



## A STUDY ON FINANCIAL PERFORMANCE OF URBAN CO-OPERATIVE BANKS IN BARASAT SUB-DIVISION ,NORTH 24-PARGANAS, WEST BENGAL

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### ABSTRACT :

At Present highly competitive and globalized business environment, Urban co-operative bank ranked a very significant position in the Indian banking sector. We can easily improve the efficiency of a urban co-operative bank by improving deposits, loans and advances , investment, Interest income, Interest expenses, Net Profit, Working Fund etc. An attempt has been made by the researcher to study the financial performance of the urban co-operative banks at Barasat Sub-division in North 24-Parganas, West Bengal , taking into account selected variables during the financial year 2013-2014 to 2017-2018. The financial performance was analyzed with the help of the ratio analysis. The nature of data used for the study was entirely secondary.. After a through study of the published annual reports and accounts of the bank, it is clear that, there is increase in deposits, and the profitability of the bank and there was a decreasing trend in NPA for the period 2013-2014 to 2017-2018, which is an indicator of growth and profitability and recovery efficiency of the urban co-operative banks in barasat sub-division,north 24-parganas, West Bengal. The Co-operative bank should take proper initiation to retain these financial position.

**KEYWORDS :** Interest Income, Interest Expenses, Working Fund, Deposit, Loans & Advance etc.

### INTRODUCTION

Co-operative banks in India has completed more than 100 years. With the introduction of Co-operative Credit Societies Act in 1904, amended in the year 1912, has given it a three tier federal structure. Over the years Co-operative Banks has been making invasions into varied spheres of development, while keeping a focus on low-income group of the society. Two important examples of co-operation is Indian Joint Family System and Panchayat System in a village. 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. Cooperative Banks has commenced all commercial activities like, retail banking, Corporate and commercial banking through the network of its branches in Metro and Urban areas. With the enactment of the Bengal Co-operative Societies Act, 1940 ,the Bengal Province had its own law on Co-operatives. The co-operative banking structure in India is divided into 5 components such as Primary Co-operative Credit Society, Central co-operative banks State co-operative banks, Land development banks, Urban Co-operative banks.



### REVIEW OF THE LITERATURE:

Ganasekaran E., Dr.Anbalgan.M, Nazar A.N ( 2012) in their paper titled "A study on the Urban Co-Operative Bank Success and Growth in Vellore District-

**Statistical Analysis**”, have opined that to cope up with the highly competitive and globalized business environment, there is a urgent need of professional management for the successful controlling and managing the affairs of the Urban Co-operative Banks. They have cited that strong growth of the cooperative organization is affected by increasing political hinderance. They have expected recommendations of RBI will be implemented by state government without making any delay. Taking into consideration financial sector reforms and de-regulation they have told cooperative banking sector should be freed from restrictive provisions to make them self reliant and self supporting .They have concluded the overall financial performance of the UCBs in all fronts namely, membership, share capital, deposits, loans and advances, profit and reserve funds, working capital, over dues, loans issued etc. are showing a smooth trend.

**Prof.Hiremath R.B.(2015)** conducted a study on **“Analysis of Financial Performance of Co-operative Bank in Bijapur District(Karnataka State)A Comparative Study”**. He has attempted to study the financial performance of all the 20 co-operative banks in Bijapur District, Karnataka State for the period from 2008-09 to 2012-13. His research is descriptive and analytical in nature. He has used secondary data for the purpose.Using ANOVA test he has disclosed that there is a significant difference in all the ratios among different co-operative banks under study. He has concluded that instead of having significant difference in the financial performance of the co-operative banks in Bijapur district, Karnataka state, still there is a need for overall improvement in the co-operative banks to make their position strong in the competitive market.

**Dr. Ranu N.** conducted a study on**“Fiinancial Performance of Urban Co-Operative Banks(A study with special reference to Tamil Nadu)”** . He has stated that the urban co-operative bank management today is facing a two- sided challenges. One is to improve their profitability and the other is to curtail their management cost. He has opined that the survival of the Urban co-operative banks in small towns is being threatened by both severe competition and regulatory (RBI) pressure. He has attempted to measure how well UCBs in Tamil Nadu perform in serving their members/customers and in providing acceptable returns to their owners. For the purpose he has used secondary data his analytical study based on survey method.

#### **OBJECTIVE OF THE STUDY:**

The mainobjective of the study is to study the financial performance of urban co-operative banks in barasat sub-division,north24parganas,west Bengal from 2013-2014 to 2017-2018. Specially the objectives are as follows:

- 1.To measure the growth of the business of urban co-operative banks in barasat sub-division,24-parganas,West Bengal.
- 2.To measure the profitability of the business of urban co-operative banks in barasat sub-division,24-parganas,West Bengal.
3. To measure the recovery performance of urban co-operative banks in barasat sub-division,24-parganas,West Bengal.

#### **RESEARCH METHODOLOGY:**

The study is based on secondary data, consisting of annual reports of urban co-operative banks in Barasat sub-division,north24parganas,west Bengal .there are some other reports like co-operative journals, websites available on net, interview of bank officials etc. also has been used.

The study covers the time span of five years from 2013-2014 to 2017-2018.

In this study only Nabapalli co-operative bank in Barasat sub-division, north 24parganas, West Bengal has been included for the study. Because barasat sub-division has only one urban co-operative bank with a small branch. So consolidated data has been used for the purpose of analysis of performance.

For the purpose of analyzing the data ratio analysis and tables has been used for better understanding of the problem under study.

**LIMITATIONS OF THE STUDY:**

1. The study covers only urban co-operative banks in Barasat sub-division, North 24 Parganas, West Bengal, no other co-operative banks has been considered for the study.
2. The study is based on secondary data, no primary data has been used.

**ANALYSIS OF PERFORMANCE:**

The techniques of financial statement analysis are basically used for the purpose of evaluation of financial strength and profitability of any business organization. It is a process of relevant, comparative and critical evaluation of the profitability and financial strength of any organization. Banking business are not exception of that. Here we shall go through a courses of action consisting of recording, classifying, summarizing and analyzing and presentation of financial statements of urban co-operative banks in barasat sub-division, north 24-parganas, West Bengal, here it is limited to Nabapally Co-operative Bank Ltd, as it is the only urban co-operative bank in barasat sub-division, north 24-parganas, West Bengal.

**Overall Performance Of The Nabapalli Co-Operative Bank Ltd.(Rs. In Lakh) during 2013-2014 to 2017-2018**

SL NO.	PARTICULARS	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
1	Share Capital	59.19	59.19	59.28	59.35	59.41
2	Reserves	1001.81	1124.1	1333.3	1327.06	1400.66
3	Deposits	6548.9	6582.11	6701.43	7732.4	8433.04
4	Investment	6281.99	5464.8	6795.91	7706.57	8333.61
5	Own Fund	862.9	930.26	1088.23	-	-
6	Loans and Advances	1084.59	923.85	1093.8	1126.79	1223.92
7	Net Profit	91.85	98.04	101.48	86.39	91.69
8	Current Assets	297.57	1274.39	385.1	418.93	454.42
9	Current Liabilities	412.57	435.63	381.9	417.23	389.18
10	Cash and Bank Balances	297.57	1274.39	385.1	418.93	454.42
11	Interest Income	599.9	595.52	600.14	647.91	644.91
12	Interest Expenses	399.9	424.47	432.52	463.85	478.44
13	Other Income	12.88	4361	13.59	9.4	11.26
14	Other Operating Expenses	25.82	16.84	24.47	8.76	7.56
15	Total Income	604.32	600.14	613.73	658.65	656.79
16	Total Expenses	512.46	502.09	512.25	572.26	565.1
17	Working Fund	8213.15	8417.9	8767.62	9895.99	10718.46
18	Fixed Assets	17.33	15.41	16.06	15.98	20.95
19	Gross NPA	115.74	115.74	113.28	110.04	102.82
20	Net NPA	-101.21	-128.82	-159.64	-189.92	-225.65

Source: Audited Final Accounts of The Nabopalli Co-operative Bank Ltd.

**A. For analysing the income and expenses the following ratios have been used,**

**1. Interest Income to Total Income Ratio :** Interest earning in banks refer to fund based income and exhibits the return on pure banking business. This ratio helps any one to know proportion of interest income in bank's total income. Higher ratio indicates the better earning efficiency. The formula of calculating this ratio is as follows:

$$\text{Interest Income to Total Income Ratio} = \frac{\text{Interest Income}}{\text{Total Income}} * 100$$

**Table-1: Interest Income to Total Income Ratio**

PARTICULARS	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	Average
Interest Income	599.9	595.52	600.14	647.91	644.91	98.57
Total Income	604.32	600.14	613.73	658.65	656.79	
Ratio	99.27	99.23	97.79	98.37	98.19	

Source: Audited Final Accounts of The Nabopalli Co-operative Bank Ltd..

From the table-1 it is evident that interest income to total income ratio was 99.27% in the year 2013-2014, which was the highest during all the study period, and it is also evident that interest income to total income ratio was 97.79% in the year 2015-2016, was the lowest during all the study period. Taking all the study period together, the average of this ratio was 98.57%. For all the five years of the study this ratio was higher than its average in the year 2013-2014 and 2014-2015 and lower than its average in the year 2015-2016, 2016-2017 and 2017-2018.

## 2. Interest Expenses to Total Expenses Ratio:

Interest expenses is one of the major parts of total expenses. It consists of interest paid on deposits and borrowings. With the help of this ratio we can find out the proportion of Interest expenses in bank's total expenses. Formula for calculating the ratio of interest expenses to total expenses is as follows:

$$\text{Interest Expenses to Total Expenses Ratio} = \frac{\text{Interest Expenses}}{\text{Total Expenses}} * 100$$

**Table-2: Interest Expenses to Total Expenses Ratio**

PARTICULARS	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	Average
Interest Expenses	399.9	424.47	432.52	463.85	478.44	82.55
Total Expenses	512.46	502.09	512.25	572.26	565.1	
Ratio	78.04	84.54	84.44	81.06	84.66	

Source: Audited Final Accounts of The Nabopalli Co-operative Bank Ltd..

From the above table it is clear that interest expenses to total expenses ratio was 84.66% in the year 2017-2018, which was the highest during all the study period, and it is also evident that interest income to total income ratio was 78.04% in the year 2013-2014, was the lowest during all the study period. Taking all the study period together, the average of this ratio was 82.55%. For all the five years of the study this ratio was higher than its average in the year 2014-2015, 2015-2016, 2016-2017, 2017-2018 and lower than its average in the year, 2013-2014.

## 3. NET PROFIT TO TOTAL INCOME RATIO:

This is the most important ratio of any bank. With the help of ratio we can comment on bank's financial position and performance. If the ratio is higher means good return on funds employed and the bank's position of providing dividend to its members after maintaining reserves. On the other hand if the ratio is low, it means inefficiencies in the utilization of funds and the proportion of operating expenses has been increased. Formula for calculating the net profit to total income ratio is as follows:

$$\text{Net Profit to Total Income Ratio} = \frac{\text{Net Profit}}{\text{Total Income}} * 100$$

**Table 3: Net Profit to Total Income Ratio.**

PARTICULARS	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	Average
Net Profit	91.85	98.04	101.48	86.39	91.69	15.03
Total Income	604.32	600.14	613.73	658.65	656.79	
Ratio	15.20	16.34	16.53	13.12	13.96	

Source: Audited Final Accounts of The Nabopalli Co-operative Bank Ltd.

From the table-3 it is clear that net profit to total income ratio was 16.53% in the year 2015-2016, which was the highest during all the study period, and it is also evident that net profit to total income ratio was 13.12% in the year 2013-2014, was the lowest during all the study period. Taking all the study period together, the average of this ratio was 15.03%. For all the five years of the study this ratio was higher than its average in all the five year 2013-2014, 2014-2015, 2015-2016 and lower than its average in the year, 2016-2017 and 2017-2018.

### B. For analysing the profitability the following ratios have been used:

#### 1. Interest Income to Working Fund Ratio :

Interest income is the most important source of bank's total income. Interest earning in banks signifies fund based income and exhibits the return from pure banking business. It shows to what extent working funds are effectively utilized for profit making. Formula for calculating interest income to working fund ratio is as follows :

$$\text{Interest Income to Working Fund Ratio} = \frac{\text{Interest Income}}{\text{Working Fund}} * 100$$

**Table-4: Interest Income to Working Funds Ratio.**

PARTICULARS	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	Average
Interest Income	599.9	595.52	600.14	647.91	644.91	6.76
Working Fund	8213.15	8417.9	8767.62	9895.99	10718.46	
Ratio	7.30	7.07	6.84	6.55	6.02	

Source: Audited Final Accounts of The Nabopalli Co-operative Bank Ltd.

From the table-4 it is clear that interest income to working fund ratio was 7.30% in the year 2013-2014, which was the highest during all the study period, and it is also evident that interest income to working fund ratio was 6.02% in the year 2013-2014, was the lowest during all the study period. Taking all the study period together, the average of this ratio was 6.76%. For all the five years of the study this ratio was higher than its average in all the five year 2013-2014, 2014-2015, 2015-2016 and lower than its average in the year, 2016-2017 and 2017-2018.

#### 2. Non-Interest Income to Working Fund Ratio:

Although non-interest income occupy a very small portion in the bank's total income and it is inadequate to meet non-interest expenses, which may rise the burden of the institution. So improve the profitability of the bank and reduce the burden proper measures should be taken to improve the non-interest income to working fund. The formula for calculating other income to working fund ratio is as follows:

$$\text{Other Income to Working Fund Ratio} = \frac{\text{Non-Interest}}{\text{Working Fund}} * 100$$

**Table-5: Non-Interest Income to Working Funds Ratio.**

PARTICULARS	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	Average
Non Interest Income	12.88	43.61	13.59	9.4	11.26	0.21
Working Fund	8213.15	8417.9	8767.62	9895.99	10718.46	
Ratio	0.16	0.52	0.16	0.09	0.11	

Source: Audited Final Accounts of The Nabopalli Co-operative Bank Ltd.

From the table-5 it is clear that non-interest income to working fund ratio was 0.52% in the year 2014-2015, which was the highest during all the study period, and it is also evident that non-interest income to working fund ratio was 0.09% in the year 2016-2017, was the lowest during all the study period. Taking all the study period together, the average of this ratio was 0.21%. For all the five years of the study this ratio was higher than its average in all the five year 2014-2015 and lower than its average in the year, 2013-2014, 2015-2016, 2016-2017 and 2017-2018.

#### Net Profit to Total Working Fund Ratio :

Net profit to total working fund ratio is the useful tool to determine the bank's profitability. It is an indicator of efficiency with which a bank uses its total working funds to maximize its profits. Formula for finding net profit to working fund ratio is as follows :

$$\text{Net Profit to Total Working Fund Ratio} = \frac{\text{Net Profit}}{\text{Working Fund}} * 100$$

**Table 6: Net Profit to Working Funds Ratio.**

PARTICULARS	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	Average
Net Profit	91.85	98.04	101.48	86.39	91.69	1.03
Working Fund	8213.15	8417.9	8767.62	9895.99	10718.46	
Ratio	1.12	1.16	1.16	0.87	0.86	

Source: Audited Final Accounts of The Nabopalli Co-operative Bank Ltd.

From the table-6 it is clear that net profit to working fund ratio was 1.16% in the year 2014-2015 and 2015-2016, which were the highest during all the study period, and it is also evident that net profit to working fund ratio was 0.86% in the year 2017-2018, was the lowest during all the study period. Taking all the study period together, the average of this ratio was 1.03%. For all the five years of the study this ratio was higher than its average in all the five year 2013-2014, 2014-2015 and 2015-2016 and lower than its average in the year 2016-2017 and 2017-2018.

#### C. For analysing the assets and debts the following ratios have been used,

##### 1. Total Deposit to Total Working Fund Ratio :

The profitability of bank mainly relies on the ability of collection of deposit. If collection is higher, that will promote to smooth running of the banking business as well as exhibits goodwill of bank. Formula for finding total deposit to total working fund ratio is as follows:

$$\text{Total Deposit to Total Working Fund Ratio} = \frac{\text{Total Deposit}}{\text{Working Fund}} * 100$$

**Table 7: Total Deposits to Working Funds Ratio.**

PARTICULARS	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	Average
Deposits	6548.9	6582.11	6701.43	7732.4	8433.04	78.24
Working Fund	8213.15	8417.9	8767.62	9895.99	10718.46	
Ratio	79.74	78.19	76.43	78.14	78.68	

Source: Audited Final Accounts of The Nabopalli Co-operative Bank Ltd.

From the table-7 it is clear that total deposit to working fund ratio was 79.74% in the year 2013-2014, which was the highest during all the study period, and it is also evident that total deposit to working fund ratio was 76.43% in the year 2015-2016, was the lowest during all the study period. Taking all the study period together, the average of this ratio was 78.24%. For all the five years of the study this ratio was higher than its average in all the five year 2013-2014, 2017-2018 and lower than its average in the year 2014-2015, 2015-2016 and 2016-2017.

## 2. Advances to Deposit Ratio :

Main source of income of a banking business is Interest on advances. So if the advances are high income will be high. It is the proportion of loan created by banks from deposits received. With the help of the ratio we can interpret the efficiency of the bank of making maximum utilization of deposits if the ratio is high, on the other hand lower credit deposit ratio predicts inefficiency of credit creation of the bank. Formula for calculating advances to deposits ratio is as follows:

$$\text{Advances to Deposit Ratio} = \frac{\text{Advances}}{\text{Deposit}} * 100$$

**Table 8: Advances to Deposits Ratio**

PARTICULARS	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	Average
Advances	1084.59	923.85	1093.8	1126.79	1223.92	15.20
Deposits	6548.9	6582.11	6701.43	7732.4	8433.04	
Ratio	16.56	14.04	16.32	14.57	14.51	

Source: Audited Final Accounts of The Nabopalli Co-operative Bank Ltd.

From the table-8 it is clear that advances to deposit ratio was 16.56% in the year 2013-2014, which was the highest during all the study period, and it is also evident that net deposit to working fund ratio was 14.04% in the year 2014-2015, was the lowest during all the study period. Taking all the study period together, the average of this ratio was 15.20%. For all the five years of the study this ratio was higher than its average in all the five year 2013-2014, 2015-2016 and lower than its average in the year 2014-2015, 2016-2017 and 2017-2018

## CONCLUSION:

After detailed study of Nabapally Co-Operative Bank Ltd. It can be concluded that the bank has been functioning satisfactorily in respect of financial performance. There are certain areas like net profit, total income need immediate attention. After analysis of the profitability position of the bank, it can be argued that a good performance in banking operation is yet to be performed during the last phase of the study. Finally it can be concluded that in the years ahead the urban co-operative bank in barasat sub-division,

north24-parganas, shall be able to hold its present position definitely with the implementation of new policies and innovative banking practices.

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