

FINANCIAL PERFORMANCE APPRAISAL OF THE HIMACHAL PRADESH STATE COOPERATIVE BANK LTD.

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ABSTRACT

There are large numbers of Banks providing almost all types of banking services in India which are required by all sections of the society. The Agriculture sector, the particularly agrarian community has been benefited by Cooperative banking since the inception of Cooperative legislation. The three-tier short-term cooperative Credit structure is playing a vital role in agriculture sectors. At grass root level there are a lot of cooperative societies' functioning, which helps in solving the financial needs of the rural population. District Central Co-operative banks help these societies to raise money by way of loans. At apex level there is state co-operative bank are functioning. This three-tier system is working reasonably well in India. In this paper, an attempt is made to study the financial performance appraisal of the Himachal Pradesh State Cooperative Bank which has been playing an important role in the economy of the state of Himachal Pradesh. The study covers the period of Three years from 2013-14 to 2015-16. The various parameters taken for the appraisal of the bank are Liquidity, Investments, Assets, and Incomes. The study is based on secondary data. The data required for the study has been collected from annual reports of the bank and various websites.

KEYWORDS: *Liquidity, Securities, Advance, Deposit, Borrowing*

INTRODUCTION

Cooperative is one of the oldest and effective systems in terms of the development of human civilization. The cooperation is nothing but a group of human who is together for common goal and goal is to serve their own members. It enables us to live, work and help others. Without cooperation, survival is not possible. In India, first Cooperative Credit Societies Act enacted in 1904.

Co-operative movement plays a very important role in the financial system of any country. In India, we have three-tier cooperative structure. At the apex level, there are State cooperative Banks followed by District Central Cooperative Banks. At the grass root level, there is the number of Primary co-operative societies are formed. Cooperative was primarily visualized as an agency for providing finance to agriculture. In Himachal Pradesh at the time of attaining independence, Mahasu Central Co-operative Bank, The Mandi Central Co-operative Bank Ltd. ,and The Chamba Central Co-operative Bank Ltd. were functioning. In 1953, these three Central Co-operative Banks were merged into a new bank. This bank is The Himachal Pradesh State Co-operative Bank Ltd. The Registration of Himachal Pradesh State Co-operative Bank was done in August 1953, under the Co-operative Society Act, 1912. The Himachal Pradesh State Co-operative Bank Ltd. started functioning on 15th March 1954. The bank is functioning as an Apex bank as well as Central financing bank in six districts of Himachal Pradesh viz. Bilaspur, Chamba, Kinnaur, Mandi, Shimla, and Sirmour.

In the year 1955 one Joint Stock Bank i.e., Bank of Sirmour was merged in this bank. There are two districts central bank functioning in Himachal Pradesh. The Himachal Pradesh Cooperative Bank is serving the people of the state in the rural as well urban areas.

OBJECTIVE OF STUDY

- To study the Financial Performance appraisal of Himachal Pradesh State Cooperative Bank Ltd.
- To analyze the growth of the Himachal Pradesh State Cooperative Bank Ltd.

METHODOLOGY

The study is analytical in nature. It is based on secondary data. The secondary data was collected from the bank's annual reports and various websites. Availability of the data is the limitation of this study. Data up to 31st March 2016 is taken for analysis. Statistical tool ratio analysis has been used for the study. For interpretation, tables, graphs have been used.

DATA ANALYSIS AND INTERPRETATION

Table 1: Liquid Assets to Total Assets

Year	Cash & Balance with Reserve Bank of India (Rs)	Balance with Banks and Money at Call & Short Notice (Rs)	Liquid Assets (Rs.)	Total Assets (Rs.)	Liquid Assets to Total Assets
2013-14	369288564	24873303131	25242591695	77792126097	32
2014-15	3127983318	29582605564	32710588882	90618944032	36
2015-16	3493738700	32930941284	36424679984	104163994238	35

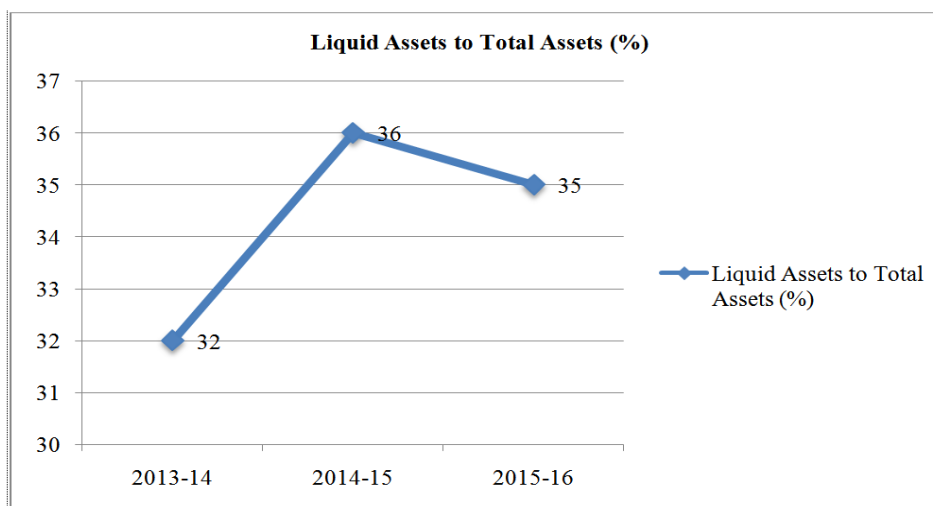
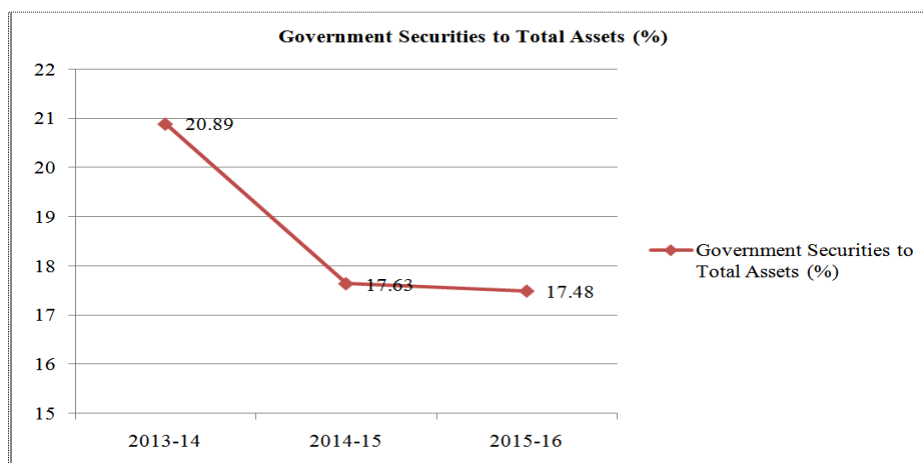


Figure 1

Liquidity for a bank means the ability to meet its short-term financial Obligations. It has been found from table 1 that Bank has 32% Liquid Assets in the year 2013-14. Liquid assets have increased from 32% to 36% in the year 2014-15. It shows that bank has sufficient liquidity to meet its short-term obligations. The ratio was decreased (35%) in the year 2016 due to increment in total assets.

Table 2: Government Securities to Total Assets

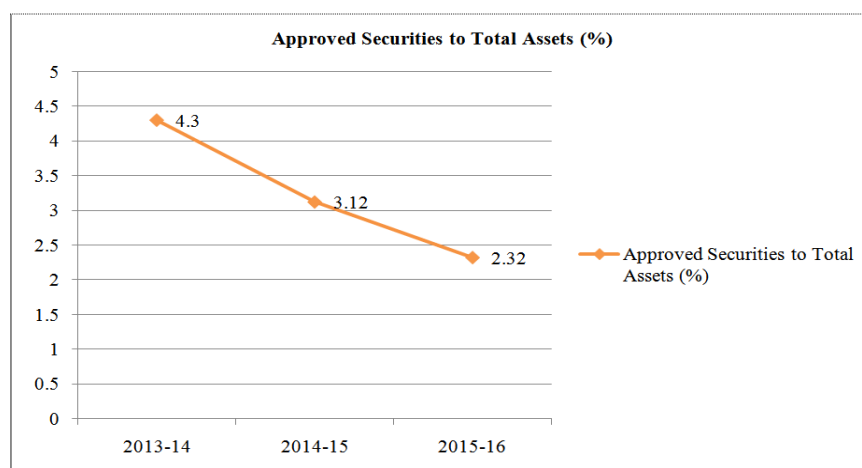
Year	Government Securities (Rs.)	Total Assets (Rs.)	Government Securities to Total Assets (%)
2013-14	16252816649	77792126097	20.89
2014-15	15978836721	90618944032	17.63
2015-16	18209154934	104163994238	17.48

**Figure 2**

Government securities to total asset ratio show that, what percentage of government securities bank has against total assets. Higher the ratio is good for the bank because if this ratio is higher than we can say that bank is more investing in government securities. Government Securities are more secure than others securities but there is also the possibility of less return as compared to other securities. It has been found from table no.2 that the ratio of government securities to total assets is decreasing continuously due to investment in other avenues.

Table 3: Approved Securities to Total Assets

Year	Other Approved Securities (Rs.)	Total Assets (Rs.)	Approved Securities to Total Assets (%)
2013-14	3344179203	77792126097	4.30
2014-15	2829066631	90618944032	3.12
2015-16	2416670256	104163994238	2.32

**Figure 3**

Approved securities include securities other than govt. Securities. This ratio measures the approved securities as a proportion of total assets. It has been found from table no.3 that other approved securities are 4.30% in the year 2014 it is decreased in the year 2015. But it is further continuously decreasing in the year 2016.

Table 4: Total Advance to Total Assets

Year	Total Advance (Rs.)	Total Assets (Rs.)	Total Deposits (Rs.)	Total Advance to Deposit	Total Advance to Assets
2013-14	30231367948	77792126097	63279258651	47.77	38.86
2014-15	35917555475	90618944032	71598866328	50.16	39.63
2015-16	43615047249	104163994238	81976693436	53.20	41.87

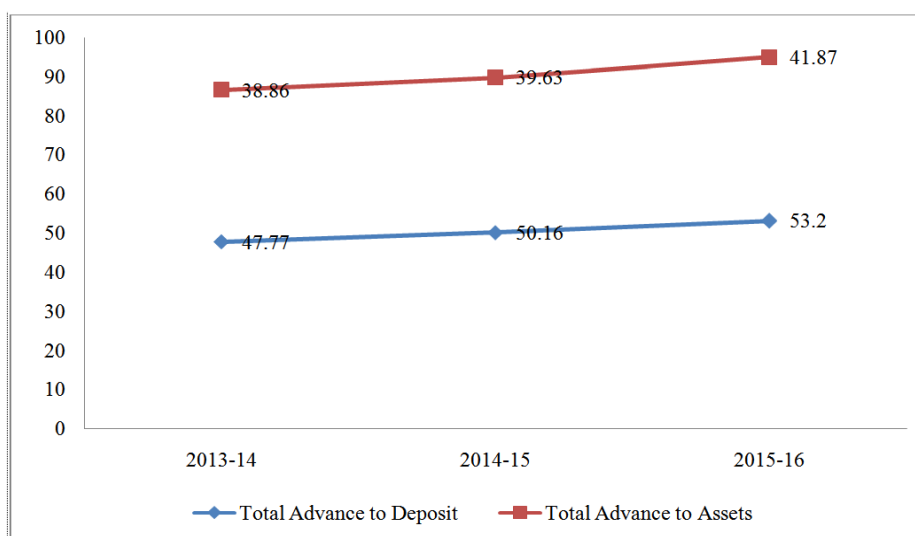


Figure 4

Total advance to total Deposit ratio which is popularly known as CD Ratio (Credit Deposit) means the proportion of loan assets created by banks from the deposits received. This ratio indicates how much of the advances lent by banks done through deposits. It has been found from table no.4 that Total advance to deposit ratio is increased continuously from 2013 to 2016 due percentage increase in the deposit is higher than the percentage increase in advance. This is satisfactory for a bank but this ratio is below the idle ratio i.e. 60%.

Total Advance to Total Asset Ratio shows that how much amount the bank holds against its assets. It has been found from table no.4 that this ratio is continuously increased from 2013 to 2016 because of increase in advances is more than the increase in total assets. During the year 2016, total advances of the Bank grew by 24.43% as compared to the previous year 2015 which shows growth in investment of the bank. And that is a good sign for the bank.

Table 5: Debt Equity Ratio

Year	Borrowings (Rs.)	Capital (Rs.)	Reserve and Surplus (Rs.)	Debt Equity Ratio
2013-14	5961626589	85226700	5964839454	98.53
2014-15	8665286746	85711600	6614268333	129.33
2015-16	10960957136	85806000	7210214382	150.23

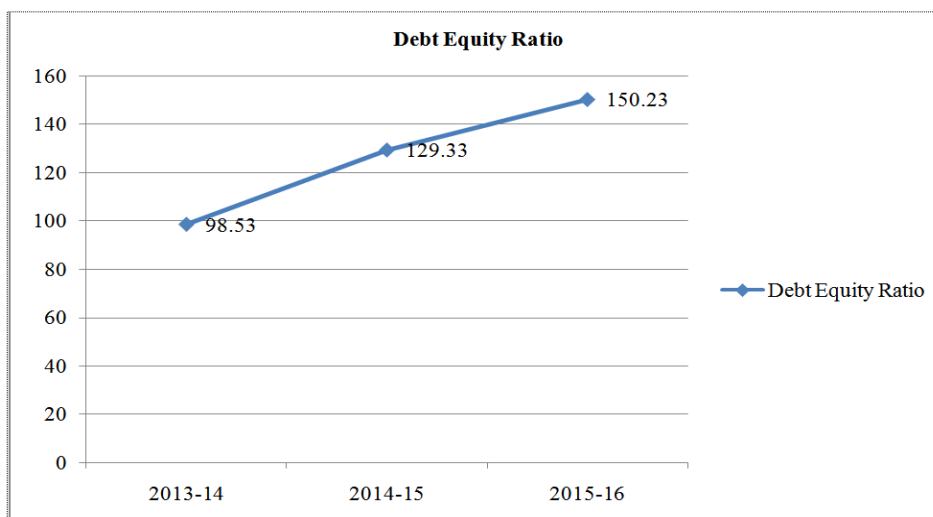


Figure 5

The Debt to Equity Ratio measures how much money a bank should safely be able to borrow over long periods of time. This ratio is calculated Debt (Borrowing) divided by the Equity (capital Plus Reserve). It has been found from table 5 that debt-equity ratio 98.53 % in the year 2014. It has increased by 150.23 % in the year 2016. Because the Bank's aggregate liabilities (excluding capital and reserves) rose by 15.43% from Rs. 83918964099 crores on 31st March 2015 to Rs.96867973856 crores on 31st March 2016. The increase in liabilities was mainly contributed by the increase in deposits and borrowings so that ratio was increased.

Table 6: Total Demand to Liquidity Assets

Year	Total Demand Deposit (Rs.)	Liquidity Assets (Rs.)	Total Demand to Liquidity Assets
2013-14	21625328416	25242591695	85.67
2014-15	24293329777	32710588882	74.26
2015-16	27964782935	36424679984	76.77

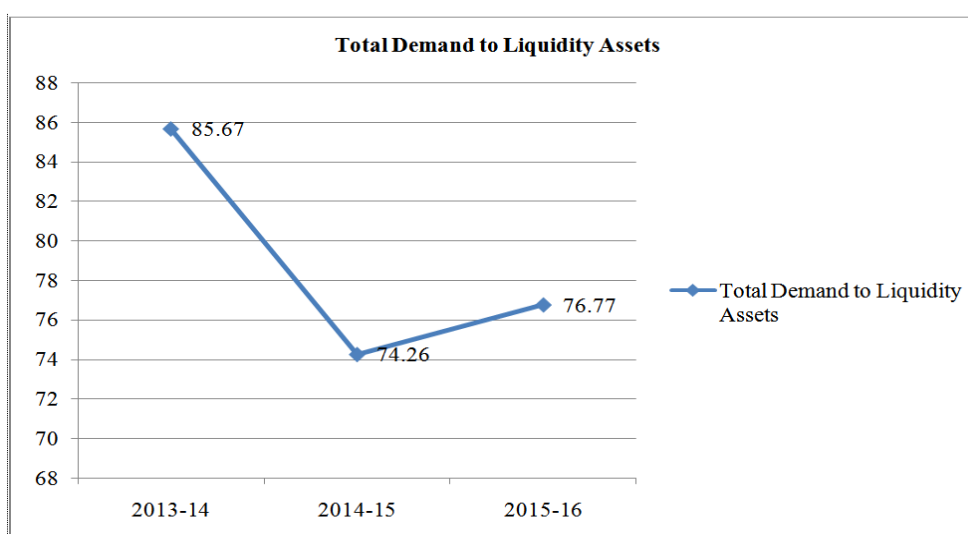


Figure 6

Total demand to liquidity assets ratio measures that what is the total demand out of liquid assets of the bank. It has been found from Table 6 that 85.67% is demand out of Banks liquid assets in the year 2014. It shows that bank has sufficient liquid assets to meet its demand liabilities. The ratio was decreased in the year 2014-15 due to increment in Liquid assets. But further increased in the year 2016 (76.77) as compared to the year 2015 (74.26).

Table 7: Interest Income to Total Income

Year	Interest Income	Other Income	Total Income	Interest Income to total Income	Other Income to Total Income
2013-14	6772314845	62198808	6834513653	99.08	0.91
2014-15	7619268919	99544988	7718813907	98.71	1.28
2015-16	8206247545	76611022	8282858567	99.07	0.92

It has been found from table 7 that interest income is the major source of income of the bank. Interest Income is slightly decreased in the year 2015 as compared to 2016 due to increase in other income of the bank. The bank should also find out other sources of income to increase its total Income Fee based incomes account form a major source of banks income. Bank generates higher income through innovative product and services. The ratio is also influenced securities. higher is the ratio higher is the income. SBI it decreases from 17% to 16%. The Other Income increased by 5.72%, Operating Expenses increased by 13.27% attributable to higher staff cost and other expenses. Noninterest income rose by 5.72%. the ratio was decreased because of proportionately more increment in total income than other than interest income.

Table 8: Return on Assets

Year	Net Profit (Rs.)	Total Assets (Rs.)	Ratio of Return on Assets
2013-14	406829884	77792126097	0.52
2014-15	598546216	90618944032	0.66
2015-16	539028391	104163994238	0.51

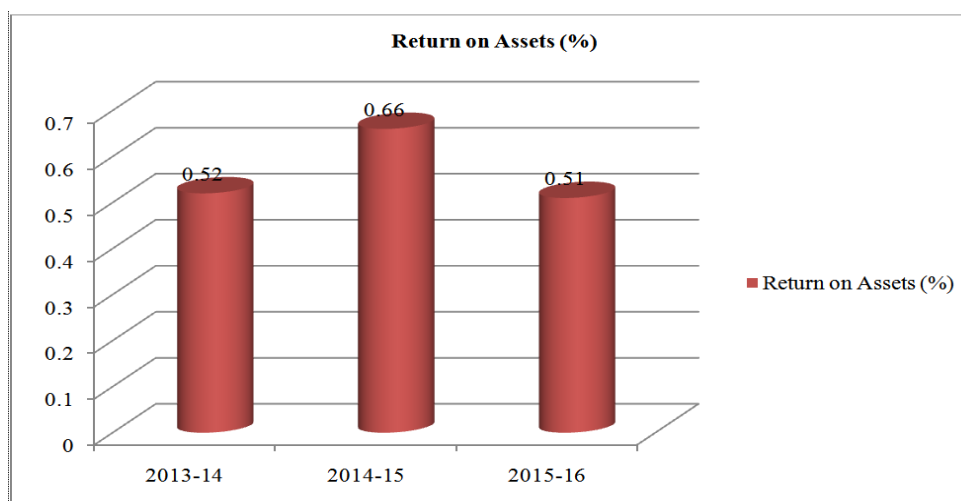


Figure 7

Net profit to total asset indicates the efficiency of the banks in utilizing their assets in generating profits. A higher ratio indicates the better income generating the capacity of the assets and better efficiency of management in future.

It has been found that return on assets had increased in the year 2015 from 0.52% to 0.66%. But further, it is decreased in the year 2016. So that bank should look after to use of assets efficiently & effectively

Table 9: Gross and Net NPA

Year	Ratio	
	Gross NPA	Net NPA
2014-15	8.62	2.57
2015-16	6.64	1.99

It has been found from table no. that the gross NPAs of the bank decreased from 8.62 to 6.64 in the year 2016. Bank had taken good practices to reduce NPAs during the year. Due to this net NPAs also decreased from 2.57 to 1.99 during the year. It shows that bank is serious about alarming NPAs and also conscious about the assets quality

CONCLUSIONS AND SUGGESTIONS

The Himachal Pradesh State Cooperative Bank Ltd. has grown tremendous growth over the past 3 years. Bank has adequate liquidity to meet its short-term as well as long-term obligations. NPA of the bank has also decreased from a previous year. Deposit of the Bank increase year to year along with deposit advancement is also increasing that is a good sign for the bank. However, return on assets of the bank decrease in the year 2016 it shows that bank should look after to use of assets efficiently & effectively. It is also found that major source of income of the bank is interest income from advancement as well as investment.

The bank should also strive for disruptive innovative banking practices to beat other stronger competitors. All in all, The Himachal Pradesh state cooperative bank is a bank with sound fundamentals which is growing at a really fast pace but there are so many challenges which it must prepare itself for to sustain and successes.

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