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Financial Performance of Vilvattam Service Co-operative Bank

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Abstract

Cooperatives in India are intended to be the instrument for financial inclusion. PACS in Kerala in comparison to their counterparts elsewhere playing a pivotal role for financial inclusion and they had the highest rank with regard to membership, population coverage, borrowing members, loans and advances, deposits mobilization and share capital contribution. Despite the phenomenal outreach and volume of operation, the health of the cooperatives has deteriorated significantly. In this context a study was carried out to analyze the financial performance of the Vilvattam Service Cooperative Bank. The study is based mainly on the secondary data collected from the annual reports of VSCB for a ten years from 2003-04 to 2012-13. Financial performance of Vilvattam Service Co-operative Bank was analyzed with respect to efficiency in mobilization, efficiency in deployment, efficiency in operations and liquidity management. As far as sources of funds are concerned the selected bank mobilizes more through high cost deposits and gives less importance for low cost deposits. The banks failed to deploy funds focusing on its mandate. This inefficiency is reflected in the profitability where spread is low and burden is comparatively high, leading to loss for the bank. Hence, the bank should leave no stones unturned in professionalizing its management.

Key Words: Mobilization, Deployment, Profitability, Liquidity, Professionalization.

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Background and Justification

Co-operative movement has been recognized as an important instrument towards achieving socio-economic transformation of rural masses. Primary agricultural credit societies (PACS) are the pillars of co-operative credit movement as these societies are intended to promote the economic interest of its members in accordance with the co-operative principles.

In India PACS are passing through an era of crisis. Incidence of non-viability is one of the major setbacks. PACS have made little progress in attracting deposits. The repaying capacity of the PACS has been dwindled considerably, as a result of mounting over dues in the loan outstanding against members. Along with the increasing volume of business the number of PACS running into loss and the amount of loss has increased considerably over the years.

The comparative performance of PACS in Kerala with respect to their counterparts in the rest of the country is remarkable. Kerala had the highest rank with regard to membership, population coverage, borrowing members, loans and advances, deposits mobilization and share capital contribution. Despite the phenomenal outreach and volume of operation, the health of the cooperatives has deteriorated significantly.

Performance of any institution can be evaluated through financial analysis which refers to the analytical study of financial statements which reflect the state of affairs of an organization at a given point of time as well as its financial performance over a period of time. Thus, there is a need to analyze the financial statements by determining the relationship between two figures. This is ascertained by a technique called Ratio Analysis which expresses the numerical relationship between two accounting figures. It is a powerful device to analyze and interpret the financial health of a firm. This not only helps management in decision making and control but also serves as a useful tool for all concerned with the firm.

Hence, the present study is intended to evaluate the financial performance of Vilvattam Service Cooperative Bank (VSCB).

Objective of the study

The objective of the study is to analyze the financial performance of the Vilvattam Service Cooperative Bank.

Methodology

The study is based mainly on the secondary data collected from the annual reports of VSCB for a ten years from 2003-04 to 2012-13. Financial performance of Vilvattam Service Co-operative Bank was analyzed with respect to efficiency in mobilization, efficiency in deployment, efficiency in operations and liquidity management. The sources of data was collected from the Annual Reports of VSCB.

Results and Discussion

The paper hereby presents the findings evolved on ;

- Efficiency in mobilization,
- Efficiency in deployment,
- Efficiency in operations and
- Liquidity management.

EFFICIENCY IN MOBILIZATION

Efficiency in mobilization of fund is of great importance to any banking institution as the cost of fund being a critical component in the profitability, is determined by it. It is more significant in the case of co-operative banks as it reflects the members' participation in the organization, level of dependency on borrowed fund and ability to mop up rural savings. Even though there are number of ratios to check the efficiency in mobilization the following are taken for the purpose of study:

- Owned funds to Borrowed Funds Ratio
- Deposit Mix
- Deposits to Working capital Ratio
- Low cost deposit to Total deposit Ratio

Owned funds to Borrowed Funds Ratio:

Owned fund comprises of share capital and reserves and the borrowed fund is derived from deposits and borrowings. This ratio shows the relationship between owned fund and borrowed funds of the bank there by indicates the relative stake of owners as well as creditors in the institution. It is more significant in a co-operative institution as it shows the level of participation of members. A higher ratio is always better as the owned fund is a cost free source.

Table 1: Owned Fund - Borrowed Fund ratio of VSCB

(Amount in lakh Rs.)

Year	Owned Fund	Borrowed fund	Ratio	Growth index
2003-04	160.37	1608.81	9.97	100
2004-05	171.72	1774.61	9.68	97.09
2005-06	152.53	2080.07	7.33	73.52
2006-07	201.46	2504.40	8.04	80.64
2007-08	261.45	3105.04	8.42	84.45
2008-09	266.28	3744.95	7.11	71.31
2009-10	250.13	4749.93	5.27	52.85
2010-11	265.67	6369.03	4.17	41.83
2011-12	300.25	7649.15	3.92	39.32
2012-13	389.86	9399.68	4.15	41.62
CAGR	9.29	19.31	-8.39	-8.39

Table 1 which shows the respective share of owners and outsiders stake in the total funds of VSCB reveals that it has come down from 9.97 percent to 4.15 percent with an overall negative growth of -8.39 percent. This is because the growth in owned fund was not incommensurate with the rate of growth in borrowed funds. This shows the laxity of the bank in enlarging the membership base and also its inability to create more reserves due to losses. Results shown by this table points to the general tendency of co-operative banks showing a lethargic attitude in enlarging their membership base and effectively use this cost free source as they mobilizes required funds through deposits and borrowings from DCBs. However it will seriously affect the capital adequacy ratio as well as the costs of funds which are discussed in the succeeding analysis.

Deposit Mix:

Deposit mix denotes the composition of different deposits of the bank. This reflects the quality of deposits and have direct implication on the interest spread and hence on the profitability of the bank.

Table 2: Deposit Mix of VSCB

(Amount in lakh Rs.)

Year	Savings	Fixed deposit	Others	Total	Growth
2003-04	203.05(12.63)	1404.85(87.37)	0.20	1608.11(100)	100
2004-05	204.69(11.54)	1568.94(88.46)	0.20	1774.01(100)	110.32
2005-06	292.31(14.06)	1787.06(85.94)	0.20	2079.57(100)	129.32
2006-07	356.21(14.23)	2147.73(85.77)	0.20	2504.14(100)	141.16
2007-08	419.37(13.92)	2594.50(86.08)	0.20	3014.08(100)	144.94
2008-09	431.71(11.75)	3243.59(88.25)	0.20	3675.50(100)	146.78
2009-10	562.83(11.88)	4176.62(88.12)	0.20	4739.65(100)	157.25
2010-11	761.62(11.98)	5598.64(88.02)	0.20	6360.46(100)	173.05
2011-12	806.02(10.56)	6832.73(89.44)	0.20	7638.95(100)	161.17
2012-13	852.47(9.08)	8543.81(90.92)	0.20	9396.48(100)	147.73
CAGR	15.43	19.78	0	19.31	

The Table 2 clearly depicts the trend in the deposit mix of VSCB for the period from 2003-04 to 2012-2013. Deposits of VSCB includes savings deposit, fixed deposit and others deposits. It can be observed from the table that all deposits except other deposits which were non-operating during the reference period were showing a steady increasing trend. Total deposit position of the bank showed an overall growth of 19.31 percent during the reference period. It can be observed that there was a differential rate of growth in the deposit mix. Fixed deposits grew at a rate of 19.78 percent whereas savings deposits only at 15.43 percent. Most significant observation was the declining share of savings deposits and the increasing share of fixed deposits. Since the low cost deposits showing decreasing trend and high cost deposits showing increase, cost of funds may be affected and hence profitability. In this regard it can be seen that the share of savings deposit in total deposit declined from 12.6 percent to 9.08 percent and reciprocally the share of fixed deposits increased from 87.4 to 90.9 percent.

Deposit to Working Capital Ratio:

A higher deposit to working capital ratio is an indication of higher share of deposits in the working capital. It also implies the efficiency of the bank in deposit mobilization and at the same time imposes certain additional responsibility on the bank to ensure deployment of funds in profitable channels. The efficiency of deposit mobilization should match with the efficiency of deployment of funds also.

Table 3: Deposit to Working Capital Ratio of VSCB

(Amount in lakh Rs.)

Year	Deposit	WC	Ratio	Growth
2003-04	160.37	1608.81	9.97	100
2003-04	1608.10	1769.17	90.89	100
2004-05	1774.00	1946.32	91.14	100.27
2005-06	2079.57	2232.60	93.14	102.47
2006-07	2504.14	2705.86	92.54	101.81
2007-08	3014.08	3366.48	89.53	98.49
2008-09	3675.49	4011.22	91.63	100.80
2009-10	4739.65	5092.06	93.07	102.40
2010-11	6360.46	6558.35	96.98	106.69
2011-12	7638.95	7938.95	96.22	105.85
2012-13	9396.48	9774.18	96.13	105.76
Growth Rate	19.31	18.64	0.56	

Table.3 evidences that deposits and working capital of the society shows an increasing trend almost in the same way. This trend is natural as the share of deposit in the working capital is around 96 percent. The growth of deposit is only slightly higher than the growth of working capital over the years. Hence the growth in the ratio is only 0.56 percent. The total deposit of the society has increased almost 5 times to reach 93.96 crores with a growth rate of 19.31 percent during the reference period which is a great achievement as far as the society is concerned.

Low Cost Deposit to Total Deposit Ratio:

Low cost deposits denote those incur minimum interest burden on the bank. This is very significant in the context of deposits contribute almost entire working capital. Low cost deposits normally denote savings and current deposits. But in the case of VSCB, current accounts are not mobilized.

Table 4: Low Cost Deposit to Total Deposit Ratio of VSCB

(Amount in lakh Rs.)

Year	Savings	Total Deposit	Ratio	Growth
2003-04	203.05	1608.11	12.63	100
2004-05	204.69	1774.01	11.54	91.38
2005-06	292.31	2079.57	14.06	111.32
2006-07	356.21	2504.14	14.22	112.66
2007-08	419.37	3014.08	13.91	110.19
2008-09	431.71	3675.50	11.75	93.02
2009-10	562.83	4739.65	11.88	94.05
2010-11	761.62	6360.46	11.97	94.83
2011-12	806.01	7638.95	10.55	83.56
2012-13	852.42	9396.48	9.07	71.85
Growth Rate	15.43	19.31	-3.26	

Table 4 shows the ratio between low cost deposits and total deposits. It can be observed that the ratio which was 12.63 percent during the first year of reference dipped to 9.07 percent by the end of the period showing a decline at the rate of -3.26. It can be inferred that the portion of low cost deposit is not only very low but also diminishing over the years which implies that the bank need to incur higher rate of interest for the major portion of their deposits received, which will affect their profitability.

EFFICIENCY IN DEPLOYMENT:

Bank gets income by way of returns from effective deployment of funds. More than that, it ensures it's the organizational objective of helping the farmers and other poor sections of the society. Hence it is examined here. Mobilised funds are normally deployed as loans as well as investments, keeping the liquidity requirement norms. Following are the indicators examined for this purpose:

- Loan Mix
- Credit to Deposit Ratio
- Loans to Working Capital Ratio
- NPA to Loans Ratio
- Agriculture Loan to Total Loans

Loan Mix: Loan mix denotes the share of different loans in the total loans of the bank. Loans being the major income providing source, maximum of net disposable funds may be deployed as loans. More than that, it is through the provision of loans, the bank achieves its organisational objectives.

Table 5: Loan mix of VSCB

(Amount in lakhs)

Year	ST	MT	LT	OL	Total
2003-04	1.06[0.1]	264.73[22.64]	2.80[0.24]	900.61[77.02]	1169.19
2004-05	0.05[0.01]	64.05[6.28]	4.86[0.48]	949.99[93.23]	1018.96
2005-06	0.00002[0.01]	229.46[18.20]	9.345[0.74]	1021.99[81.05]	1260.80
2006-07	0.85[0.04]	775.64[38.61]	9.055[0.45]	1223.12[60.90]	2008.67
2007-08	1.30[0.06]	753.20[32.30]	9.60[0.41]	1567.88[67.23]	2331.99
2008-09	0.33[0.01]	1096.33[37.16]	8.43[0.29]	1844.91[62.54]	950.00
2009-10	0.32[0.01]	1504.11[41.14]	9.04[0.25]	2142.54[58.60]	3656.01
2010-11	0.30[0.01]	2097.45[44.32]	8.43[0.17]	2626.27[55.50]	4732.45
2011-12	0.30[0.01]	2973.55[48.80]	8.27[0.13]	3111.01[51.06]	6093.13
2012-13	0.30[0.01]	3926.51[51.41]	7.85[0.10]	3702.47[48.48]	7637.13
CAGR	-11.86	30.95	10.86	15.18	20.64

It is clear from Table 5 that total loans of VSCB showed a steady increasing trend during the period from 2003-04 to 2012-13 with an overall growth rate 20.64 percent.The loan mix includes Short term (ST), Medium term (MT), Long term (LT) and Ordinary loans (OL). Medium term loans and ordinary loans have maximum share in the loan mix. MT loans increased from 264.73 lakhs to 3926.5 lakhs, with a growth rate of 30.95 percent. In the meanwhile ordinary loans increased from 900.61 lakhs to 3702.47 lakhs by the end of the reference period at a rate of 15.18 percent. LT and ST loans were very insignificant in the loan mix. Discussions with the bank officials revealed that in short term loans the maximum permissible limit of loan amount is very low which is unattractive where as in the case of LT loans, incidence of NPA is very high so that the bank itself is discouraging it.

Credit – Deposit Ratio :

The credit-deposit ratio is a commonly used indicatorto measure the efficiency of bank in converting the cost bearing funds into loans and advances. Since the deposits are mobilised for the purpose of giving credit, the relationships with these two are very much relevant. Efficiency of the bank lies in turning over of maximum of the mobilised deposits into credit notwithstanding the liquidity requirements, by introducing attractive loan products

Table 6 : Credit to Deposit ratio of VSCB

(Amount in lakh Rs.)

Year	Credit	Deposit	Ratio	Growth
2003-04	1169.19	1608.10	72.71	100
2004-05	1018.96	1774.00	57.44	79.00
2005-06	1260.80	2079.57	60.63	83.39
2006-07	2008.67	2504.14	80.21	110.33
2007-08	2331.99	3014.08	77.37	106.42
2008-09	2950.00	3675.49	80.26	110.39
2009-10	3656.01	4739.65	77.14	106.09
2010-11	4732.45	6360.46	74.40	102.34
2011-12	6093.13	7638.95	79.76	109.71
2012-13	7637.13	9396.48	81.28	111.79
CAGR	20.64	19.31	1.12	

Table 6 which depict the credit- deposit ratio of VSCB reveals that the ratio is showing an erratic trend. Except one or two years it fluctuates between 70 to 80 percent and hence the overall growth is only 1.12 percent. Growth of credit given by the bank was to the tune of 20.64 percent where as that of deposits accounts to19.31 percent. As borrowings are not there for VSCB, CD ratio of around 80 percent looks to be fairly good. In order to get a complete picture Credit to working capital ratio need to be examined.

Loans to Working Capital Ratio:

Loans to Working Capital ratio also act as an indicator of the efficiency in turning over the working capital to credit. The ratio shows the relationship between the deployment in loans and advances with available sources of fund. It also reveals the quantum of credit given for every 100 rupees available. Therefore a higher ratio is always favorable. Since the efficiency in deployment of working capital is directly linked with its proportion advanced as loans, loans to working capital ratio is a better criterion for the analysis of efficiency in fund management of the bank.

Table 7: Loans to Working capital ratio of VSCB

(Amount in lakh Rs.)

Year	Loans	W. Capital	Ratio	Growth
2003-04	1169.19	1769.17	66.09	100
2004-05	1018.96	1946.32	52.35	79.10
2005-06	1260.80	2232.60	56.47	85.10
2006-07	2008.67	2705.86	74.23	112.14
2007-08	2331.99	3366.48	69.27	104.67
2008-09	2950.00	4011.22	73.54	111.32
2009-10	3656.01	5092.06	71.80	108.72
2010-11	4732.45	6558.35	72.16	109.35
2011-12	6093.13	7938.95	76.75	116.36
2012-13	7637.13	9774.18	78.14	118.50
Growth Rate	20.64		18.64	1.69

An almost similar trend as seen in the previous table is revealed in Table 7 also. Loans to working capital ratio are showing a fluctuating trend with a growth rate of 1.69 percent. Working capital showed a growth of 18.64 percent where as loans showed a growth of 20.64 percent. Similar trend as seen in table 8 can also be seen here, because major portion of the working capital is derived from the deposits. However it can be inferred that there is more scope for the bank to widen its loan portfolio so that the interest spread can be enlarged

NPA to Loans Ratio:

Efficiency in deployment of funds not only lies in the quantum of disbursement but also in the quality of disbursement. Quality of disbursement denotes the purpose, ability of income generation to the borrower and recycling of the loan. So it can be seen that timely repayment of loan is also an important pointer of efficiency in deployment of funds. NPA to loans ratio has to be observed in this context. Non Performing Assets (NPA) denotes the overdue loans. Hence an attempt is made here to see the ratio of NPA to loans outstanding of VSCB.

Table 8: NPA to Loan Amount ratio of VSCB

(Amount in lakh Rs.)

Year	NPA	Loan	Ratio	Growth
2003-04	258.68	1169.19	22.12	100
2004-05	255.90	1018.96	25.11	113.51
2005-06	244.18	1260.79	19.37	87.54
2006-07	258.81	2008.66	12.89	58.24
2007-08	239.49	2331.99	10.27	46.42
2008-09	307.07	2950.00	10.41	47.05
2009-10	396.41	3656.01	10.84	49.00
2010-11	348.85	4732.45	7.37	33.32
2011-12	364.09	6093.13	5.98	27.00
2012-13	365.84	7637.13	4.79	21.65
CAGR	3.53	20.64	-14.19	

Table 8 depicts a very positive sign with respect to the recovery performance of VSCB. Ratio of NPA to loans outstanding is reflecting a negative growth of considerable magnitude (-14.19 percent). The ratio dropped to 4.79 percent from a considerably high rate of 22.12 percent. This is because the bank was successful in arresting the growth of NPA to 3.53 percent when the growth of loans & advances were 20.64 percent during the same time. The loan recovery campaign work of the director board & staff of the bank need to be lauded.

Agriculture Loans to Total Loans Ratio:

As already stated quality of disbursement denotes the purpose for which it is given also, depending upon the mandate of the institution. VSCB is a primary agricultural credit society (PACS) which is organized basically to provide agricultural credit. In this context it will be relevant to examine the performance of this bank in achieving its fundamental objective.

Table 9 shows the ratio of agricultural loans to total loans reveals that VSCB had failed to achieve its mandate as the ratio was less than one percent during most of the years. Agricultural loans are showing a negative growth (-4.22 percent) during the reference period whereas the total loans have grown at a rate of 25.94 percent. The ratio is also showing a negative trend. Discussion with the authorities revealed the lack of demand for agricultural loans. This has to be viewed in the background of Prakash Bakshi Committee's observation that PACS are no more working as agricultural credit institutions as most of their loans are for non agricultural purposes.

Table 9: Agriculture loan to Total loan Ratio of VSCB

(Amount in lakh Rs.)

Year	Agri. loans loan	Total loan	Ratio	Growth
2003-04	1.00	1169.19	0.09	100
2004-05	49.11	1018.96	4.82	5601.20
2005-06	45.96	1260.79	3.65	4236.87
2006-07	1787.70	2008.66	89.00	103434.3
2007-08	106.06	2331.99	4.55	5285.51
2008-09	92.68	2950.00	3.14	3651.28
2009-10	22.77	3656.01	0.62	723.67
2010-11	16.75	4732.45	0.35	411.38
2011-12	21.47	6093.13	0.35	409.48
2012-13	6.62	7637.13	0.09	100.73
CAGR	20.81	20.64	0	

EFFICIENCY IN OPERATIONS :

Having seen the efficiency of sources and uses of funds separately, the reflection of these in the operations needed a close look as the efficiency of sources and uses of funds will reflect in the profitability. Even though the co-operatives are with service motive, surplus is also needed for their existence and growth. Hence an attempt is made to examine the efficiency in operation of VSCB by a disaggregated analysis of the profitability of bank. To find out operational efficiency the following ratios are used:

- Spread Ratio
- Burden Ratio
- Profitability Ratio
- Manpower Expense to Total expense

Spread Ratio :

Spread ratio can be expressed as a relationship between interest spread and total funds of the bank. Spread is the difference between interest income and interest expenses. Interest income relates to the interest receipts on deployment of funds and represents the return on pure banking business. Major sources of interest income are interest earned from loans and advances, discount earned and the income from investment. Interest expenses are expenses on fund acquisition and represent the cost of fund. Reasons for interest expenses are interest on deposits and interest paid on borrowings. As this ratio shows the efficiency in lending operations, higher ratio is preferable since it is possible only when the interest received on loans are more than the interest paid on deposits and its borrowings.

Table: 10 Spread Ratio of VSCB

(Rs in lakhs)

Year	Interest Exp.	Int. Income	Spread	Total Fund	Spread Ratio
2003-04	143.63	168.71	-25.08	1769.18	-1.41
2004-05	152.42	162.33	-9.91	1946.16	-0.51
2005-06	167.41	165.73	1.68	2232.61	0.075
2006-07	200.09	183.1	16.99	2705.86	0.62
2007-08	292.43	245.35	47.08	3366.48	1.39
2008-09	392.07	317.88	74.19	4011.23	1.84
2009-10	440.57	404.67	35.9	5000.06	0.71
2010-11	585.82	500.6	85.22	6634.71	1.28
2011-12	724.41	661.88	62.53	7949.4	0.78
2012-13	1015.58	875.74	139.84	9789.54	1.42
CAGR	21.6	17.9		18.66	

Table 10 which exhibits the spread ratio of VSCB for a period of 10 years from 2003-04 to 2012-13 reveal that the ratio is not only low but also fluctuating. It can be observed that the ratio which was negative during the initial years of reference however showed some improvement in the later period. Rate of growth of interest expenditure was to the tune of 21.6 percent and that of interest income and total funds was 17.9 percent and 18.66 percent respectively. It can be inferred that this result is reflecting the flaws in the mobilisation and disbursement.

Burden Ratio :

Although banks constantly try to increase their non interest income and reduce its non interest expenses, the latter usually exceeds the former such that the difference is labeled as banks burden. Burden ratio is the ratio of burden to working fund of the bank. Burden is the difference between non-interest expenses and non-interest income. Non-interest expenses are expenses other than interest expenses like rent, taxes, insurance charges, printing and advertising charges, postage, telegrams and telephone charges etc. Non-interest income is income other than interest income like commission on services provided to customers, exchange and brokerage subsidies and donations, income from non-banking assets and profit from the sale of or dealing with such assets etc. A lower ratio is preferable because reducing burden will improve the profitability of the bank.

Table 11 Burden Ratio of VSCB

(Rs in lakhs)

Year	Non interest Expenses	Non-interest Income	Total Fund	Burden Ratio	Growth
2003-04	59.50	9.72	1769.18	2.81	100
2004-05	76.61	17.01	1946.16	3.06	108.80
2005-06	69.89	19.56	2232.61	2.25	80.10
2006-07	91.07	18.34	2705.86	2.69	95.52
2007-08	99.26	19.16	3366.48	2.38	84.55
2008-09	120.37	22.42	4011.23	2.44	86.77
2009-10	209.45	22.98	5000.06	3.73	132.53
2010-11	261.36	29.20	6634.71	3.50	124.35
2011-12	311.44	46.93	7949.40	3.33	118.24
2012-13	284.51	49.54	9789.54	2.40	85.30
Growth Rate 16.9417.69		18.66	-1.56		

Table 11 reveals that the ratio is showing a negative growth, even though it is higher compared to the spread. Ratio is showing negative growth because growth in non interest expenses is less than that of non interest income.

Profitability Ratio:

Profit as expressed in absolute terms makes no much sense in the performance analysis and may not indicate whether the bank's operations are satisfactory or not. It is necessary to relate profit and working funds for analyzing operational efficiency and there by profitability of the bank. All stake holders including creditors will be very much anxious to know how far their firm is able to make profits by using the working funds. In short, it is the return every 100 rupees of fund employed has secured. In this context also an attempt is done here to analyses the profitability of VSCB.

Table 12: Profitability Ratio of VSCB

(Rs in lakhs)

Year	Spread	Burden	Profit	Total Fund	Profitabilit Ratio
2003-04	59.50	9.72	1769.18	2.81	100
2003-04	-25.08	49.79	-74.87	1769.18	-4.23
2004-05	-9.91	59.60	-69-.51	1946.16	-3.57
2005-06	1.68	50.33	-48.65	2232.61	-2.18
2006-07	16.99	72.73	-55.74	2705.86	-2.06
2007-08	47.08	80.10	-33.02	3366.48	-0.98
2008-09	74.19	97.95	-23.76	4011.23	-0.59
2009-10	35.9	186.47	-150.57	5000.06	-3.01
2010-11	85.22	232.16	-146.94	6634.71	-2.21
2011-12	62.53	264.51	-201.98	7949.40	-2.54
2012-13	139.84	234.98	-95.14	9789.54	-0.97
Growth Rate	16.79	18.66			

Results showed by Table 12 reveal that the performance of VSCB as measured by the indicator profitability is not giving a promising picture. Profitability ratio is showing a negative trend throughout the reference period. However it can also be seen that the rate of loss is on a decreasing scale.

Manpower Expense to total expense ratio:

Profitability analysis of VSCB already done indicated the incidence of higher level of burden. Manpower expenses being the major item of non interest expenditure need an examination at this point. Hence it is attempted here. Manpower expenses denote the expenses incurred by the bank to maintain their employees. It includes, staff salary, bonus, leave salary, DA, staff PF contribution, and staff welfare fund contribution.

Manpower expenses ratio depicted by table13, reveal that it is coming down showing a negative growth. Manpower expenses showed growth rate of only 9.78 percent whereas it was 19.04 percent in the case of total expenses. An unusual increase in the year 2011-12, is because of the payment of salary revision arrears to the employees during that year. So it can be inferred that high burden ratio is because of hike in other expenses.

Table 13: Man power expense to total expense ratio of VSCB

(Amount in lakhs Rs.)

Year	Man Power Expenses	Total Expenses	Ratio	Growth
2003-04	33.02	203.14	16.26	100
2004-05	42.84	229.04	18.71	115.06
2005-06	32.45	235.61	13.77	84.71
2006-07	34.91	274.17	12.73	78.32
2007-08	40.09	344.60	11.63	71.56
2008-09	43.82	438.25	9.99	61.50
2009-10	48.13	614.12	7.84	48.21
2010-11	59.05	761.96	7.75	47.67
2011-12	111.01	973.32	11.41	70.15
2012-13	83.98	1160.26	7.24	44.52
Growth Rate	9.78	19.04	-7.77	

LIQUIDITY MANAGEMENT:

The success of banking industry depends on its capacity to meet the cash demands readily without maintaining excessive proportion of reserves in order to enjoy the public confidence, irrespective of it being a commercial bank or co-operative bank. Hence assessing the position of liquidity management of the bank is also very vital in performance evaluation of bank

Fluid Resources to Net Demand and Time Liabilities ratio: As per Kerala Cooperative Societies Act,1969 every society which obtains public deposits shall maintain fluid resource in such form and according to such standards as may be fixed by the government from time to time and the balance alone can be disposed as loans.

From Table 14 it is very clear that the bank was very prudent in maintaining liquid funds as per statutory norms, most importantly without keeping excess reserves. As the details only from 2005-06 were available in this regard, ratio from that year only were worked out.

Table 14. FR to NDTL Ratio of VSCB

(Amount in lakhs Rs.)

Year	FR	NDTL	Ratio	Growth
2005-06	415.91	2079.57	20	100
2006-07	500.83	2504.14	20	100
2007-08	602.82	3014.08	20	100
2008-09	735.10	3675.50	20	100
2009-10	947.93	4739.65	20	100
2010-11	1272.09	6360.46	20	100
2011-12	1527.79	7638.95	20	100
2012-13	1879.26	9396.48	20	100
Growth Rate	20.75	20.75	0	

Conclusion :

The study which is to analyze the financial performance of the Vilvattam Service Cooperative Bank reveals that there is a need for strong intervention by the professionals. As far as sources of funds are concerned the selected bank mobilizes more through high cost deposits and gives less importance for low cost deposits. The banks failed to deploy funds focusing on its mandate. The inefficiency in mobilization and deployments is reflected in the profitability where spread is low and burden is comparatively high, leading to loss for the bank. However, it's heartening to note that the bank maintains the statutory requirements as far as liquidity is concerned without any excess reserves.

The analyses lead us to recommend the following action plan for the selected cooperative Bank:

1. Prakash Bakshi Committee Report wants the PACS to operate as Business Correspondents to the District Cooperative Banks, since they failed to fulfill the mandatory function of providing loans to the farming community and also in meeting the capital adequacy norms. In order to be in the field, the banks should increase its membership and share capital position. Then the banks should revamp the lending portfolio so as to provide more loans for the agricultural sector.
2. The bank should raise more low cost deposits so as to strike a balance between them to reduce its cost of funds.
3. The bank should take drastic steps to increase net interest spread as well as non interest income by providing more of other services.
4. The bank should professionalize its management. Both the employees and board should get trained or co-opt consultants.