

Component Wise And Comparison Wise Analysis Of Financial Performance Of The Kerala State Co-Operative Bank Ltd

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Abstract:

The government of Kerala has decided to reduce the current three-tiered structure of short-term cooperatives in the state to two levels, as per a policy decision. Thirteen district cooperative banks in Kerala were able to get their merger plans approved by the Reserve Bank of India. A resolution was accepted by the Registrar of Co-operative Societies on July 3, 2019, after thirteen district co-operative banks voted to accept it. The resolution was officially approved by the Registrar. This led to the issuance of an order for amalgamation and the complete transfer of its assets and liabilities to the Kerala State Co-operative Bank (KSCB). The thirteen District Co-operative Banks of Kerala and the KSCB have combined into a single entity known as "Kerala Bank" as of November 29, 2019. This is the effect of the merger.

1.1. Key terms: (co-operative Banks, Kerala State Co-operative Bank, District Co-operative Bank)

CO-OPERATIVE BANKS

The founding principles of Kerala Bank were to provide a safe, dependable, and reasonably priced banking service to all members of society. As a result, the bank is bolstering the state's Co-operative Economic Community and preparing itself to aggressively navigate the shifting economic climate. The establishment of the KSCB took place in the year 2023.

Individuals and organizations are encouraged to save and invest by Kerala Bank. Customers on an individual level, PACS, other cooperatives, businesses, SHGs, and JLGs are the bank's top priorities when it comes to financing and providing services. Kerala Bank aims to provide modern financial services to all segments of society. It is expected that Kerala Bank, which is the most well-liked bank in Kerala, will swiftly ascend to the top rank. The establishment of the KSCB took place in the year 2023.

Service throughout the state, regardless of urban or rural areas, is guaranteed by the sufficient structure of Kerala Bank. Credit Processing Centres are located in thirteen different districts around the state, and the organization's

headquarters are in Ernakulam. There are also seven regional offices. Kerala Bank currently operates 769 branches spread out throughout the state.

Kerala Bank is based on primary agricultural cooperative banks. Primary Agriculture Co-operative Societies (PACS), the state's most well-known cooperative, are able to offer a wide range of services through Kerala Bank. In order to make new achievements in the field of cooperative banking, Kerala Bank also aspires to strengthen Primary Agriculture Co-operative Societies (PACS), Urban Co-operative Banks, and other similar organizations. The Bank's long-term objective is the holistic improvement of Kerala. No matter what, the people of Kerala can count on Kerala Bank to be there for them, lending a helping hand when they need it most. The establishment of the KSCB took place in the year 2023.

1.1. Review of literature

(Vanlalmuana, 2021): The key objectives of their research investigation are to investigate the influence that liquidity management has on profitability and to evaluate and contrast the financial performance of the selected banks. To support our goals, we hypothesized that liquidity and profitability are strongly correlated across the institutions we analyzed and that liquidity is a strong predictor of profitability. Both of these assumptions were developed to support our objectives. During the course of the study, the years 2014–15 through 2017–18 were covered. For the purpose of gaining an understanding of the properties of the variables that have been selected, descriptive statistical methods such as the mean, standard deviation, minimum, and maximum are applied. The Pearson correlation coefficient was computed with SPSS in order to verify the first hypothesis. This was done in order to validate the hypothesis. Regression analysis was employed to examine the impact of liquidity management on profitability in order to validate the second hypothesis. We accept the null hypothesis and reject the first two hypotheses.

1) (Gulshan Kumar, 2022): The writers set out to do two things: first, compare SBI's financial performance to industry averages as seen through the eyes of a neurological observer; and second, compare SBI's total profitability to industry averages. For the fiscal years 2016–17 through 2020–21, this study will use financial ratios to compare SBI's performance against those of its industry peers. Compared to the industry and other banks, SBI's solvency situation and asset utilization are significantly stronger. When compared to other banks and the industry as a whole, SBI's use of shareholder capital and CASA (current and savings account) is superior.

2) (Ruzuta Shah, 2022): This study aims to analyze the financial standing of a few public banks in India. A total of three public financial institutions—SBI, Bank of India, and Bank of Baroda were picked for the investigation. The ratio table published by Vanlalmuana (2021) shows that the SBI is first, followed by the Bank of Baroda, and then the Bank of India. The conclusion is significant. The SBI must return its loans since it sells the most. According to the net profit margin ratio, Most of their revenue goes to net profit for SBI and Bank of Baroda. However, Bank of India and Bank of Baroda rank second and third.

c) In the last five years of research, State Bank of India has the highest operating expense to total funds average ratio. By maximizing its average total resources, the State Bank of India can increase its operational expenditures dramatically. Bank of Baroda is least likely to increase mainstream operational costs by using its average total resources.

(Vithalbai, 2020): A number of private sector banks in India, including Jumu & Kashmir Bank, AXIS Bank, ICICI Bank, CUB Bank, and IBL Bank, will be the subject of this study's evaluation of their performance. The study will examine their performance. The study found that the selected banks' net earnings differ significantly. Since HDFC Bank has great profitability and talented management, its financial performance is always strong. Governance issues, deceptive client assurances, unprofessional investors, a lack of transparency, liquidity, and no market-led recovery are worsening Yes Bank's financial condition. Axis Bank and ICICI Bank are losing market share. Jammu and Kashmir Bank lost Rs 16,000 crores in 2016–17 as a result of the five months of instability in the Kashmir valley.

(K Suresh, 2023): A number of PSUBs and PSBs, or public and private sector banks, have had their financial performance analysed in this report. The analysis found that when it came to the CAMEL measures of capital adequacy ratio (CAR), nonperforming assets (NPA) to net assets (NA), property, plant, and equipment (PPE), return on assets (ROA), and liquid assets to total deposits, PSB performed better than PSUB. The research shows that PSB is highly leveraged due to its large volume of borrowings compared to PSUB, yet it has retained enough capital to meet any future needs. When it came to managing the nonperforming assets, PSB outdid PSUB. The management efficiency and profitability of PSUB are being negatively affected by the increasing volume of nonperforming assets. Compared to PSUB, the PSB has more liquid assets available for deposit, making it a better liquidity position. When comparing PSB to PSUB, the former is superior with respect to LA to TA. With the exception of net nonperforming assets to total assets, it demonstrated that all ratios between PSB and PSUB are statistically indistinguishable. Having a ratio of nonperforming assets to nonperforming assets means the PSUB cannot collect loan amounts from borrowers on schedule, resulting in more nonperforming assets.

Financial performance of different banks are studied and analysed by different authors. But no such studies are there with regard to Kerala Bank.

Objectives

- 1) Analyse the **component wise** financial performance in terms of **LAIEP** (ie.Liabilities,Assets, Incomes, Expenditure and Profit) of the Kerala State Co-operative Bank Ltd.
- 2) Analyse the **comparison wise** financial performance in terms of **CNCN** (ie.CD RATIO,NPA, CRAR and NET ASSET) of the Kerala State Co-operative Bank Ltd.

Analyse the component wise financial performance in terms of LAIEP



2. Analysis on the component wise financial performance in terms of LAIEP

2.1. 1) LIABILITIES

Capital, Reserves and surplus, deposits, borrowings and Principal state partnership funds are the major items of liabilities.

Capital: The authorized capital consists of 5,00,00,000 A Class shares worth Rs 1000 each, 2,00,00,000 B Class shares worth Rs 1000 each, 5,00,00,000 C Class shares worth Rs 100 each, and 5,00,00,000 D Class shares worth Rs 100 each.

Reserves and surplus: Statutory Reserve Fund, Agricultural Credit Stabilisation Fund, Building Fund, Dividend Equalisation Fund, Special Bad debt Reserve, bad and doubtful reserve, investment fluctuation reserve are the

major items of this component.

Deposits: consists of fixed deposits, savings deposits and current deposits of individuals, PACS, Urban Co-operative Banks, DCBs, other societies and other institutions.

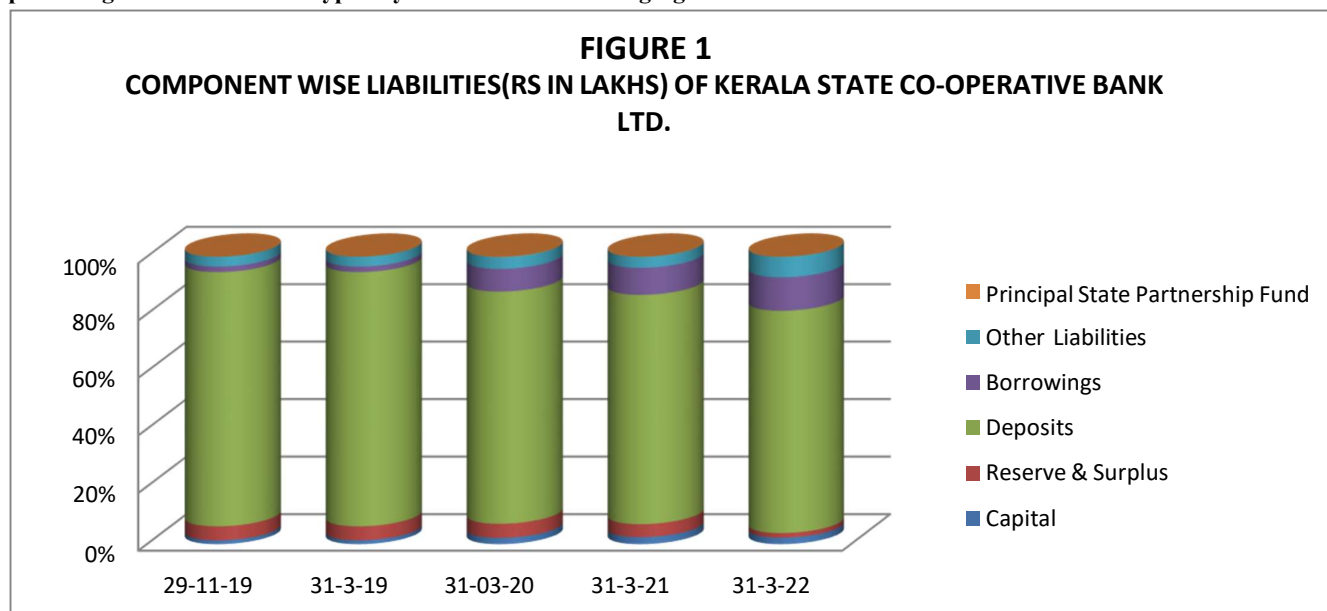
Borrowings: Major sources of borrowings are RBI, NABARD, SBI, SCB, DFHI, State Govt.and other sources like cash credit of commercial banks and other societies

Principal state partnership funds: for share capital of central co-operative banks/ PACs.

Component structure reveals that deposit constitute the chunk share of liabilities. Its

LIABILITIES	29-11-19	%	31-3-19	%	31-03-20	%	31-3-21	%	31-3-22	%	Average
Capital	6634.52	1	6644.08	1	165209	2	204519.4	2	204208.2	2	2
Reserve & Surplus	24127.3	5	19743.94	4	370370.3	5	376747.8	5	145358.2	2	4
Deposits	439130	88	424337.6	89	6103759	81	6673161	80	6990712	77	83
Borrowings	9638.67	2	9168.73	2	599605	8	790191.7	9	1057482	12	7
Other Liabilities	17101.6	3	16049.8	3	314581.3	4	321564.4	4	647293.7	7	4
Principal State Partnership Fund	0	0	0	0	5725.86	0	2507.33	0	2507.33	0	0
Total	496632	100	475944	100	7559251	100	8368691	100	9047562	100	100.0

percentage ranges from 80 to 89 percentages of liabilities. Borrowings are limited with an average of 7 percentages. These facts are typically shown in the following figure no 1.



2. Assets:

2.2 Assets structure basically consists of cash and bank balances, investments, loans and advances and other assets.

Cash and bank balances: This component includes both liquid assets and funds held in registered banks such as RBI, SBI, and others.

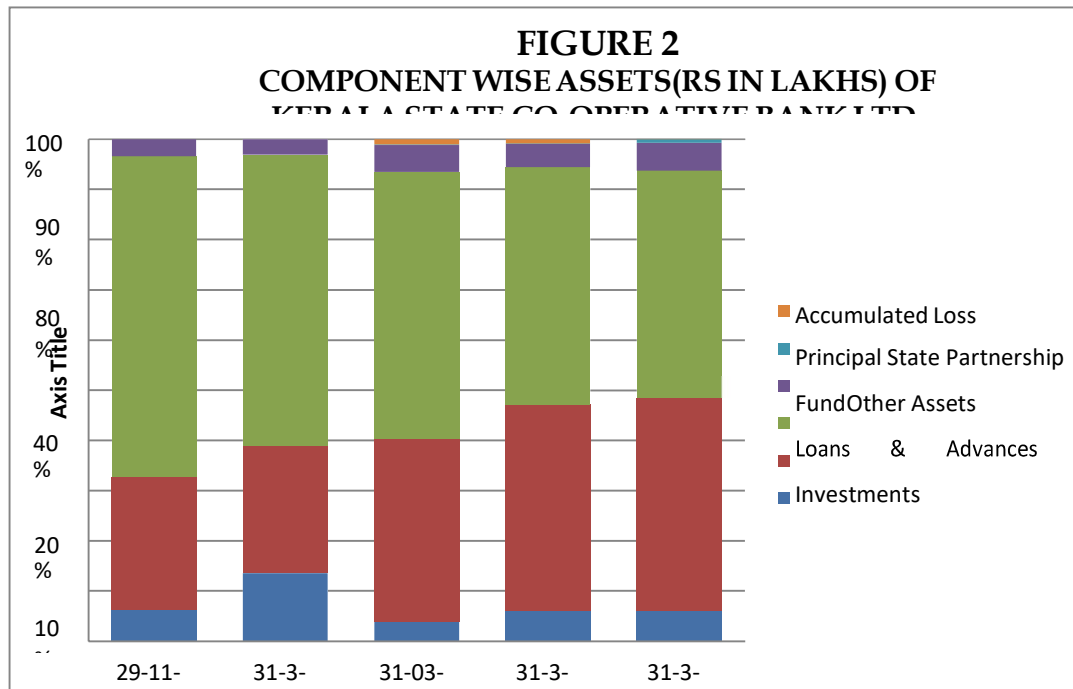
2.3 Investments: it consists of investment in central and state govt. securities, other trustee securities, share in co-operative institutions and other institutions

Loans and advances: This component includes loans of varying terms, including short-term, medium-term, and long-term options.

2.4 Other assets: vehicles, library, registers, computer peripherals, etc forms part of this component.

TABLE 2 COMPONENT WISE ASSETS(RS IN LAKHS) OF KERALA BANK FROM 2019-22										
Items	29-11-19	%	31-3-19	%	31-03-20	%	31-3-21	%	31-3-22	%
Cash & Bank Balances	32341.1	6.58	64200.2	13.47	297536	3.93	534585.37	6.4	570742.2	6.31
Investments	128276.29	26.12	121518	25.50	2758130	36.47	3403598.1	40.7	3812655	42.14
Loans & Advances	313978.03	63.93	276025	57.92	4015682	53.10	3966493	47.4	4095034	45.26
Other Assets	16560.44	3.37	14805.6	3.11	408158.9	5.40	390080.54	4.66	502951.1	5.56
Principal State Partnership Fund	0	0.00	0	0.00	5725.86	0.08	2507.33	0.03	63702.95	0.70
Accumulated Loss	0	0.00	0	0.00	77618.5	1.03	71427.2	0.85	2507.33	0.03
Total	491155.9	100.00	476549	100.00	7562851	100.00	8368691	100.00	9047562	100.0

In the initial year loans and advance are more with 63.93 percentages. It shows a decreasing trend and at the last year loans and advances and investments is more or less equal with 45 and 42 percentages. Principal state partnership fund and accumulated losses are seen at the last three year end. These are depicted in the figure 2.

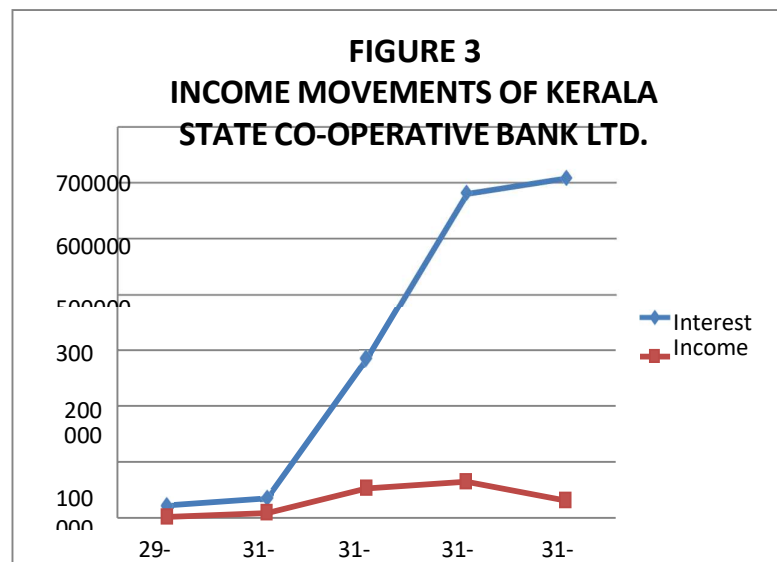


INCOME OF KERALA STATE CO-OPERATIVE BANK LTD.

TABLE 3
INCOME MOVEMENTS OF KSCO-OP BANK LTD

ITEMS	29-11-19	31-3-19	31-03-20	31-3-21	31-3-22
Interest Income	22422.77	35215.9	284825.52	581578.7	608612.13
Other Income	1815.33	9217.49	53283.2	64801.31	31133.78
Total	24238.1	44433.39	338108.7	646380	639745.9

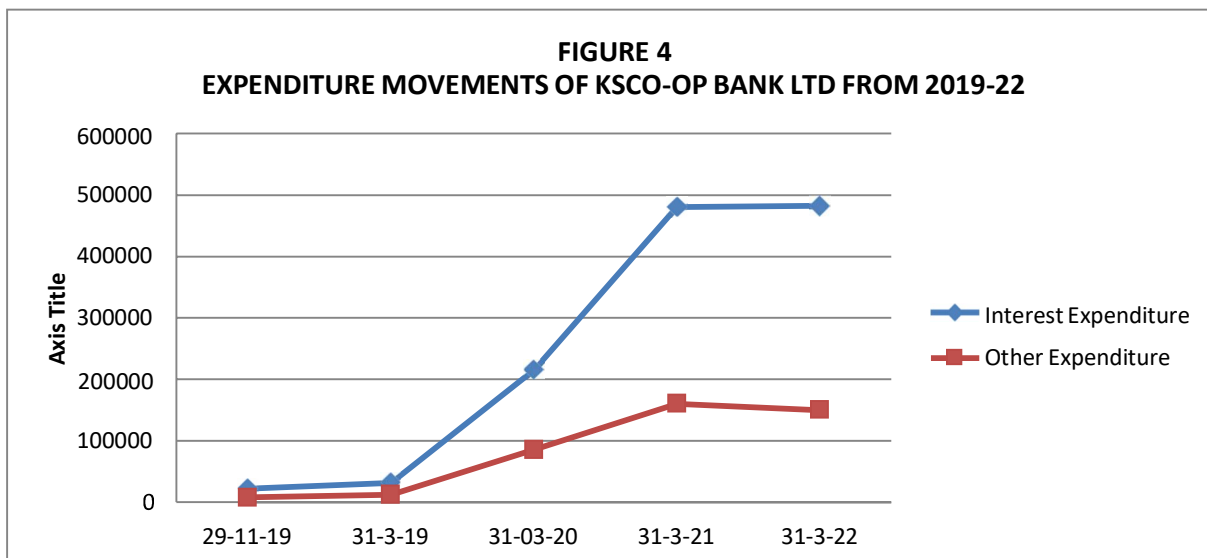
Interest income shows upward trend while other income shows a downward trend. It is a good indicator that explains that lending increases and so interest income moves upward. This fact is very clear from the following figure 3.



3. EXPENDITURE MOVEMENTS OF KSCO-OP BANK LTD

TABLE 4 EXPENDITURE MOVEMENTS OF KSCO-OP BANK LTD					
ITEMS	29-11-19	31-3-19	31-03-20	31-3-21	31-3-22
Interest Expenditure	21963.09	31457.12	215486.62	479810.9	482179.5
Other Expenditure	7750.83	12371	85,146.90	160369.9	149842.18
Total	29713.92	43828.12	300633.5	640181	632021.7

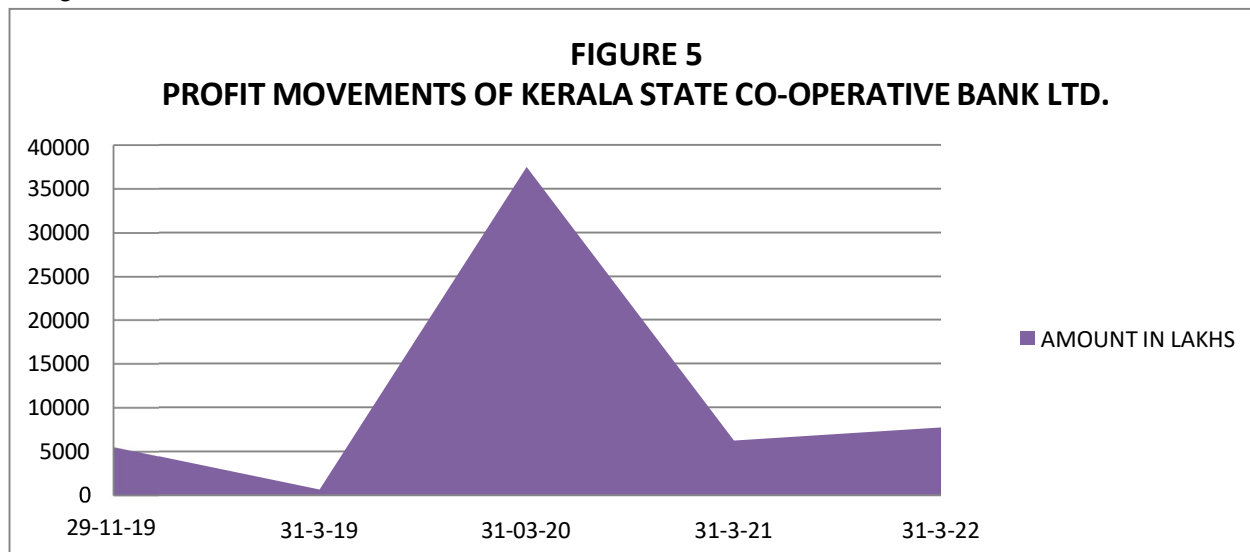
Expenditure shows increasing trend from 2019 to 2021 and then a decreasing trend. This indicates that deposits are increasing and as a result expenditure on deposit increased. Other expenditure are more or less equal during the initial stage, but increased further during 2020 and 2021. Then it shows decreasing trend. This fact is well visible in the following figure 4.



PROFIT MOVEMENTS KSCO-OP BANK LTD

TABLE 5 PROFIT MOVEMENTS OF KSCO-OP BANK LTD	
YEAR	AMOUNT IN LAKHS
29-11-19	5475.82
31-3-19	605.27
31-03-20	37475.2
31-3-21	6199.3
31-3-22	7724.23

Movement in the initial period shows a decreasing trend. During 2019-2020 period profit increased with a superb margin and then falls down during 2020-21 and then trying to improve progressively. This picture is well seen in the figure 5 below.



CD RATIO OF KSCO-OP BANK LTD

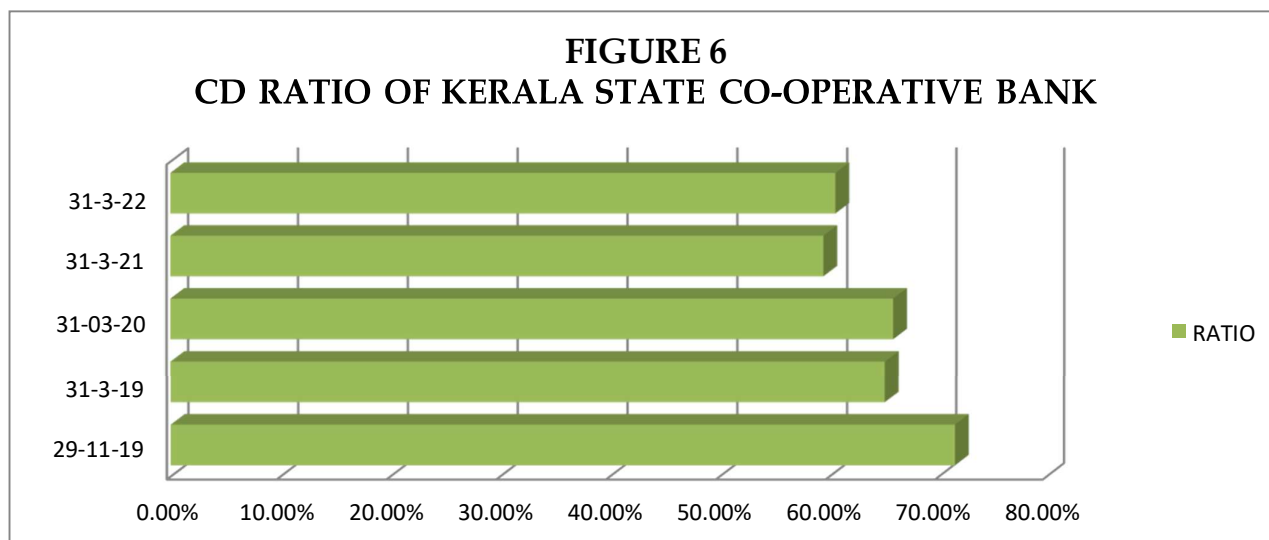
The credit-deposit ratio is referred to as the CD ratio in the language of the financial industry. The percentage of deposits that have been converted into loans by the banking system is displayed here.

In order to determine the credit-deposit ratio, the following formula should be used: dividing the total advances by the total deposits plus one hundred. It refers to the proportion of a bank's total deposits that it lends out in comparison to the total amount of deposits that it holds.

This ratio illustrates the amount of money that was collected as a deposit and the percentage of that amount that has been loaned to consumers. A credit-deposit ratio of 65–75 is considered favorable by banks.

YEAR	RATIO
29-11-19	71.50%
31-3-19	65.04%
31-03-20	65.79%
31-3-21	59.44%
31-3-22	60.53%

Last two years credit deposit ratio this ratio is not favourable. But around 60% only. It can be improved by increasing advances. This trend is very visible in the following figure 5.



4. NPA OF KSCO-OP BANK LTD

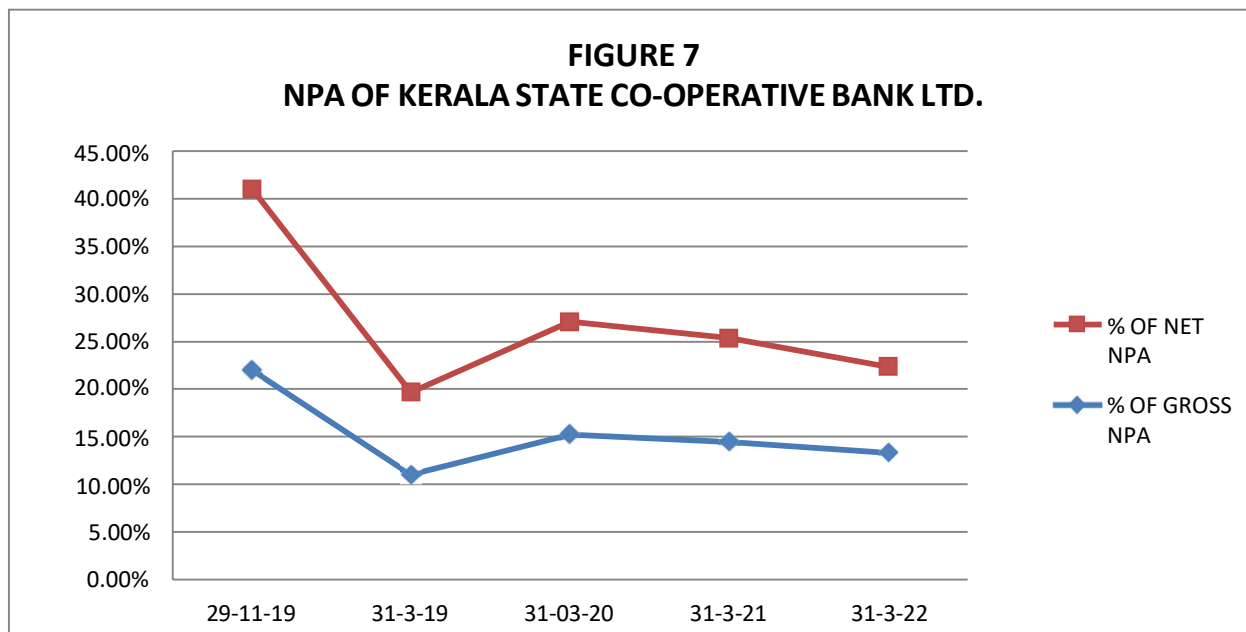
Once a borrower has gone 90 days without making a single payment toward the loan's principle and interest, the loan or advance becomes a non-performing asset (NPA) for the lending institution.

Gross NPA ratio (GNPA)= Sum of all Non-Performing Loans/Total loans *100
 Net NPA ratio (NNPA) = (Gross NPA – Provisions)/total loans *100

TABLE 7
NPA OF KSCO-OP BANK LTD

YEAR	GNPA RATIO	NNPA RATIO
29-11-19	21.97%	19.05%
31-3-19	11.02%	8.67%
31-03-20	15.26%	11.79%
31-3-21	14.47%	10.87%
31-3-22	13.35%	9.01%

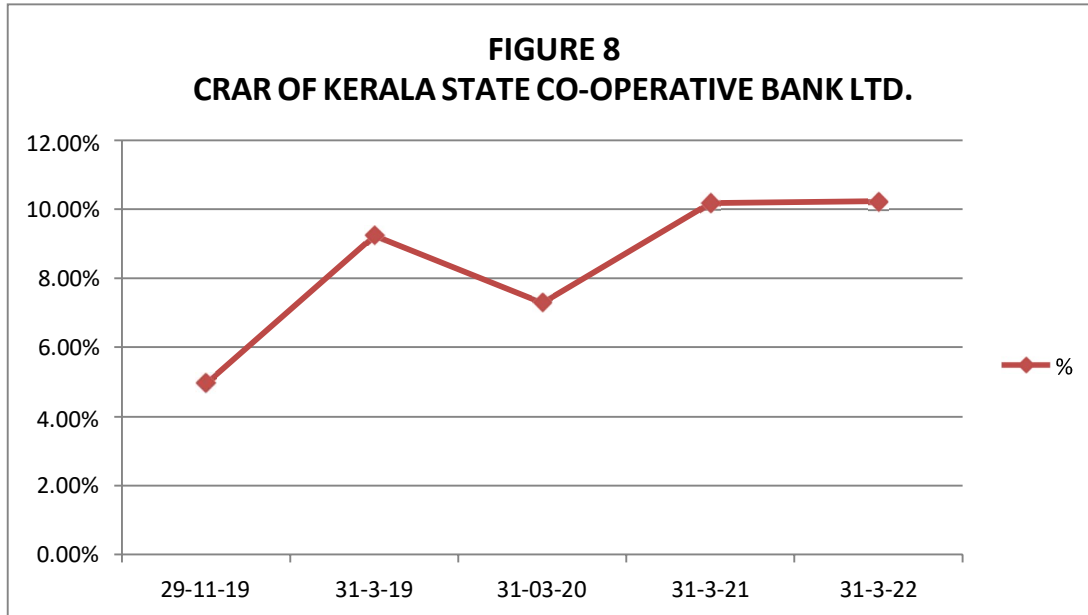
Both ratios shows decreasing trend even though not good. NPA ratio is said to be good if it is 3%. Planned efforts and strategies are necessary to reduce this ratio. Figure 6 illustrates that there was a brief uptick in 1920, but overall, the trend is one of improving flow.



5. CRAR (Percentage of Capital Funds to Risk weighted Assets)

5.1 One of the most frequent ways to express the capital-to-risk-weighted assets ratio of a bank is through the use of a percentage. Within the framework of Basel III, the current minimum requirement for the capital-to-risk weighted assets ratio is 10.5%. This requirement takes into account the conservation buffer.

YEAR	%
29-11-19	4.97%
31-3-19	9.25%
31-03-20	7.30%
31-3-21	10.18%
31-3-22	10.24%



Net Worth

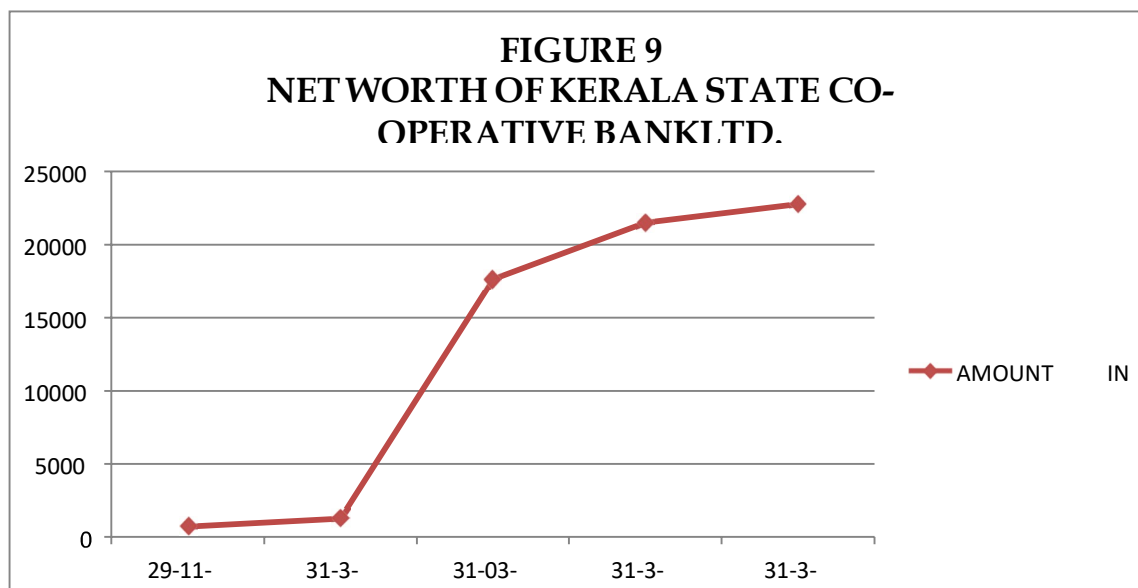
The term "net worth" refers to the difference between an individual's or business's asset value and their liability value. An essential indicator of a company's well-being, it shows how the business is doing financially right now.

When a bank's total assets are subtracted from its total liabilities, the resulting amount is its net worth. The net worth of a bank is represented by its capital, which is the difference between its assets and liabilities.

TABLE 9
Net Worth OF KSCO-OP BANK LTD

YEAR	AMOUNT IN LAKHS
29-11-19	7120.29
31-3-19	12824.17
31-03-20	176241
31-3-21	214935.44
31-3-22	227716.58

As it is positive, it seems to be good. Its trend shows an upward movement. That is well shown in the following figure 8.



Component wise financial performance in terms of LAIEP results:

- 1) Deposits constitute 80 to 89 percentages of liabilities.
- 2) In the case of Assets loans and advance are more with 63.93percentages in the initial year and at the last year loans and advances and investments is more or less equal with 45 and 42percentages.
- 3) Interest income constitute major share of income and shows upward trend while other **Income shows a downward trend.**
- 4) Expenditure shows increasing trend from 2019 to 2021 and then a decreasing trend.
- 5) During 2019-2020 period Profit increased with a superb margin and then falls down during 2020-21 and then trying to improve slowly.

Comparison wise financial performance in terms of CNCN indicates:

- 1) Last two years Credit deposit ratio this ratio is not favourable ie below 65%.
- 2) GNPA and NNPA ratios shows decreasing trend even though not good.
- 3) Under Basel III, the capital-to-risk weighted assets ratio must currently be at least 10.5%. We have not yet attained this minimum figure.
- 4) Net worth analysis shows an upward movement with positive figures.

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