A COMPARATIVE PERFORMANCE EVALUATION OF TWO STATE COOPERATIVE BANKS

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ABSTRACT
This research paper focused on the comparative evaluation of performance of the two state cooperative banks. The performance evaluation is done using selective key performance indicators. The trend analysis of these evaluation parameters are used to understand the financial position of these banks for a period of 5 years.
The research is based on secondary data. The period of the study is 2017-18 to 2021-22. The research will be helpful for the academicians and students to understand the evaluation of the performance of a bank using specific parameters. It is also helpful for banks in tracking their performances and taking corrective actions in time if required.
Keywords: Key Performance indicators, NPA, CRAR, Interest Spread, ROA, Advances and Deposits.

Introduction

Performance of the banking and finance sector is often considered as an effective measure of evaluating the soundness of economic activities of an economy. Public sector banks in India are always under the surveillance of the apex bank (RBI). They must implement the economic policy decisions for the betterment of the society at large, keeping the profit maximisation motive at stake. They are expected to implement policies related to priority sector lending, financial inclusion etc.

Performance evaluation of the banking and financial sector; acts as a litmus test for the performance evaluation of an economy. With the advent of information technology, the finance sector as like other sectors has undergone a sea change in their work culture. With this changing environment along with the implementation of policy decisions, are the public sector banks in general and Cooperative banks capable of fulfilling the expectations of the government and policy makers along with the fight for survival in the competitive environment is the question.

In the economy with predominance of the agricultural sector, the performance of cooperatives plays a major role. Implementation of policy decisions and rooting the funding towards agriculture and allied sectors is effectively carried out through cooperative banks. Performance evaluation of cooperative banks in such a scenario becomes vital.

This research paper focused on the comparative evaluation of performance of the two state cooperative banks. The performance evaluation is done using selective key performance indicators. The trend analysis of these evaluation parameters are used to understand the financial position of these banks for a period of 5 years. The state cooperative banks play the major role and can be considered as a yardstick for evaluation of performance of cooperative banks. Hence two state cooperative banks are selected for this study.

Objectives of the study
1. To evaluate the performance of two major state cooperative banks, viz Maharashtra State Cooperative bank ltd and Tamil Nadu State cooperative bank ltd. based on selective key performance indicators.
2. To analyse the performance of two selected banks.

Literature Review
There are some researchs in the literature. Sanjeevi and Visakhapatnam (2017) have stated that the operational performance of scheduled commercial banks was found to be better as compared to the non-scheduled banks. However no remarkable difference has been observed in the financial performance of these two types. It has been observed that the commercial banks took higher risk as compared to the non-commercial banks.

Bhatt and Bhatt (2013) studied the performance of cooperative banks of Jammu and Kashmir based on different performance evaluation parameters. It has been observed that these banks had insufficient self-generated funds leading to reliance heavily on debt funds. Ineffective management of loans and advances caused high NPA, which affects the performance efficiency of these banks.
Vaidyanathan, (2013) was intended to analyse different aspects of cooperative credit societies, using the data of a period of 20 years. The author has identified the training needs of the employees of cooperative societies with

respect to computerisation. The author has suggested treating well managed societies as role models for others. Further the author has suggested forensic audit of loans and advances and impose penalties for gross negligence.

Nayak (2012) reveals that the Indian economic growth is not inclusive as considerable inequalities were found in the consumption pattern of the society; though the growth in GDP is followed by the growth in real GDP per head per annum. In the opinion of the author cooperative banks proved to be a better option as compared to commercial banks in the process of achieving inclusive growth.

Indira. (1993) found the financial performance of cooperative banks of Tumkur district has been analysed using "CAMEL" analysis technique. The unprofessional approach and poor decision making were the two major weaknesses of these cooperative banks.

Misra and Aspal (2013) used the "CAMEL" model for evaluating performance of SBI and its 5 subsidiaries. No significant difference has been observed in the overall performance of these banks though the CAMEL ratios differed from bank to bank.

Mohiuddin (2014) analysis of PCB and NCB banks of Bangladesh were carried out using the "CAMEL" model. The author found both the banks financially viable and with sound management practices.

Srinivasan (2016) studied a comparative performance analysis of 25 public sector banks, 18 private sector banks and 8 foreign banks was carried out using CAMEL analysis. ANOVA analysis has been used to find the significant difference in each of the 5 composite CAMEL ratios with respect to the three types of the banks. The author has concluded that there is a significant difference within and between the three groups of banks.

Rohtas (2018) studied a comparative financial performance analysis study of selected private banks
The study is based on the comparative analysis of three major private banks viz ICICI, HDFC and Axis bank. The author concluded that the ICICI lagged the other two counterparts in generation of return on assets. HDFC bank supersedes the other two in managing the NPA. However ICICI generates more profit and business per employee compared to other banks

Das and Sen (2010) analysed the performance of state cooperative banks. The criteria used for the analysis are the profitability and quality of assets. Different ratios as parameters of performance evaluation are used for the study. The authors concluded that the profit being treated as a secondary objective of these banks as service to members is the prime objective of the cooperative sector. These banks are also facing the problem of NPA as the commercial banks and due care is to be taken for the survival and sustenance of these banks.

Research Methodology
The research work is a descriptive research, based on secondary data collected from the websites of the two banks and extracted from the financial statements of these banks.
The period of the study is 5 years: Financial data for 2017-18 to 2021-22 is used for the study. The terms MH and TN used in the graph indicate: 1. MH: Maharashtra State Cooperative Bank ltd and TN: Tamil Nadu State Cooperative Bank Ltd. The key indicators (in the form of financial ratios) ,being used to evaluate the performance of these banks.
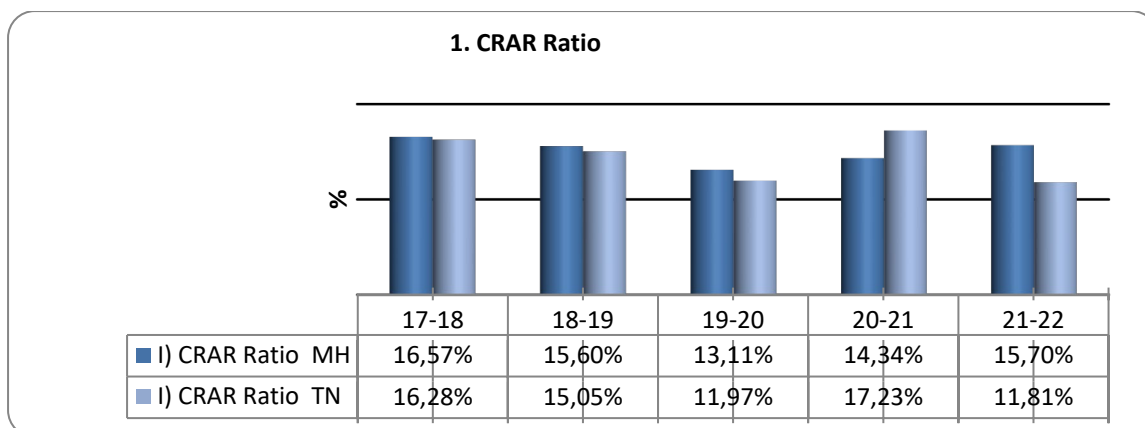
Data Analysis:
Capital to Risk (Weighted) Assets Ratio (CRAR):
In performance evaluation of banks, Capital adequacy is the major parameter of evaluation. The ratio evaluates the adequacy of the capital in relation to its fiscal requirement. It tests the fiscal fitness of the bank. As per RBI guidelines the banks have to maintain capital to risk weighted assets ratio of 9%. The higher the ratio, the better is the risk coverage.

I) CRAR Ratio					
	1	2	3	4	5
Year	17-18	18-19	19-20	20-21	21-22
MH	0.1657	0.156	0.1311	0.1434	0.157
TN	0.1628	0.1505	0.1197	0.1723	0.1181

Table No 1: CRAR Ratio

1. CRAR Ratio

|	17-18	18-19	19-20	20-21	21-22
▮ I) CRAR Ratio MH	16,57%	15,60%	13,11%	14,34%	15,70%
▮ I) CRAR Ratio TN	16,28%	15,05%	11,97%	17,23%	11,81%

Graph No. 1: CRAR Ratio

Comment: Both the banks have CRAR far above the expected requirement. The deviations in the ratio of Tamil Nadu State cooperative bank found to be more as compared to the Maharashtra State cooperative bank.

Gross Non Performing Assets Ratio (Gross NPA %)
Gross NPA is the ratio of nonperforming assets to total loans and advances Normally Gross NPA of 3% is manageable for a bank. The lower the Gross NPA ratio the better it is for the bank.

II) GNPA %					
	1	2	3	4	5
Year	17-18	18-19	19-20	20-21	21-22
MH	9.91%	8.07%	10.80%	11.64%	10.96%
TN	4.51%	2.85%	2.69%	4.10%	2.76%

Table No. 2: GNPA %

2. Gross NPA

|	17-18	18-19	19-20	20-21	21-22
▮ II) GNPA % MH	9,91%	8,07%	10,80%	11,64%	10,96%
▮ II) GNPA % TN	4,51%	2,85%	2,69%	4,10%	2,76%
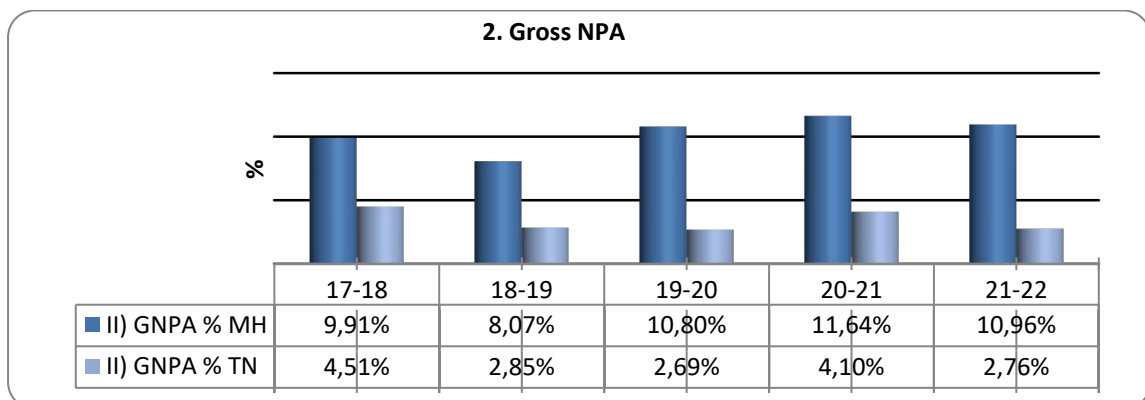
Graph No. 2: GNPA %
Comment: The Tamil Nadu State Cooperative bank is having the ratio close to the manageable limit. Whereas the Maharashtra State cooperative bank's NPA is far above the expected manageable limit.

Net NPA%
The Net NPA is calculated by subtracting the provisions made by the bank from the gross NPA. The Net NPA of banks in India in 2021-22 was found to be around 2.3%. The lower the Net NPA ratio the better it is for the bank. The net NPA ratio of Indian banks was around 2.3% in the financial year 2021-22

III) Net NPA %					
	1	2	3	4	5
Year	**17-18**	**18-19**	**19-20**	**20-21**	**21-22**
MH	2.48%	1.81%	0.00%	1.20%	0.00%
TN	0.00%	1.17%	1.42%	2.58%	1.70%

Table No 3: Net NPA %

3. Net NPA

|	17-18	18-19	19-20	20-21	21-22
■ III) Net NPA % MH	2,48%	1,81%	0,00%	1,20%	0,00%
■ III) Net NPA % TN	0,00%	1,17%	1,42%	2,58%	1,70%
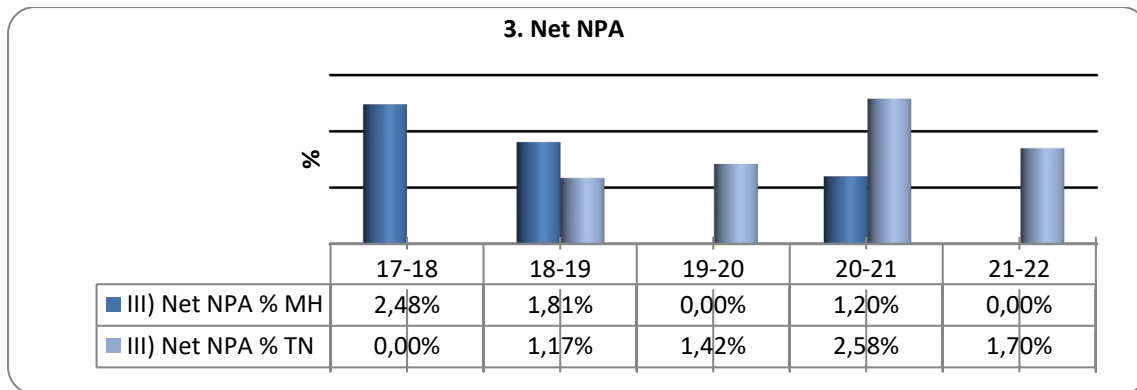
.Graph No. 3: Net NPA %

Comment: The Maharashtra state cooperative bank has made the provisions to bring its Net NPA to the manageable limit though the Tamil Nadu State Cooperative Bank has better Net NPA ratio as compared to the Maharashtra state cooperative bank.

Business per Employee
This is an efficiency ratio, evaluating the productivity and efficiency of the bank's workforce.
Higher ratio indicates better utilization of human resource by the bank. For service sector, where human resource plays a vital role, this efficiency ratio helps to evaluate the performance of the organization.

IV) Business per Employee (Rs. In Corers))					
	1	2	3	4	5
Year	**17-18**	**18-19**	**19-20**	**20-21**	**21-22**
MH	25.92	32.63	42.91	51.91	65.22
TN	44.61	54.64	76.89	44.36	66.28

Table No. 4: Business per Employee

Business per Employee

|	17-18	18-19	19-20	20-21	21-22
■ IV) Business per Employee (Rs. In Crores)) MH	25,92	32,63	42,91	51,91	65,22
■ IV) Business per Employee (Rs. In Crores)) TN	44,61	54,64	76,89	44,36	66,28
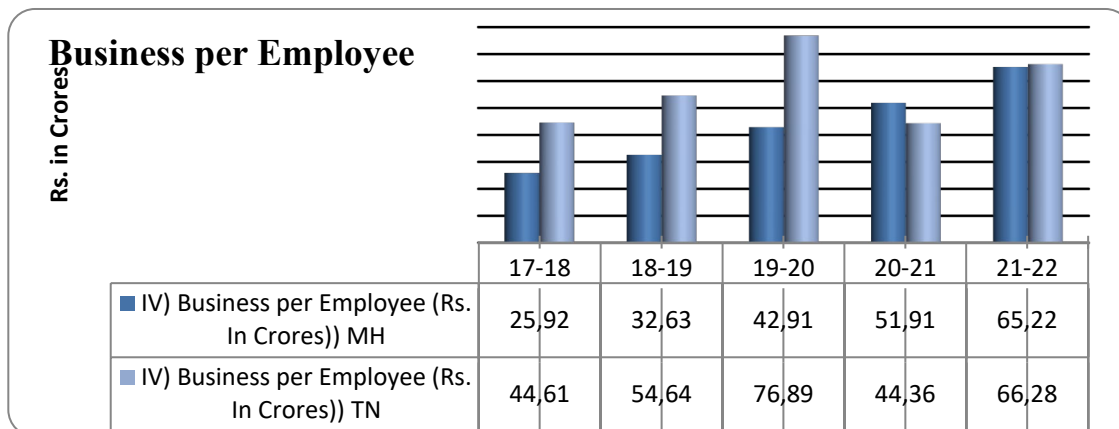
Graph No. 4: Business per Employee

Comment: The Maharashtra state cooperative bank shows a continuous improvement in the employee efficiency. Though the five years average ratio for the Tamil Nadu State cooperative is higher, it shows a fluctuating trend.

Profit per Employee:
This ratio explains the earning per employee reflecting the efficiency of the human resource. The more efficient and productive the human resource more will be the earning per employee. However, the earning is not solely influenced by the productivity of human resource, the ratio to be used with other financial indicators to test the overall efficiency of the organization.

V) Profit per Employee (Rs. In Corers)				
1	2	3	4	5
Year	17-18	18-19	19-20	20-21	21-22
MH	0.17	0.23	0.33	0.43	0.84
TN	0.25	0.27	0.29	0.34	0.54

Table No 5: Profit per Employee
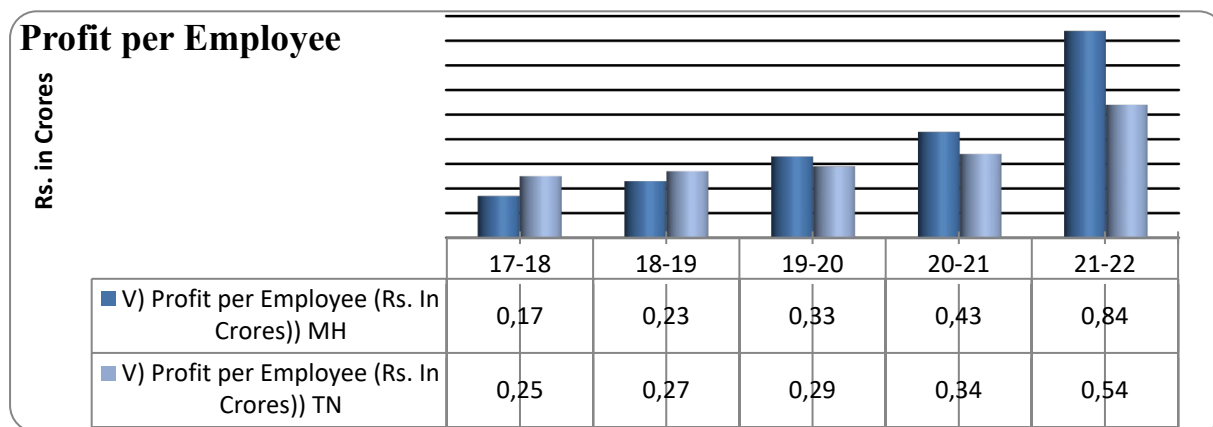

Graph No. 5: Profit per Employee

Comment: As like business per employee, this ratio also shows an increasing trend and becomes double than the previous year in case of the Maharashtra state cooperative bank. In case of the Tamil Nadu cooperative bank the ratio is lower than the Maharashtra state cooperative bank.

Interest Spread:
It is the difference between the lending and borrowing rates. Here the Interest spread is taken as the difference between the interest earned and interest expended. The higher the spread the better it is. This is the major contributor of the earnings of the bank.

VI) Interest Spread(Rs. In crores)				
1	2	3	4	5
Year	17-18	18-19	19-20	20-21	21-22
MH	579.08	615.25	889.11	860.19	1526.92
TN	-307.83	-250.31	-222.42	-228.85	-242.10

Table No. 6 Interest Spread
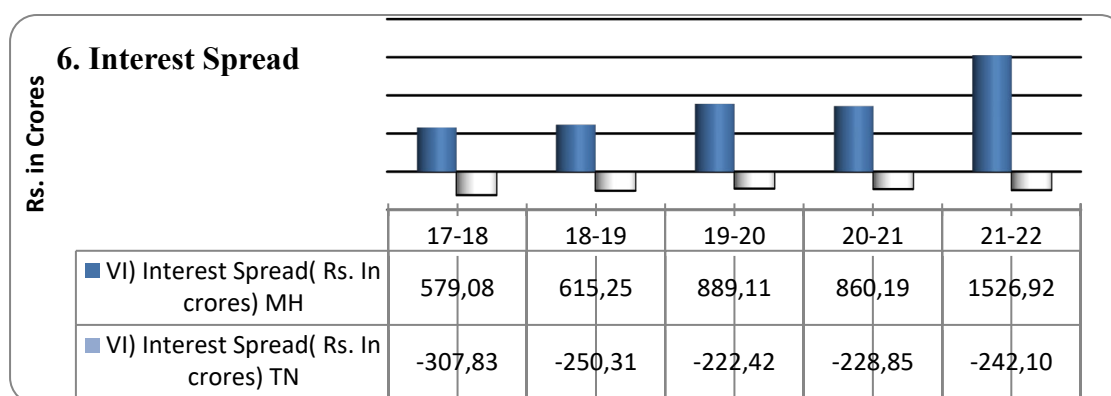
Graph No. 6: Interest Spread

Comment: The Maharashtra state cooperative bank shows a positive interest spread with increasing trend. However the Tamil Nadu state cooperative bank has a negative spread, the interest expenses found to be more than their interest income which is not a good sign.
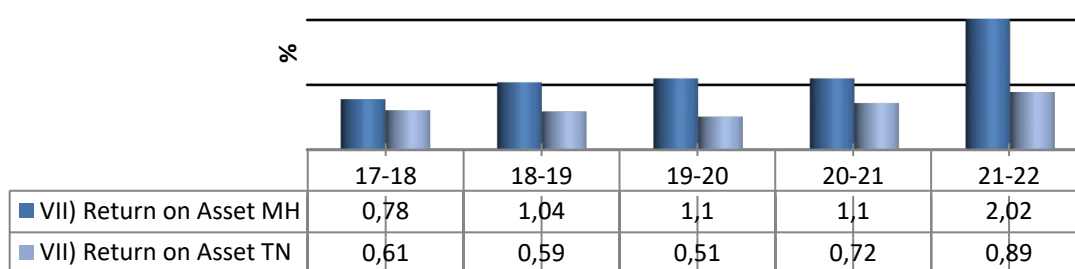
Return on Assets:

This ratio is the key indicator in analysis of performance of any organization. It reflects the efficiency or inefficiency of the firm in utilizing their scarce resources. The higher ratio indicates better utilization of the resources by the organization.

VII) Return on Asset					
	1	2	3	4	5
Year	**17-18**	**18-19**	**19-20**	**20-21**	**21-22**
MH	0.78	1.04	1.1	1.1	2.02
TN	0.61	0.59	0.51	0.72	0.89

Table No.7: Return on Asset

7. Return on Assets

	17-18	18-19	19-20	20-21	21-22
VII) Return on Asset MH	0,78	1,04	1,1	1,1	2,02
VII) Return on Asset TN	0,61	0,59	0,51	0,72	0,89

Graph No. 7: Return on Asset

Comment: The ROA of both the banks shows an increasing trend. However the Tamil Nadu state cooperative bank has a lower ROA as compared to the Maharashtra state cooperative bank.

Ratio of Loans and Advances to Deposits:

This is a measure to test the liquidity of a bank. Too high ratio reflects too low liquidity, while too low ratio indicates high liquidity but low business.

VIII) Loans to Deposit Ratio					
	1	2	3	4	5
Year	17-18	18-19	19-20	20-21	21-22
MH	113.37	123.74	99.85	114.71	123.23
TN	76.72	96.16	94.99	79.88	119.75

Table No 8: Loans to Deposit Ratio

8. Loans and Advances to Deposit Ratio

	17-18	18-19	19-20	20-21	21-22
VIII) Loans to Deposit Ratio MH	113,37	123,74	99,85	114,71	123,23
VIII) Loans to Deposit Ratio TN	76,72	96,16	94,99	79,88	119,75
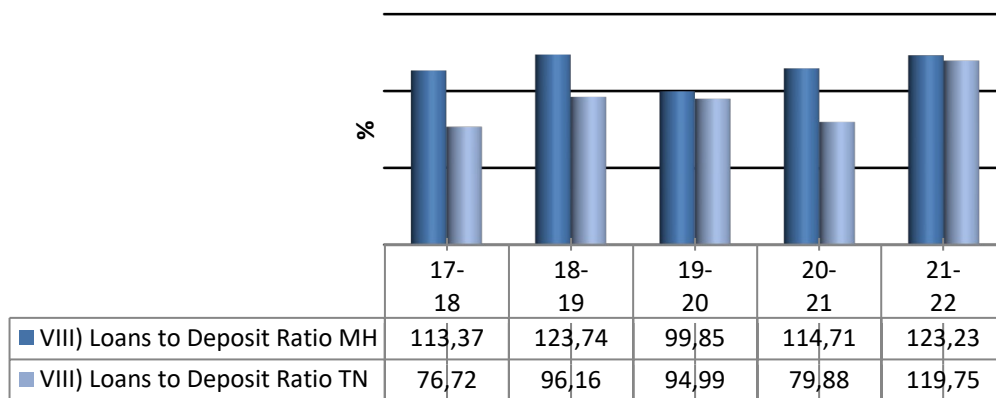
Graph No. 8: Loans to Deposit Ratio

Comment: Both the banks have too high ratios particularly in 2021-22 indicating low liquidity. The Maharashtra state cooperative bank shows high ratio throughout the period of 5 years indicating low liquidity.

Conclusion

Performance evaluation of the banking and financial sector; acts as a litmus test for the performance evaluation of an economy. With the advent of information technology, the finance sector as like other sectors has undergone a sea change in their work culture. With this changing environment along with the implementation of policy decisions, are the public sector banks in general and Cooperative banks in particular capable of fulfilling the expectations of the government and policy makers along with the fight for survival in the competitive environment is the statement of problem for the study. Both the banks on an average are almost at par in case of some of the indicators like CRAR, Gross and Net NPA ratios and the efficiency ratios like profit and business per employee. However the interest spread of the Tamil Nadu State cooperative bank is negative during the period of the study which is not a good sign. The Maharashtra State cooperative bank supersedes the Tamil Nadu State cooperative bank even in case of ROA and loan to deposit ratios.

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