal offers a wide range 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. 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.

III. 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 R.Nambirajan (2001) is one of the studies that compared gross and net Nonperforming Assets of all Public sector banks from 1998 to 2000. He concluded that corporation bank has lowest NPAs (1.92 per cent) and Indian bank has highest NPAs (16.18%). The study conducted by K. Srinivas (2013) examined financial performance of the Company with the help of fund flow analysis, trend analysis,

common-size analysis, comparative financial statement & ratio analysis. His study suggests a very high quantum of liquidity cash in the company. 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. Alpesh Gajera (2015) in his research article on financial performance evaluation of private and public sector banks found that there lies a significance difference in the financial performance of these banks. It was also found that private sector banks perform better than public sector banks in respect of capital adequacy ratio and financial performance. 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. The results found concluded that bank size and capital buffers usually limit banks from taking more risk when they have lower funding liquidity risk.

IV. OBJECTIVES OF THE PAPER

The objectives of the present study are the following:

- To show the financial stability analysis which consists of profitability and liquidity.
- To analyze the balance sheet and income statement of District Co-operative Bank of Pauri Garhwal.
- To discuss the Financial ratio measurement and analysis.

V. RESEARCH METHODOLOGY

A. Sources of Data

The research is primarily based on descriptive research which is 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 of Pauri Garhwal. The data required for the study has been collected from secondary sources and the relevant information were taken from GOI Annual reports, Journals and Internet etc. Ratio Analysis technique was used to analyze and compare the trends in banking business and financial performance.

B. Universe of the Study

The Universe used to conduct the study consists of all the financial statements of District Co-operative Bank of Pauri Garhwal.

C. Sample Size

Sample size consists of Financial statement of last 4 years 2013-14 to 2016-17. The study shows the differences between

financial performances of District Co-operative Bank of Pauri Garhwal in the last 4 year periods.

D. Statistical Tool Used

To analyse the data and for correct interpretation various factual data was collected and various Statistical tools like Ratio Analysis and Trend Analysis was used to compare the data and find results.

VI. ANALYSIS OF DATA AND RESULTS

As mentioned above, the study is based on a financial statement of last 4 years 2013 - 2017 in the District of Pauri Garhwal.

TABLE I: CURRENT RATIO (RS. IN LAKH)

Year's	Current Asset	Current Liability	Ratio
2013-14	35,904	30,335	1.18
2014-15	43,815	34,660	1.26
2015-16	49,886	35,867	1.39
2016-17	49,756	39,296	1.27

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

A current ratio 2:1 is considered ideal. From the above table, we clearly know that the current ratio for the year 2015-2016 is high which indicate there may be possibility of more ideal funds. The current ratio for the year 2013-2014 is comparatively low than other years from the overall statement.

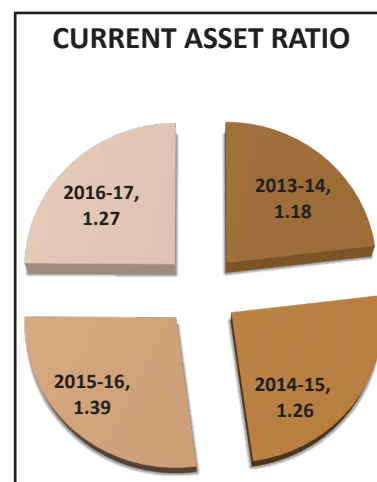


TABLE II: LIQUID RATIO (RS. IN LAKH)

Year's	Liquid Asset	Current Liability	Ratio
2013-14	35,544	30,335	1.17
2014-15	43,243	34,660	1.25
2015-16	49,008	35,867	1.37
2016-17	49,617	39,296	1.26

Source: Annual Report of District Co-operative Bank Kotdwar

A liquid ratio 1:1 is considered ideal. From the above table, we clearly know that the liquid ratio for the year 2015-2016 is high which indicate that greater efficiency in the utilization of liquid assets. In the year 2013-2014 the ratio shows 1.17 due to a lower efficiency in the utilization of liquid assets.

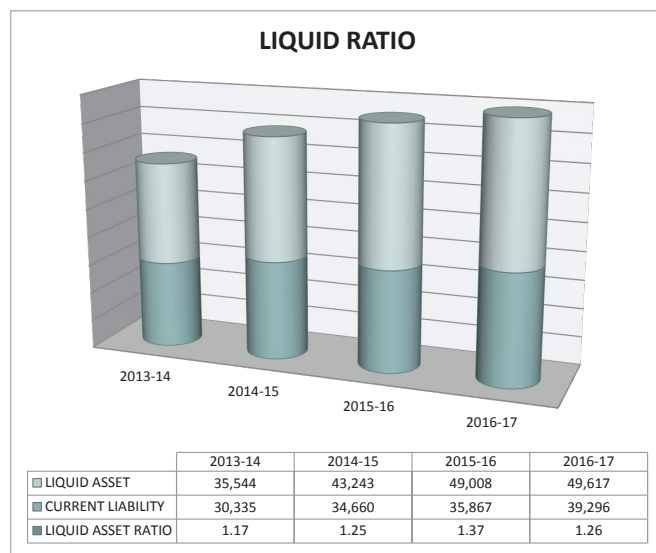


TABLE III: ABSOLUTE LIQUID RATIO (RS. IN LAKH)

Year's	Super Quick Asset	Quick Liability	Ratio
2013-14	8,749	30,300	0.29
2014-15	10,177	34,563	0.29
2015-16	14,954	35,864	0.42
2016-17	17,517	39,293	0.45

Source: Annual Report of District Co-operative Bank Kotdwar

A liquid ratio 1:2 is considered ideal. From the above table, we clearly know that the liquid ratio for the year 2015-2016 is high which indicate that greater efficiency in the utilization of liquid assets. In the year 2013-2014 the ratio shows 1.17 due to a lower efficiency in the utilization of liquid assets.

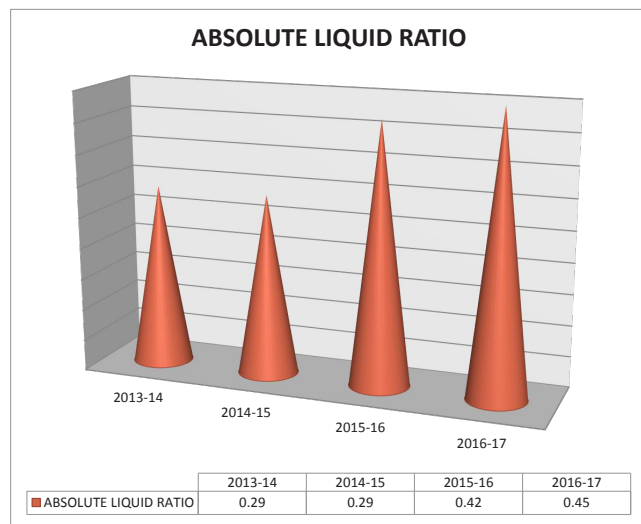


TABLE IV: CASH RATIO (RS. IN LAKH)

Year's	Cash+Bank	Current Liability	Ratio
2013-14	2,214	30,335	0.073
2014-15	3,161	34,660	0.091
2015-16	3,062	35,867	0.085
2016-17	3,636	39,296	0.093

Source: Annual Report of District Co-operative Bank Kotdwar

From the above table, we clearly know that the cash ratio for the year 2016-2017 is high and in the year 2013-2014 the ratio shows 0.073 due to a lower cash and bank balance.

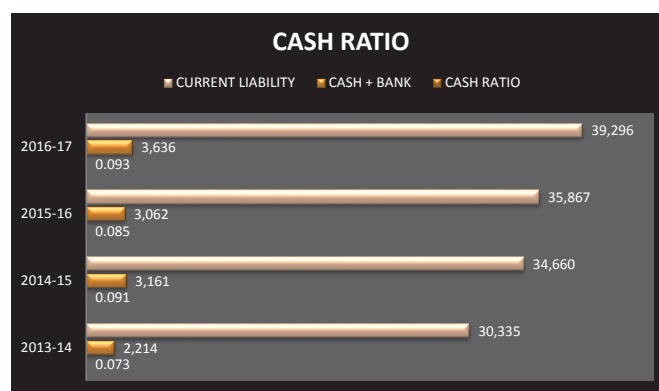


TABLE V: SOLVENCY RATIO (RS. IN LAKH)

Year's	External Liability	Total Asset	Ratio
2013-14	45,128	57,395	0.79
2014-15	54,780	60,196	0.91
2015-16	52,627	65,052	0.81
2016-17	57,067	73,429	0.78

Source: Annual Report of District Co-operative Bank Kotdwar

From the above table, we clearly know that the solvency ratio is high for the year 2014-2015 and low for the year 2016-2017. The external liabilities of the bank is low than the total assets.

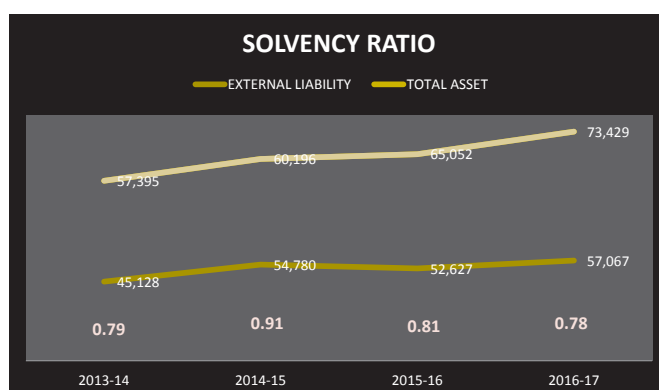


TABLE VI: DEBT EQUITY RATIO (RS. IN LAKH)

Year's	Debt	Equity	Ratio
2013-14	14,793	12,267	1.21
2014-15	20,120	5,416	3.71
2015-16	16,760	12,425	1.35
2016-17	17,771	16,362	1.09

Source: Annual Report of District Co-operative Bank Kotdwar

From the above table, we clearly know that the ratio is high for the year 2014-2015 and low for the year 2016-2017. So the above three 2013-14 to 2015-16 financial years' outsider's fund (debt) is higher than that of proprietor's fund (equity).

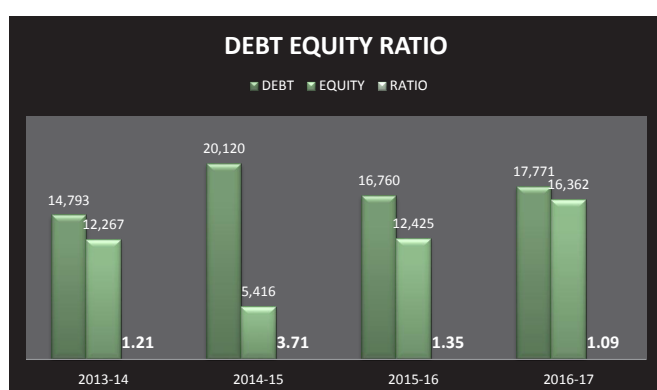


TABLE VII: PROPRIETORY RATIO (RS. IN LAKH)

Year's	Owner Equity	Total Asset	Ratio
2013-14	12,267	57,395	0.21
2014-15	5,416	60,196	0.09
2015-16	12,425	65,052	0.19
2016-17	16,362	73,429	0.22

Source: Annual Report of District Co-operative Bank Kotdwar

From the above table, we clearly know that the ratio is high for the year 2016-2017 and low for the year 2014-2015. The fluctuation in owner equity results that the proprietary ratios are varied.

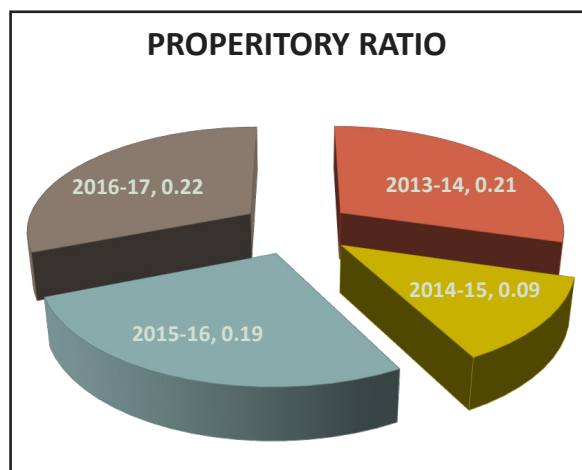


TABLE VIII: RATIO OF TOTAL LIABILITIES TO TOTAL ASSETS (RS. IN LAKH)

Year's	External Equity	Total Asset	Ratio
2013-14	45,128	57,395	0.79
2014-15	54,780	60,196	0.91
2015-16	52,627	65,052	0.81
2016-17	57,067	73,429	0.78

Source: Annual Report of District Co-operative Bank Kotdwar

From the above table, we clearly know that the ratio is high for the year 2014-2015 and low for the year 2016-2017. The fluctuation in total assets results that the ratio of total liability to total assets are varied.

TABLE IX: FIXED ASSET TO NET WORTH RATIO (RS. IN LAKH)

Year's	Fixed Asset	Net Worth	Ratio
2013-14	21,491	12,267	1.75
2014-15	16,381	5,416	3.02
2015-16	15,166	12,425	1.22
2016-17	23,673	16,362	1.45

Source: Annual Report of District Co-operative Bank Kotdwar

Above table shows that the fixed assets to net worth ratio is high for the year 2014-2015 and low for the year 2015-2016. Higher ratio indicates that greater efficiency in the utilization of proprietor's fund.

TABLE X: RETURN ON TOTAL ASSET (RS. IN LAKH)

Year's	Net Profit	Total Assets	Ratio
2013-14	500	57,395	0.87
2014-15	643	60,196	1.07
2015-16	418	65,052	0.64
2016-17	388	73,429	0.53

Source: Annual Report of District Co-operative Bank Kotdwar

The above table shows that the ratio is high for the year 2014-2015 and low for the year 2016-2017. In the financial year 2014-2015 net profit and total assets values are comparatively high than other financial years.

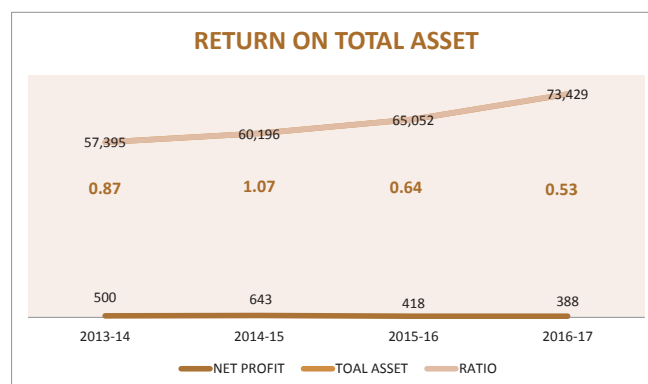
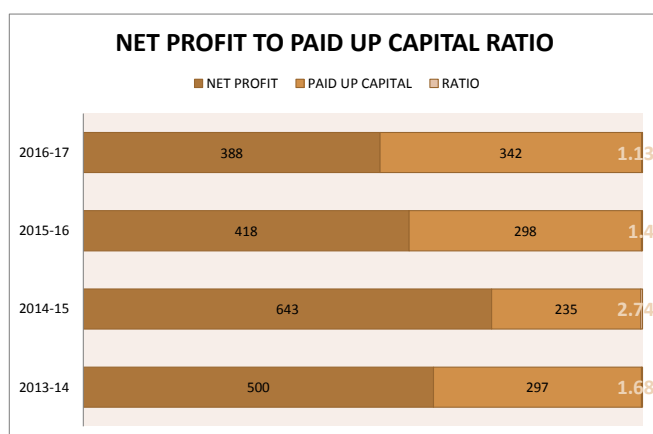


TABLE XI: NET PROFIT TO PAID UP CAPITAL (RS. IN LAKH)

Year's	Net Profit	Paid Up Capital	Ratio
2013-14	500	297	1.68
2014-15	643	235	2.74
2015-16	418	298	1.40
2016-17	388	342	1.13

Source: Annual Report of District Co-operative Bank Kotdwar

The above table shows that the ratio is high for the year 2014-2015 and low for the year 2016-2017.



VII. FINDINGS

- Liquidity quit good compare to others but they have chance to improve more.
- In the current ratio, current asset and current liability rapidly increased. Due to increase of liabilities the current ratio has been decreased from the year 2016-2017.
- From the year 2013-2014 the liquid ratio has been increasing trend, but in 2016- 2017 it has been decrease due to increase in current liability.
- From the year 2013-2014 the absolute liquid ratio has been increasing trend due to continuously improvement in super quick assets.
- The solvency position of the bank on increasing trend due to the frequent increase of total assets, But in 2016-2017 it has been decrease due to increase in external liability.
- The return on proprietor's fund ratio 0.22 percentages is the highest percentage in the year of 2016-2017 due to the highest value of owner equity
- The return on total asset is the highest in the year of 2014-2015 due to the highest value of net profit 643 Lakh. Thereafter ROA of District Co-operative Bank is showing a declining trend.
- The outsider's fund (debt) is higher than proprietor's fund (equity).

- In the fixed asset to net worth ratio the proprietor's fund value has been increasing gradually. But the fixed asset has more fluctuation in its values. So this ratio also has fluctuation in its values. The ratio of the year 2014-2015 has suddenly increased due to fall in the value of net worth.
- Internet Banking has not been introduced. It's a big requirement of banking customers.
- The comparative statement results show positive level. But there is no constant improvement in its values year by year.
- Lack of available information on banking product is the major problem of District Co-operative Bank Pauri Garhwal.

VIII. SUGGESTIONS

- Current assets should be increased. The value of current assets is increased over the years but current liabilities also increased so, the bankers try to keep current assets at maximum level.
- Profit rate is low in last two years 2015-16 and 2016-17.
- Profitability performance of District Co-operative Bank Pauri Garhwal is not satisfactory level if we compare to profit of 2014-2015.
- The bank may try to keep this solvency position for reducing the risk of owners.
- The bank should maintain its debt position.
- To increase the return on total assets, the bank should prevent the frequent fluctuation between the net profit and total assets.
- In this competition era District Co-operative Bank Pauri Garhwal should have to concentrate on the customer's satisfaction by providing them best banking services.
- 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.

IX. LIMITATIONS OF THE STUDY

- The study is confined to four years data only (2013–2017).
- The study is based on secondary data collected from the annual report of District Co-operative Bank Pauri Garhwal. So it is subject to all limitations that are inherent in the condensed published financial statements.
- The study was confined to the District Co-operative Bank Pauri Garhwal in (Uttarakhand) only. So the finding may not be generalized in a broader perspective.

X. CONCLUSIONS

On the basis of the present study concludes that financial performance is fair. District Co-operative Bank Pauri Garhwal has been maintaining fair financial performance and further it can improve if the bank concentrates on solvency position for reducing the risk of owners and bank should maintain its debt position. This research explicitly indicates that The ROA of District Co-operative Bank is showing a declining trend and Bank should pay attention towards the utilization of its assets more effectively. I try to show the differences between financial performances of District Co-operative Bank Pauri Garhwal over the last 4 year periods. This paper measured the performance of District Co-operative Bank Pauri Garhwal over the financial year 2013 to 2017. The results indicate that the overall bank performance in terms of profitability & liquidity has been improving since 2013 upto 2016 and declining at 2016. In this competition era banks should have to concentrate on the offering new scheme day by day to attract the new customers and retain the existing one.

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