

## **EVALUATION OF THE FINANCIAL PERFORMANCE OF COOPERATIVE BANK IN KERALA- KERALA STATE COOPERATIVE BANK**

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### **ABSTRACT**

A cooperative is defined as a business owned and controlled equally by the people who use its services. Cooperatives can act as an effective media for the socio-economic reconstructions of the country. This study is on the financial performance of Kerala State Cooperative bank (KSCB). The objective of the study is to analyse the financial performance of Kerala State Cooperative Bank. To analyse the financial performance in terms of profitability. To analyse the growth of loans and deposits during the period of study. To compare the financial performance of period of study. The sources of data were the published annual reports of bank from 2014-15 to 2019-2020. Financial analysis has been done with tools such as financial ratios, trend analysis etc., The study helps to understand the financial position, per cent changes in profits, deposits and loans. The study found that immediate steps are needed to improve their capital base of the bank.

**Keywords:** Banking, Kerala State Cooperative Bank, Financial Performance

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### **INTRODUCTION**

Cooperative bank is a financial entity which belongs to its members, who are the owners and customers of the bank. The aim of the cooperative bank is to serve its members and they have completed 100 years of existence in India. The origin of Indian cooperative banking started with the passing of cooperative societies act in 1904. The Cooperative Credit Societies Act, 1904 led to the creation of Cooperative Credit Societies in both rural and urban areas. The Cooperative Societies Act of 1912, further gave acknowledgement to the creation of non-credit societies and the central cooperative organizations. The government of Bombay passed the first state co-operative societies Act in 1925 which led to the creation of co-operative banks and the concepts of self-help, saving and mutual help. After the independent India, with the onset of planning, the cooperative organizations gained more leverage and role with the continued governmental support. Being a non-compulsory association of persons for self-help and fulfilling needs of each other, the co-operative banks are regulated by Reserve Bank of India and governed by Banking Regulation Act 1949 and co-operative societies Act 1965. Kerala State Cooperative Bank is popularly known as "Kerala Bank". Kerala State Cooperative Bank played very significant role in the development of the local economy. Beyond that Kerala State

Cooperative Bank had a pivotal role in developing the saving habits of the people. And the study on financial analysis of Kerala State Cooperative Bank is an undertaking to analyze the financial performance of the bank by studying the short term financial position, long term financial position and profitability. The aim of the study is to analyze the financial performance of Kerala State Cooperative Bank and compare the financial performance of period of study.

## REVIEW OF LITERATURE

Nagarjuna R.C (2015) Analyzed in his paper financial performance of selected cooperative banks in Karnataka. The study helped to understand the growth and performance of Co-operative Banks in Karnataka. In order to this study the financial performance of Co-operative Banks, various financial parameters like the Capital Adequacy, Reserves, Borrowings, Liabilities and levels of Non-Performing Assets etc. were analyzed. It also examined the efficiency and effectiveness in mobilizing the deposits, lending advances, investments and recovery performance, the Operating Profit/Net Profit and suggests measures for improving the working of Cooperative Banks.

Agrawal and Solanki (2016) Analysis the growth and development of co-operative banks, the progress of cooperative banking sector, the problems, difficulties faced by them and the remedies to overcome these problems with reference to Indian economy. Some of the problems of cooperative banks in the country is NPA, infrastructural weaknesses, dependence on loan capital from government, RBI, NABARD, Lack of motivation among the staff, political interference, bad recovery of loan and advance, unethical practices, the areas of operation of the cooperative banks are restrict and limited, they are not having the modern practices of banking in their working viz. mobile banking, online banking, e-banking, ATM banking and all other modern banking execution.

Prakash (2017): This paper study on financial performance of shave pet urban cooperative bank Salem. Banking is the important role in the Indian economy. The bank is directly accepting money as deposits from the depositors and give the loan and advance to borrowers. It allows the economy growth. The cooperative banking sector is one of the major partners of Indian banking structure. According this study is to analysis the profitability liquidity position.

Soni and Saluja (2018) this study based on the financial ratios of DCC Bank in Rajnandgaon. The different ratio indicating liquidity, efficiency, profitability, and solvency are taken into consideration in order to understand the financial position of the bank. The financial position of the bank examined by ratio analysis

techniques and it is found that the solvency, liquidity and profitability are satisfactory. The efficiency ratios stipulated a medium level of the expenditure over the gross income. Profitability of the bank was very low due to the heavy over dues and low rate of loan recovery.

Annamalai (2019): Co-operative banking system is basically an imported concept but it has come to occupies a pivotal and important role in the economic district its services for four districts and meeting the credit demand of rural semi urban customers. With this bank basic data have been collected and analyzed the financial performance and operations planning of Tiruchirappalli district central co-operative bank ltd (TDCCBANK).

## RESEARCH METHODOLOGY

For analyzing the financial performance of the Kerala state Cooperative bank, the following tools were applied for financial ratios, profitability analysis, analysis of deposits and loans, trend analysis and comparative study. The analysis of current ratio helped to identify the working capital position of the bank. Trend analysis is used to study the changes in profit and deposits and loans.

## LIMITATION OF THE STUDY

This study focuses only on the financial performance of Kerala State Cooperative Bank grounded on secondary data. The major limitation of the study is that it considers the data only from 2014-15 to 2019-2020. This study also gives a foundation to conduct common size financial statements analysis of the bank and other period's and aspects of the bank. A research for longer periods can be conducted to understand the financial performance in its fullness.

## DATA ANALYSIS AND INTERPRETATION

**Table no 4.1 Current ratio = Current assets/ Current liability**

Year	Current Assets	Current Liability	Ratio
2014-2015	12714301271.75	5905498625.79	2.152
2015-2016	12770712038.8	4271985715.13	2.989
2016-2017	13118591369.4	5928587469.93	2.212
2017-2018	12987452546.7	6277569109.16	2.068
2018-2019	18164964247.7	5638342482.2	3.221
2019-2020	18189348921.4	6277568976.8	2.897

**Source: Annual report of KSCB, from 2014-15 to 2019-20**

The standard norm for current ratio is 2.1. During the year 2014-2015 the current ratio is 2.152 and During the year 2015-2016 the ratio is 2.989 and it has decreased to 2.212 during the year 2016-2017 and it has decreased to 2.068 during the year 2017-2018 and it has increased to 3.221 in the year 2018-2019. It has decreased to 2.8 in the year 2019-20. Current ratio is standard norms in all the year. And least year in 2017-2018. For a healthy business and so the ratio was satisfactory.

**Table no 4.2 Year-wise Progress of Profit of the Bank**

Year	Amount	Progress in %
2014-2015	102196928.04	100
2015-2016	77876815.71	76.20
2016-2017	-1313533440.12	-1285.29
2017-2018	-3623587264.42	-3545.69
2018-2019	6553967.74	6.41
2019-2020	198707687.89	194.43

**Source: Annual report of KSCB, from 2014-15 to 2019-20**

The table 4.2 shows the percentage change in of profits of the bank. On the basis of the profit in the year 2014-15, changes in profit and losses in the subsequent years are expressed in terms of percentage. The profit figures show a decreasing trend. The highest per cent increase was observed in 2015-16 which is 76.20. The 2016-17 bank have net loss in -1285.29 and 2017-18 bank net loss was increasing in-3545.69. 2018-19 bank have profit in 6.41 and 2019-20 bank have net profit 194.43. In all other years there is decrease in profits compared to the first year. The highest per cent of decrease was observed in 2017-18 which is (-3545.69%)

**Table no 4.3 Fixed deposit and Trend change in fixed deposit of KSCB**

Year	Amount deposited	Per Cent
2014-2015	34761317465.99	100
2015-2016	47917085853.48	139
2016-2017	55008425498.41	158
2017-2018	47929752016.56	138
2018-2019	43843247125.22	126
2019-2020	48879654357.98	140

**Source: Annual report of KSCB, from 2014-15 to 2019-20**

The table 4.3 shows percent growth of fixed deposits of KSCB during the study period. Fixed deposit growth is fluctuating. Fixed deposit growth highest is 158 in 2016-17 and in 2018-19 it decreased in 126 compared to the previous financial year.

**Table no 4.4 Saving Bank deposit and Trend change in saving deposit of KSCB**

Year	Amount of deposited	Per Cent
2014-2015	5033387253	100
2015-2016	6628925435	132
2016-2017	6571353583	131
2017-2018	7037741290	140
2018-2019	7846787994	156
2019-2020	8509890345	169

**Source: Annual report of KSCB, from 2014-15 to 2019-20**

The table 4.4 shows the percentage changes in the savings deposits of KSCB during the study period. From the table it can be identified that the savings deposits show that increasing trend. Highest growth rate of saving deposit is 169 in 2019-20 and lowest growth rate of saving deposit is 131 in 2016-17. Saving deposit growth rate good in bank.

**Table no 4.5 Current Account Balance & Trend Change in Current Account Balance of KSCB**

Year	Amount deposited	Per Cent
2014-2015	3167861203	100
2015-2016	2940118117	93
2016-2017	3719336784	117
2017-2018	4043497612	128
2018-2019	4317505674	136
2019-2020	4509876578	142

**Source: Annual report of KSCB, from 2014-15 to 2019-20**

The table 4.5 shows the total amount of money available in current deposit accounts and the percentage change over the years. It is increasing trend of bank. The balance in the account ranges from Rs 4509876578 to Rs 3167861203.

**Table no 4.6 Short term loan provided by KSCB and the trend change in STLs provided**

Year	Amount	Per Cent
2014-2015	8972331175.63	100
2015-2016	8795920386.46	98
2016-2017	7951682784.15	89
2017-2018	7992279747.96	89
2018-2019	10978510067.63	122
2019-2020	11987654567.54	134

**Source: Annual report of KSCB, from 2014-15 to 2019-20**

The table 4.6 shows that amount and percentage change in relating to short term loan. The bank has provided highest short term loan in the year 2019-2020(134). It is fluctuating trend growth.

**Table no 4.7 Medium term loan provided by KSCB and the trend change in MTLs provided**

Year	Amount	Percent
2014-2015	13067732358.44	100
2015-2016	14075680085.93	108
2016-2017	16259785726.59	124
2017-2018	16982564616.07	130
2018-2019	13984997921.61	107
2019-2020	15678965432.76	120

**Source: Annual report of KSCB, from 2014-15 to 2019-20**

The table 4.7 shows the amount and percentage change of medium term loans. The loan sanctioned is remaining at the same level over the period except that in 2018-19 it decreased significantly.

## RESULTS AND DISCUSSION

The standard norm for current ratio is 2.1. Current ratio is standard norms in all the year. For a healthy business and so the ratio was satisfactory. And profitability analysis is 3 years' net profit and 2 years' net loss. Bank profit growth is increasing and decreasing in big difference between 2014 to 2020. Fixed deposit growth is fluctuating trend and highest is 158% in the year 2016-17 and lowest is 126% in the year 2018-19. Saving deposit growth is increasing trend and highest is 169% in the year 2019-20 and lowest is 131% in the year

2016-17. Current deposit growth is increasing trend and highest is 142% in the year 2019-20 and lowest is 93% in the year 2015-16. Short term loan growth is fluctuating trend and highest is 134% in the year 2019-20 and lowest is 89% in the year 2016-17. Medium term loan growth is fluctuating trend and highest is 130% in the year 2017-18 and lowest is 107% in the year 2018-19. The bank must improve their profit then only can survey in future. 2.1 is standard current ratio, the bank has maintained above 2.1 current ratio in all the year so the improve all deposit then only can be developing the business. The Kerala State Cooperative bank is fluctuating trend on all the loans, should improve gold loan, short term loan and medium term loan.

## CONCLUSION

The present study is analyzed the financial performance of the Kerala State Cooperative Bank from 2014-15 to 2019-2020. From this study it found that overall performance of the Kerala State Cooperative Bank is good. The Kerala State Cooperative Bank is a major bank providing loans and advance for personal, agriculture, fisheries and other purpose. current ratio is standard rate maintained so that the ratio is satisfactory. Deposits, investment and loan and advance is increasing so that the position of the bank good. Bank interest paid on deposit is increasing but interest receiving on deposit is decreasing so that bad borrower will be available in the bank, so that bank must take immediate action. non-performing assets is increasing trend so bank credit portfolio is low quality, so that bank very fastly change the NPA position then only can recover portfolio. The total financial performance of Kerala State Cooperative bank is good.

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