

Performance Analysis of the Bicholim Urban Co-operative Bank: A Study

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Abstract: The cooperative movement in Goa played a significant role in the social and economic development of the state. Co-operative have supplied credit to the artisans, small traders, factory workers, urban middle classes and the small scale industries was recognized by the various committees and other weaker sections of the society. The present study is an attempt to examine credit to deposit management done by co-operative banks in the state of Goa for the period of ten years. The study tries to look at growth of deposits with the co-operatives and also tries to understand how credit deployment is done by the co-operatives.

Keywords: Deposits, Advances and Growth of Co-operative Institutions.

1. INTRODUCTION:

A co-operative bank is a financial entity which belongs to its members, who are at the same time the owners and the customers of their bank. Co-operative banks are often created by persons belonging to the same local or professional community or sharing a common interest.

Co-operative banks generally provide their members with a wide range of banking and financial services (loans, deposits, fee based services etc). Banking system and the Financial Institutions play very significant role in the economy. First and foremost it is in the form of catering to the need of credit for all the sections of society. An efficient banking system must cater to the needs of high end investors by making available high amounts of capital for big projects in the industrial, infrastructure and service sectors. At the same time, the medium and small ventures must also have credit available to them for new investment and expansion of the existing units. Rural sector in a country like India can grow only if cheaper credit is available to the farmers for their short and medium term needs.

2. BANKING IN GOA:

Banking as an integral part of tertiary sector has made a remarkable progress and expansion in the state of Goa. The banking system in the state is broadly comprised of SBI and its associates, nationalized banks, private banks and co-operative banks. The average population per bank branch office is the lowest in India being less than 3000 as against the national average of around more than 16000. The banking sector in the state has recorded an excellent deposit growth and has the highest per capita deposit as compared to the per capita deposit of the banking sector as a whole in the country. The banking sector as a whole in the state has a decelerating trend in credit to deposit ratio. A separate Lead Bank Department for each district, state and block level committees have been working efficiently towards the growth and progress of banks in the state. As on 31st March 2015 there are six Urban Co-operative Banks working in the state of Goa.

The need for urban co-operative banking was initially felt when the swadeshi joint stock banks did not take interest in providing credit to the urban middle class. The urban co-operative banks operate in metropolitan, urban and semi-urban centres and are targeted to cater to the credit needs of small borrowers like small scale industrial units, retail traders, professionals and salaried persons. These banks can organise and bring together the middle and working classes in urban and semi-urban areas and inculcate in them the habit of thrift and self help and

acquaint them with the elements of ordinary banking principles. These banks can rescue the middle and working classes from the exploitation of money lenders and other unscrupulous agencies by providing credit on a reasonable term which is important in the contest of rising prices and cost of living.

3. LITERATURE REVIEW:

Udeshi A. (1989) studied about how funds management has become difficult due to large network of branches, diversified business and increasing competition among banks. Mishra P. (1993) stressed on better credit mix, deposit mix, increase in non-fund revenue and control over non-performing assets for improving the banks' profitability. Verma & Malahotra (1993) suggested for improvement in capital base of the banks, expansion of bank resource base, tapping the deposits from rural and semi urban areas and deploying them profitably. Kargi H.S. (2011) suggested credit creation is the main income generating activity of banks. Nitin Kumar (2011) concluded that credit deposit ratio (CD ratio) is an elementary indicator of how efficiently the deposits are mobilized and is utilized to carry out investment and capital formation activities. Venkatesan S. (2012) empirically evaluated the trend and growth in deposit mobilization of scheduled commercial banks in Tamil Nadu during the period from 1999-2000 to 2008-2009.

4. OBJECTIVES OF THE STUDY:

The following objectives are the objectives of the study:

- 1) To examine the growth of the Bicholim Urban Co-operative Bank in Goa through selective indicators.
- 2) To analyze the Deposits, Credits and C/D Ratio of the Bicholim Urban Co-operative Bank in Goa.
- 3) To study the total business, total investment, business per employee and profit per employee ratios of the Bicholim Urban Co-operative Bank in Goa.

5. METHODOLOGY:

This paper is an attempt to study the financial performance of the Bicholim Urban Co-operative Bank in Goa. This bank is selected for the study, keeping in view the role and involvement in shaping the economic condition, especially in terms of Number of Branch offices, Membership, Employees, Deposits, Credits, C/D Ratio, total business, total investments, business per employee and profit per employee. The data is collected from secondary sources i.e. annual reports of the Bicholim Urban Co-operative Bank and analysed using simple statistical tools, percentages, trend and descriptive statistics.

6. ANALYSIS AND DISCUSSION:

The primary functions of banks are to accept deposits and lend advances to the public. In this regard, this study is carried out find out the position of the Bicholim Urban Co-operative banks in Goa when it comes to conducting their primary function. The analysis and discussion in the study has presented physical growth of the bank from the period of 2004-05 to 2013-14, trend of Capital & Reserves of the Bicholim Urban Co-operative Bank, management of investments, deposit and advances done by bank in Goa.

Table 1
Growth of the Bicholim Urban Co-operative Bank

(Figures in actual)

Year	No. of Branches	Total Membership	No. of Employees
2004-05	10	37260	174
2005-06	10	39212	168
2006-07	10	41621	165
2007-08	10	43508	162
2008-09	10	45180	154
2009-10	10	46976	151

2010-11	10	48982	149
2011-12	10	50842	145
2012-13	11	52644	142
2013-14	11	54054	142
Mean	2.1	9131.4	31.6

Source: Annual Reports of BUCB 2004-05 to 2013-14

The Bicholim Urban Co-operative Bank has 11 branches operating in Goa. The membership has increased from 37,260 in 2004-05 to 54,054 in the year 2013-14. The number of employees has decreased from 174 in 2004-05 to 142 in 2013-14 the reason behind this is bank computerisation. On an average 9131 new individuals are becoming members of the bank. The Bank in past ten years has increased its customer base throughout the State of Goa.

Table 2
Trend of Capital & Reserves of the Bicholim Urban Co-operative Bank Ltd
(Rs in Lakhs)

Year	Capital	Trend (%)	Reserves	Trend (%)
2004-05	359.39	100	751.95	100
2005-06	418.55	116	818.10	109
2006-07	503.18	120	1107.55	135
2007-08	600.39	119	1261.35	114
2008-09	705.21	117	1319.74	105
2009-10	816.08	116	1437.82	109
2010-11	967.21	119	1548.10	108
2011-12	1133.14	117	1785.21	115
2012-13	1284.94	113	2009.37	113
2013-14	1456.03	113	2081.50	104

Source: Annual Reports of BUCB 2004-05 to 2013-14

Trend of Capital & Reserves of the Bicholim Urban Co-operative Bank Ltd
(Rs in Lakhs)

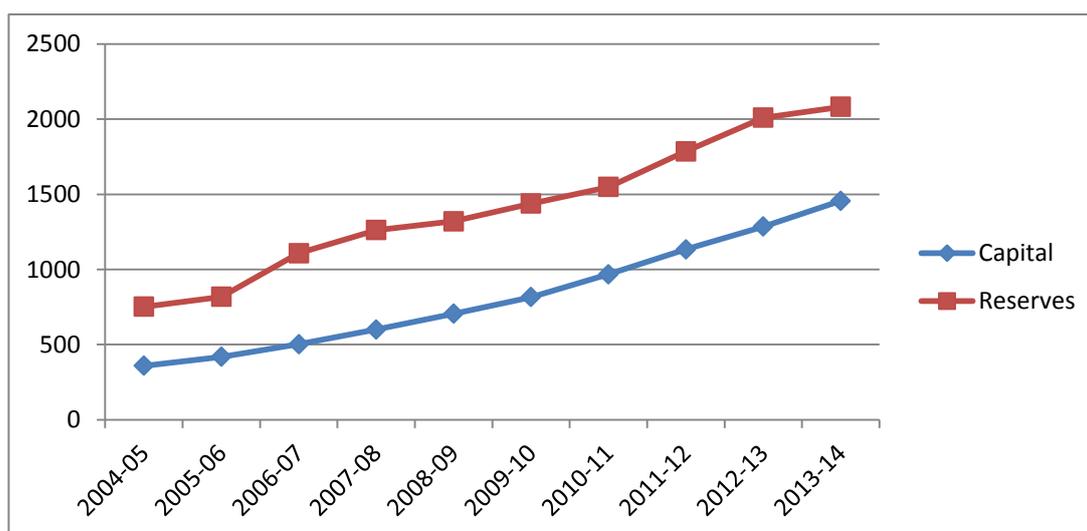


Figure 1

The capital and reserve position of the bank has improved significantly and have shown an upward trend for the past ten years period. Capital has increased to 1456.03 lakhs in 2013-14 from 359.39 lakhs in the year 2004-05. The bank has also accumulated reserves of Rs. 2081.60 lakhs. The trend of past ten years shows that the bank has strengthened its financial performance during the study period.

Table 3

Deposit, Credit and Credit to Deposit Ratio of the Bicholim Urban Co-operative Bank (Rs. in Lakhs)

Year	Deposit	Credit	CD Ratio (%)
2004-05	12381.77	7052.27	56.96
2005-06	12970.71	7802.93	60.16
2006-07	14498.57	9103.30	62.79
2007-08	16411.16	10956.49	66.76
2008-09	18500.11	12746.88	68.90
2009-10	22696.25	13863.68	61.08
2010-11	25167.46	16696.65	66.34
2011-12	28851.05	19338.76	67.03
2012-13	32904.13	21574.58	65.57
2013-14	36410.35	23521.24	64.60

Source: Annual Reports of BUCB 2004-05 to 2013-14

Deposit and Credit of the Bicholim Urban Co-operative Bank

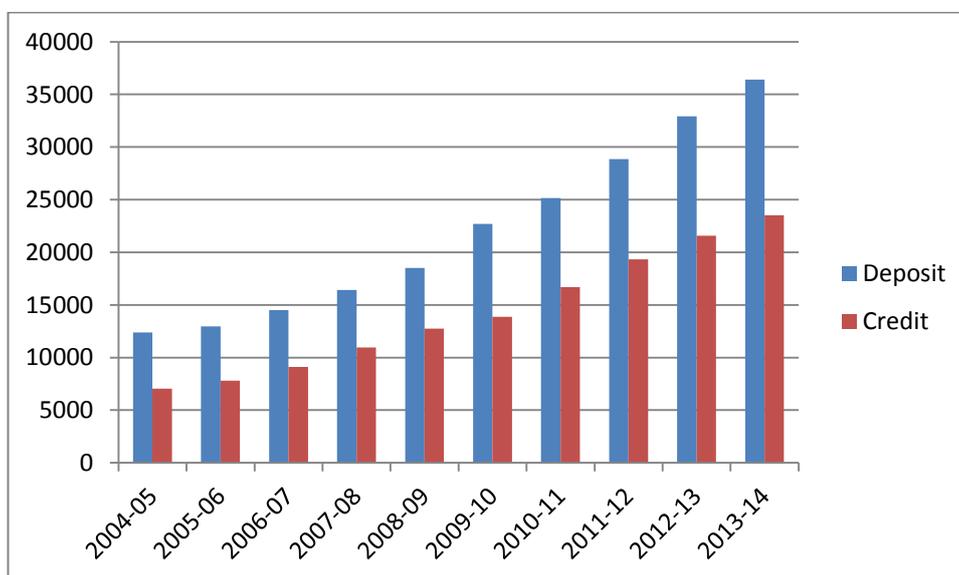


Figure 2

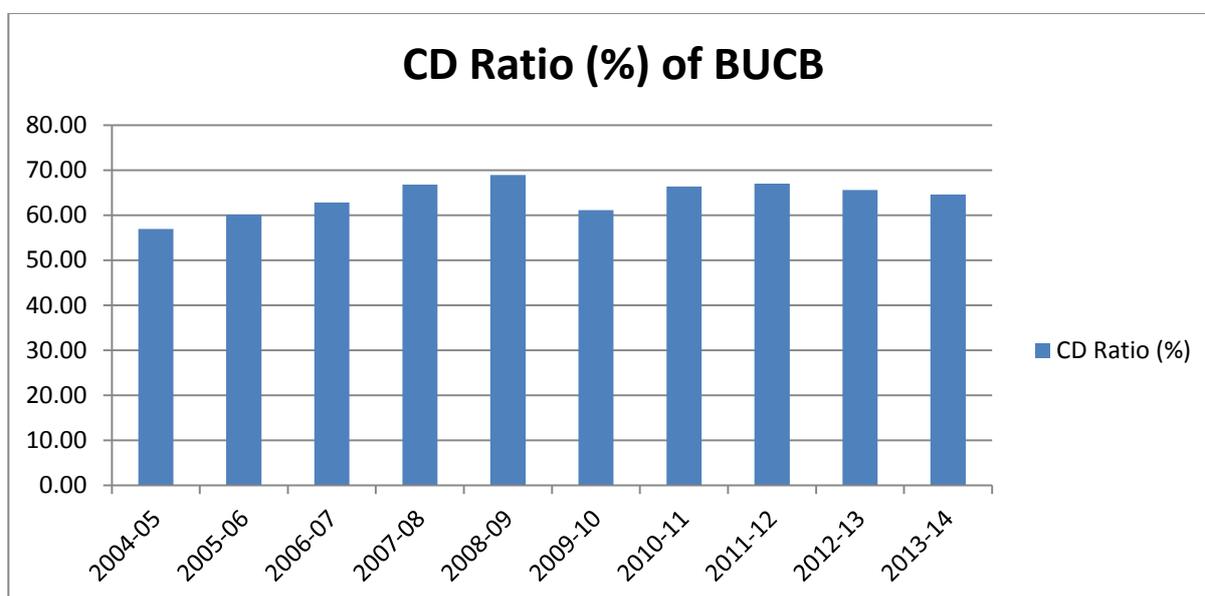


Figure 3

There is growth in deposit mobilisation and advances deployment of the banks the deposit base of the stands at 36410.35 lakhs as on 2013-14 and during the same year the bank has deployed 23521.24 lakhs advances. The credit to deposit ratio of the bank has increased from 56.96 percent in 2004-05 to 64.60 percent in the year 2013-14. The CD ratio of the bank is much higher than the average of other banks in the state of Goa.

Table 4

Net Profit, Business & Profit per Employee of the Bicholim Urban Co-operative Bank

(Rs in Lakhs)

Year	Total Business	Net Profit	No. of Employees	Business Per Employee	Profit Per Employee
2004-05	19434.04	25.01	174	111.69	0.14
2005-06	20773.64	28.49	168	123.65	0.17
2006-07	23601.87	26.15	165	143.04	0.16
2007-08	27367.65	65.03	162	168.94	0.40
2008-09	31246.99	102.75	154	202.90	0.67
2009-10	36559.93	105.42	151	242.12	0.70
2010-11	41864.11	138.57	149	280.97	0.93
2011-12	48189.81	209.63	145	332.34	1.45
2012-13	54478.71	251.07	142	383.65	1.77
2013-14	59931.59	250.31	142	422.05	1.76

Source: Annual Reports of BUCB 2004-05 to 2013-14

In 2004-05 total business was at 19434.04 lakhs which has increased to 59931.59 lakhs in 2013-14. In 2004-05 net profit was 25.01 lakhs which has increased to 250.31 lakhs in 2013-14. Total business per employee in 2004-05 was 111.69 lakhs which has increased to 422.05 lakhs in 2013-14. Profit per employee was 0.14 lakhs in 2004-05 and for year ending 2013-14 it is 1.76 lakhs per employee.

Table 5

Growth of Investments by the Bicholim Urban Co-operative Bank

(Rs in Lakhs)

Year	Investment	% of Growth
2004-05	5091.45	100
2005-06	5359.03	105
2006-07	5437.92	101
2007-08	4993.11	92
2008-09	6163.45	123
2009-10	9469.02	154
2010-11	9289.41	98
2011-12	10761.97	116
2012-13	12265.77	114
2013-14	13781.63	112

Source: Annual Reports of BUCB 2004-05 to 2013-14 (Base Year 2004-05)

The analysis of Investment of the bank for ten years reveals that there is a significant increase in the investments of the bank. In the year 2004-05 investments were Rs 5091.45 lakhs which have increased to Rs 13781.63 lakhs in the year 2013-14. In spite of the mining ban in Goa, the investments have shown an increasing trend during the years 2012-13 and 2013-14.

7. CONCLUSION:

The growth in number of branches have positive trend and the membership in co-operatives have been increasing. The capital and reserves have increased during the study period. The co-operative bank is maintaining 64% C/D ratio for the year 2013-14. The bank has attained Capital Adequacy ratio of 11.48% as against 9% prescribed by RBI. Fifty one percent of the total advances are given to priority sector during for the financial year 2013-14. The ban on mining activities in Goa since 2012 has affected the asset quality of bank resulting in deteriorating NPA position and overall profitability. The net profit of the bank in 1993-94 was Rs 7.13 lakhs and for year 2013-14 is 250.31 lakhs. The performance of the bank is found to be very good on all the parameters during the study period.

8. SUGGESTIONS:

1. The bank needs to address the credit inequality needs through intensified financial inclusion measures.
2. There is a need to provide finance to priority sector for increasing agricultural productivity and to promote diversification in agriculture and allied activities.
3. Initiatives need to be taken to promote sustainable industrial development compatible with the unique bio-diversity of the state which, in turn, would generate local employment.
4. The bank needs to provide customers more number of e-banking services.

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