

A Comprehensive Analysis on Financial Performance of Selected Co-operative Banks in Gujarat

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ABSTRACT

This study seeks to present a comprehensive examination of the cooperative banking industry in Gujarat, India. In order to promote financial inclusion and economic growth, cooperative banks are essential in offering financial services to both urban and rural residents. This study sheds light on Gujarat's cooperative banks' relevance in the local financial scene by examining their performance, difficulties, and future possibilities. This study paper compares and evaluates the financial results of a few cooperative banks in Gujarat, India. The promotion of financial inclusion and aiding in regional economic growth are major roles played by cooperative banks. In order to gain insight into the health and sustainability of these cooperative banks, the study will concentrate on evaluating important financial metrics, such as profitability, liquidity, asset quality, and efficiency. This study seeks to identify the advantages, disadvantages, possibilities, and difficulties that these banks confront and then makes suggestions for how to address those issues. Gujarat's financial system is significantly influenced by cooperative banks, which promote financial inclusion and economic growth at the local level. Being owned and operated by its members, who are often people with a shared interest, occupation, or geographic location, makes these banks distinctive in their form and function. Many cooperative banks in Gujarat stand out for their contributions to the development of the state's economy and the empowerment of local communities. Here, we'll introduce a few Gujarati cooperative banks that have been hand-picked.

Keywords: *Urban And Rural Residents, Performance, Future Possibilities, Regional Economic Growth, Liquidity, Asset Quality, Efficiency*

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Co-operative banks play a vital role in today's financial landscape in supporting inclusive economic growth and supplying local communities with essential financial services. These financial institutions play a crucial role in meeting the requirements of individuals, small businesses, and agriculture-based industries. They are distinguished by their member-oriented structure. Gujarat, a developed state in western India, has a thriving cooperative banking industry that offers a wide range of services and makes a significant contribution to the state's economic growth.

The financial performance of a few chosen co-operative banks in Gujarat is thoroughly examined in this study. The performance of these banks serves as a gauge for the overall health and stability of the region's economy as well as their internal management and operations. Key financial ratios and indicators are examined in this investigation.

This analysis seeks to offer insightful information about the advantages, disadvantages, possibilities, and difficulties experienced by co-operative banks in the state by looking at significant financial indicators and ratios.

REVIEW OF THE LITERATURE

Mavaluri, Boppana and Nagarjuna (2006) the profitability, productivity, asset quality, and financial management of banking are now crucial for maintaining the stability of the economy. They discovered that public sector banks in India have been more effective than other banks.

Mukul G. Asher (2007) in his article *Reforming Governance and Regulation of Urban Cooperative Banks in India* suggested that urban cooperative banks (UCBs) in India need to be managed, controlled, and regulated differently in order to increase their contributions to achieving larger levels of financial inclusion and more diverse growth. approach, methodology, and design. The study concludes that in order for UCBs to remain relevant and contribute significantly to India's development, they must have the same level of professionalism, regulation, and governance as the main stream. It is necessary to upgrade pertinent laws and bring governance and regulatory institutions into compliance with India's current and future economic structure. This necessitates a paradigm shift in UCBs' function.

Samreen Naqvi (2014) has evaluated cooperative banking in India from 2002–2003 to 2010–2011, paying particular attention to Uttar Pradesh. The District Cooperative Banks in India in general and Uttar Pradesh in particular are the subject of this study. The study is founded on secondary information that has been gathered from diverse sources. Ratio analysis has been employed in this study to analyse fund management procedures and assess operational efficacy. For the purpose of comparing the growth rates of various financial variables, such as deposits, borrowings, credit, profit, etc., the compound annual growth rate was utilized.

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Amit Basak (2009) examined the case study on “Performance Appraisal of Urban Cooperative Banks: A Case Study” felt that despite some UCBs doing admirably recently, many of them had displayed obvious signs of frailty. Low profitability, increasing non-performing assets (NPAs), and a small capital base describe the operating efficiency, which is unsatisfactory. This research attempts to investigate the operation and financial success of the UCBs in this environment. The author used the Contai Co-operative Bank Ltd., one of the top UCBs in West Bengal, as a case study for the analysis. In order to shed light on the issues with rising NPAs and provide some useful recommendations for improving the efficiency and effectiveness of this bank, the study's goal is to identify and assess the trend, progress, and challenges that this institution is experiencing.

Objectives of the Study

- To examine the financial parameters of the selected Co-operative Banks in Gujarat.
- To assess the efficiency of the Selected Co-operative Banks in Gujarat.
- To examine the various variables such as Operating Cost, Working Capital, Interest Income of Selected Co-operative Banks in Gujarat.
- To analyze Non-Interest Income Discount, Average Working Fund of Selected Co-operative Banks in Gujarat.

Hypothesis of the Study

- **H₀:** There is no significant difference among variables (variables Operating Cost, Working Capital, Interest Income Non-Interest Income Discount, Average Working Fund) in selected Co-operative banks.
- **H₁:** There is significant difference among variables (variables Operating Cost, Working Capital, Interest Income Non-Interest Income Discount, Average Working Fund) in selected Co-operative banks.

DATA COLLECTION AND RESEARCH METHODOLOGY

The present study has the objective of assessing and analyzing the comprehensive performance of selected co-operative banks in Gujarat with special reference to Ode Nagrik Co-operative Bank, Bhadran Peoples Co-operative Bank, Nadiad Peoples Co-Operative Bank and Balasinor Peoples Co-operative Bank.

It assesses the Progress and growth of the bank. The study has been conducted with references to the secondary data sources related to Selected Co-operative Banks of Gujarat. The data includes profit and loss a/c, balance sheets, financial statements for a period of Eleven years from 2007-08 to 2017-18 of Selected Co-operative Banks in Gujarat. The information was gathered from the bank's annual reports, newspapers, articles and research papers, magazines, Progress of Banking in India, publications from the government, books, periodicals, and websites, as well as the Internet. The study's comparative and analytical character aims to investigate the thorough

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analytical performance of selected co-operative banks of Gujarat. Different statistical and financial approaches have been utilized to analyze the secondary data gathered and reach a conclusion in a scientific manner. Ratio Analysis Graphs and various comparison tables are the instruments and methods.

Analysis And Interpretation

Overview of Selected Co-operative Banks in Gujarat

ODE NAGRIK CREDIT CO-OPERATIVE SOCIETY LTD.:

On 31.3.1998, the Ode Nagrik Credit Co-operative Society Ltd. was founded with the motto "Cooperation with each other." In 2017, the bank had 3,312 members and Rupees 9,63,000 in share capital. It lacks any branches in other locations. Furthermore, it handles all financial transactions.

BHADRAN PEOPLES CO-OPERATIVE BANK LTD.:

Maharaja Sayajirao Gaikwad of Baroda made a significant contribution to the establishment of The Bhadrans Peoples Co-operative Bank Ltd. in 1911. He was constantly ready to provide poor and landless farmers with financial support. The bank initially just has one lakh in funds. The bank has 7,481 members and a share capital of Rs. 1936 00 lakh as of 2017–18.

NADIAD PEOPLES CO-OPERATIVE BANK LTD.:

On June 24, 1960, The Nadiad Peoples Co-operative Bank Ltd. was officially established. In 2016–17, the bank's share capital was 148.29 lakh, and its net NPA was zero.

BALASINOR NAGARIK SAHAKARI BANK LTD.:

On May 29, 1968, Balasinor Nagrik Sahakari Bank Ltd. was officially established. On March 31, 2018, it had 7,616 members and 118.30 lakh shares.

Table 1. Operating Cost to Working Capital Ratio (From 2008-09 to 2017- 18)

Bank// Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
ODE NGRK	10.47	8.90	6.81	7.66	8.00	8.37	8.14	7.96	6.02	8.09	6.67
BHDRN	6.88	7.55	7.64	79.75	10.14	7.97	11.01	8.90	8.99	8.52	9.40
NAD PPLS	8.44	8.30	8.35	7.24	7.68	8.88	19.60	8.71	7.87	7.69	7.87
BLSNR	4.71	3.72	5.06	3.54	3.84	5.22	6.68	7.78	0.08	7.61	7.00

Source: Annual Reports of Selected Co-operative Banks in Gujarat.

$$= \frac{\text{Total Income}}{\text{Average Working Fund}} \times 100$$

A financial indicator called the operating cost to working capital ratio can be used to assess how well a firm operates in relation to its working capital. Working capital is the money that a

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business utilizes for routine tasks like paying vendors, taking care of immediate costs, and keeping track of inventories.

The Operating Cost to Working Capital Ratio is calculated using the following formula:

Operating Costs = Operating Cost to Working Capital Ratio Operating Cost to Working Capital Ratio = Operating Costs to Working Capital

Where:

Operating costs are the expenses a business incurs to sustain its regular operations. These include costs for salaries, utilities, rent, raw materials, and other overhead expenses.

Working capital is determined by subtracting a company's current liabilities (such as accounts payable and short-term debt) from its current assets (such as cash, accounts receivable, and inventory). It stands for the capital that is readily available for everyday business.

How successfully a company manages its working capital to pay its operating costs is shown by the operating cost to working capital ratio. A lower ratio indicates that a business is utilizing its working capital to pay its operating expenses more effectively, which is generally regarded as positive. On the other hand, a greater ratio could mean that the business is utilizing a sizable amount of its working capital to pay for its operational expenses alone, which could raise questions about its liquidity and financial stability.

Company's financial performance by comparing the ratio to industry benchmarks and by tracking trends over time.

This ratio is not as frequently utilized as other financial ratios like the current ratio, quick ratio, or operating margin as of my most recent knowledge update in September 2021. Therefore, I suggest checking with contemporary financial literature or speaking with a financial specialist for the most accurate and up-to-date information.

Operating Cost to Working Capital Ratio From the analysis operating cost for Bhadrans Bank is highest 79.76 whereas Bhadran Bank highest balasinor Peoples bank has lowest ration 0.008.

Table 2 Interest Income to Average Working Fund Ratio

Bank// Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
ODE NGRK	8.85	8.75	6.61	7.47	7.83	8.16	7.91	7.79	5.89	7.95	6.49
BHDRN	67.00	7.44	7.58	7.58	10.05	7.91	9.38	8.87	8.86	85.01	9.30
NAD PPLS	8.29	8.14	8.20	7.16	7.62	8.82	9.20	8.67	7.76	7.35	7.81
BLSNR	1.85	1.37	0.9799	1.25	1.37	2.32	3.61	4.31	6.91	6.40	6.62

Source: Annual Reports of Selected Co-operative Banks in Gujarat.

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$$= \frac{\text{Total Income}}{\text{Average Working Fund}} \times 100$$

The "Interest Income to Average Working Fund Ratio" is a metric used in finance to assess how effectively a company uses its working capital to produce interest income. Working capital is the money that a business uses for day-to-day operations, while interest income is the money that a business makes from investments in assets that pay interest, such as bonds, loans, and deposits. Interest Income to Average Working Fund Ratio From the analysis operating cost for Bhadran Bank is highest 85.01 whereas Bhadran Bank highest Balasinor Peoples bank has lowest ration 0.97.

Table 3 Non-Interest Income to Average Working Fund Ratio

Bank// Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
ODE NGRK	1.62	0.16	0.20	0.20	0.18	0.21	0.23	0.17	0.13	0.14	0.18
BHDRN	0.26	0.11	0.10	0.10	0.09	0.06	0.04	0.03	0.12	0.020	0.09
NAD PPLS	0.14	0.16	0.15	0.08	0.05	0.04	10.39	0.04	0.11	0.35	0.05
BLSNR	2.24	2.35	2.01	2.29	2.47	2.90	3.07	1.81	0.37	1.21	0.37

Source: Annual Reports of Selected Co-operative Banks in Gujarat.

Non-Interest Income to Average Working Fund Ratio From the analysis operating cost for Nadiad Bank is highest 10.39 whereas Ode Bank highest Bhadran Peoples bank has lowest ration 0.02.

$$= \frac{\text{Income Except interest}}{\text{Average Working Fund}} \times 100$$

This ratio provides insight into how efficiently a company is managing its working capital in relation to its non-interest operating expenses. A lower ratio suggests that the company's non-interest expenses are relatively manageable compared to its available working capital, which could indicate effective cost management. On the other hand, a higher ratio might indicate that a larger portion of the working capital is being consumed by operating expenses, which could signal potential financial strain.

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Table 4 Discount to Average Working Capital Ratio

Bank// Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
ODE NGRK	0.277	0.16	1.97	0.20	0.18	0.22	2.25	0.17	0.13	0.1421	0.18
BHDRN	0.90	0.11	0.010	0.10	0.090	0.06	0.044	0.0299	0.006	0.008	0.012
NAD PPLS	0.122	0.12	0.088	0.088	0.04	0.03	0.02	0.019	0.012	0.020	0.01
BLSNR	0.22	0.15	0.13	0.09	0.07	0.06	0.09	0.04	0.04	0.003	0.04

Source: Annual Reports of Selected Co-operative Banks in Gujarat.

$$= \frac{\text{Discount Income}}{\text{Average Working Capital}} \times 100$$

The "Brokerage or Discount to Average Working Capital Ratio" is a financial ratio that helps assess the efficiency of a company's utilization of its working capital in generating brokerage or discount income. Brokerage income refers to the fees or commissions earned by a company for facilitating financial transactions for clients, such as buying or selling securities, while discount income may refer to any discounts or benefits a company receives in its financial transactions.

Discount to Average Working Capital Ratio **From the analysis operating cost for Ode is highest 2.25 whereas Ode Bank highest Nadiad Peoples bank has lowest ration 0.97.**

One-Way ANOVA

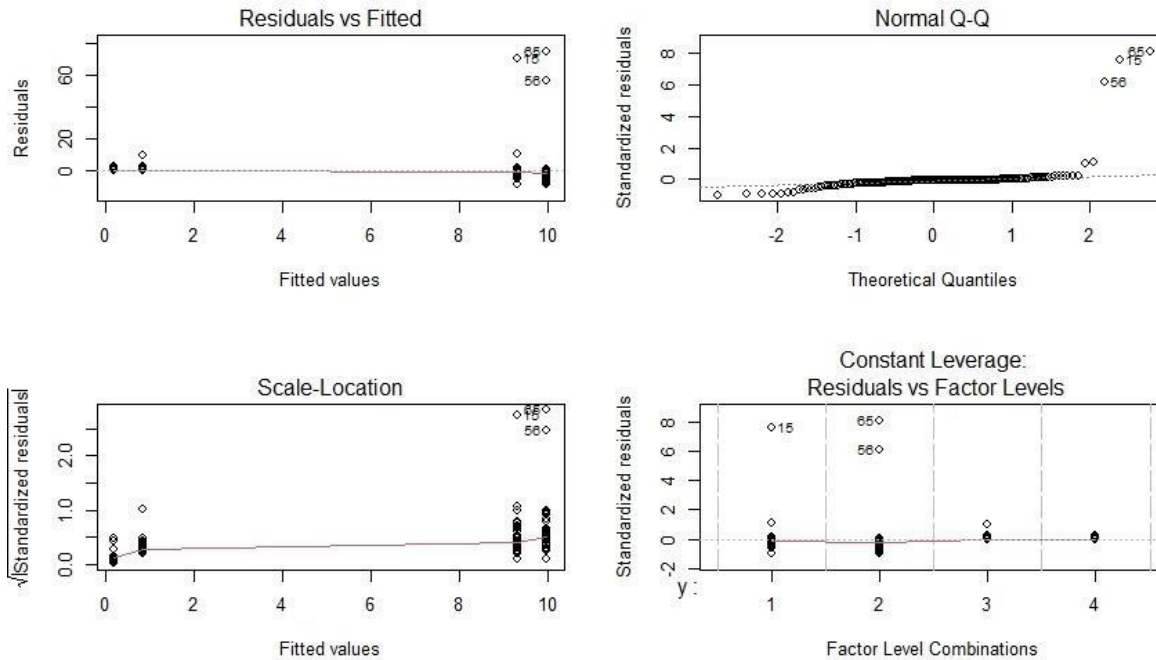
	Df	Sum Sq	Mean Sq	F value	Pr(>F)
Rates	3	3678	1226.1	13.98	0.0000000337
Residuals	172	15085	87.7		

*Sign if. codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1*

There is significant difference between the means of Operating Cost, Working Capital, Interest Income analyze Non-Interest Income Discount, Average Working Fund across all the banks as the P value Pr (>F) 0.0000000337 is greater than F value 13.98.

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Kruskal-Wallis rank sum test



data: x by y

Kruskal-Wallis chi-squared = 122.71, df = 3, p-value < 0.00000000000000022

Thus, there is significant difference between the Distribution of Operating Cost, Working Capital, Interest Income analyze Non-Interest Income Discount, Average Working Fund across all the banks.

CONCLUSION

The present study aimed to measure the Comprehensive Analysis on Selected Co-operative Banks in Gujarat from 2007-08 to 2017-18 by using statistical and financial techniques. The on Selected Co-operative Banks in Gujarat is providing loans and advances for personal, agriculture, business, machinery purchase and other purposes. The on Selected Co-operative Banks in Gujarat is recording the continues growth rate in various variables such as Operating Cost, Working Capital, Interest Income Non-Interest Income Discount, Average Working Fund etc. Hence, Balasinor Peoples Co-operative Banks should concentrate on continuous improvement in their overall performance of the banks to meet the new standards in the changed scenario. The bank must spread the entire activities in all levels. There is marginal improvement in the financial condition of the bank. The study is helpful for bankers and managers in their decision making to improve the financial performance. ANOVA and kruskal wallis test between the different variables is highly positive that shows trend of fluctuation in the same direction. The study may help decision makers to pay more attention on the major banking activities that may help in improving the financial performance and setting up plans and financial strategies.

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This study can be added to the present literature and it can help researchers in their future studies.

Limitations of the Study

The study suffers from certain limitations and some of these are mentioned below so that finding of the study can be understood in a proper perspective. The limitations of the study are as follows:

1. The present study is limited to only Selected Co-operative Banks of Gujarat.
2. This study is limited to Eleven years time period.
3. The study is based only on secondary data which has been collected from published annual reports of banks and various relevant internet sources.

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Conflict of Interest

The author(s) declared no conflict of interest with respect to the research, authorship, and publication of this article.

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