FUNDS MANAGEMENT - A CASE STUDY OF HOSDURG SERVICE CO-OPERATIVE BANK LTD NO.1064

By

NITHEESH.B.K
(2008-45-130)

PROJECT REPORT

Submitted in partial fulfillment of the requirement for the degree of
Bachelor of Science (Hons.) in Co-operation and Banking
FACULTY OF AGRICULTURE
Kerala Agricultural University

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KERALA AGRICULTURAL UNIVERSITY
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KERALA

DECLARATION

DECLARATION

I hereby declare that this project report entitled ***"FUNDS MANAGEMENT - A CASE STUDY HOSDURG SERVICE CO-OPERATIVE BANK LTD NO.1064"*** is a bonafide record of research work done by me during the course of project work and that it has not previously formed the basis for the award to me for any degree/ diploma, associateship, fellowship or other similar title of any other university or society.

NITHEESH.B.K

(2008-45-130)

Vellanikkara

31-1-2012

CERTIFICATE

CERTIFICATE

Certified that this project report entitled "*FUNDS MANAGEMENT – A CASE STUDY OF HOSDURG SERVICE CO-OPERATIVE BANK LTD NO.1064*" is a record of project work done independently by **Mr.NITHEESH.B.K.**(2008-45-130) under my guidance and supervision and that it has not previously formed the basis for the award of any degree, fellowship or associate ship to him.

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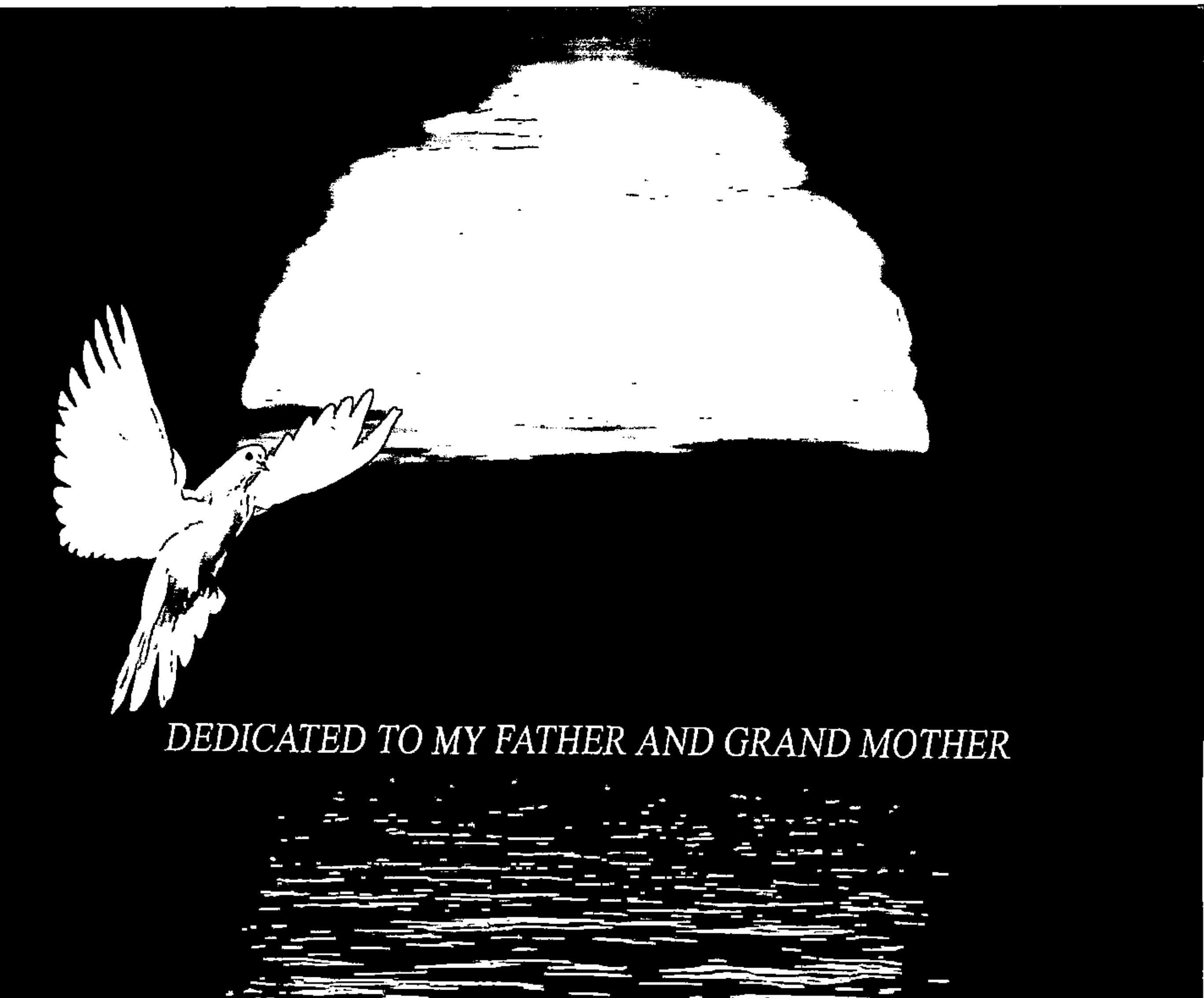
Needless to say, I solely am responsible for any imperfections, which may remain…….

NITHEESH.B.K


DEDICATED TO MY FATHER AND GRAND MOTHER

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"Live as if you were to die tomorrow. Learn as if you were to live forever."

– Mahatma Gandhi

DESIGN OF THE STUDY

CHAPTER 1
DESIGN OF THE STUDY

INTRODUCTION

Co operation occupies an important place in the Indian economy. Perhaps no other country in the world is the co operative movement as large as diverse as it is India. There is almost no sector left untouched by the co operative movement.

Co-operative movement in India is one of the largest movements in the world. Co-operative movement has made tremendous progress in every aspects of the Indian economy. Co-operative activities occupy a major place in the sphere of the Indian economy. Initially, the co-operative movement was started with a limited scope of activities of rural credit but now it has entered in all fields of economic activity with social essence. Up to 2009-10, the movement which has covered 100 per cent villages and 75 per cent rural households and functioning over 545 thousand Co-operatives of various levels with membership coverage of 236 million and working capital of 34,00,555 million inclusive of credit and non-credit co-operative societies. It has been playing a significant role in disbursing agricultural credit, distribution of agricultural inputs, providing market support, processing, etc. Co-operative movement has been recognized as an effective instrument for the economic development of the rural masses and for improvement in the socio-economic condition of the poor.

The co-operative movement in India had its origin elsewhere and was introduced to this region by foreign rule. But even after independence, the movement continued in the planned economy. The movement has been recognized as an effective instrument for the economic development of the rural masses and for improvement in the socio economic conditions of the neglected. In India co-operation had become a part of national policy and hence the Indian co-operative movement is sometimes ironically described not as a movement but only as a product of government policy. It spread and diversified with the encouragement and support of the government.

The co-operative movement in India was basically organized against the moneylenders to rescue farmers from the clutches of the poverty and indebtedness. The need for agricultural credit through co-operatives felt because of rural indebtedness. The Indian co-operative movement was initiated by the government; it spread and diversified with the encouragement and support of the government. In this connection, observation made by NABARD in its Annual Report, 2001-2002 is; "Co-operatives have contributed significantly to the growth of institutional infrastructure in the rural areas, private capital formation in the agriculture sector and distribution of farm inputs like fertilizers, seeds etc."

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, banking accounts etc.). Co-operative banks differ from stockholder banks by their organization, their goals, their values and their governance.

Co-operative banking is retail and commercial banking organized on a co-operative basis. Co-operative banking institutions take deposits and lend money in most parts of the country. Co-operative banking, includes retail banking, as carried out by credit unions, mutual savings and loan associations, building societies and co-operatives, as well as commercial banking services provided by manual organizations (such as co-operative federations) to co-operative businesses. The structure of commercial banking is of branch-banking type; while the co-operative banking structure is a three tier federal one.

- A State Co-operative Bank works at the apex level (ie. works at state level).
- The Central Co-operative Bank works at the Intermediate Level.(ie. District Co-operative Banks ltd. works at district level)
- Primary co-operative credit societies at base level (At village level)

The Primary Agricultural Credit Societies (PACS) were started to provide cheap credit to the farmers to relieve them from clutches of money lenders. As on 2009-2010, there are 94,647 PACS which works out to roughly one PAC for every six villages in the country. The loans are given for short periods, normally for the harvest season, for carrying on agricultural operations and the rate of interest is fixed.

Functions

In pursuance of the most cherished objective of improving agricultural production, the service/primary agricultural co-operatives were established to perform the following functions:

- To provide short-term credit required for the purchase of farm requirements and Medium-term loans for other agricultural purpose.

- To arrange the supply of farm requirements such as improved seeds, fertilizers and insecticides etc.
- To raise funds mainly through savings of members

1.1 STATEMENT OF THE PROBLEM

Funds Management is the Management of the cash flow of a financial institution or it can be defined as the Management of net funds available for investment and external funds purchased from other banks. Funds Management attempts to match the cash flow needs of a bank against maturity schedules of its deposits as loan demand increases or decreases. Funds Management is more of a Treasury function than Asset-Liability Management, which deals mainly with control of interest rate risk and liquidity risk, and the pricing of loans in specific time periods.

The most important objective of Primary Agricultural Credit Society (PACS) is to provide a full package of services and technical guidance to small and marginal farmers. The profitability of PACS depends upon the judicious management of their fund and resources. The income generating factors of PACS are loans, advances, and investment and the cost determining factors including deposits and borrowings etc. Costs of funds mobilized have to be met out of income generated from the deployment of funds. The PACS must ensure that no part of the funds lie idle and deployed in the most remunerative way.

As on 31st March 2010 there were 94647 PACS in India of which 65540(69%)-were viable, 22372(24%) were potentially viable, 3481(4%) were dormant, 1665(2%) were defunct and 1589 (1%) were under others. The amount of deposit mobilized by PACS in the country stood at Rs.35286 cores (as on 31st March 2010) indicating a growth rate of 34% over the previous year. During the year 2009-10, 40936 PACS earned profit amounting to ₹1132 cores and 41679 PACS Insured loss of 2347 cores. (Source: http://www.nabard.org/departments /pacs.asp)

Funds Management is an effective tool for reducing the risks. Reduction of risk will lead to increase the profitability. Their proper and effective Fund Management will enable the bank to improve the profitability and financial viability. Hence the proposed study on Funds

Management of Hosdurg Service Co operative Bank Ltd is an attempt to bring out the various facts in the working of this bank.

1.2 OBJECTIVE OF THE STUDY

- To analyze the efficiency in Funds Management of Hosdurg Service Co operative Bank Ltd

1.3 REVIEW OF LITERATURE

A literature review is a body of text that aims to review the critical points of current knowledge including substantive findings as well as theoretical methodological contributions to a particular topic. Literature reviews are secondary sources, and as such do not report any new or original experimental work. This part includes the review of Funds Management.

Dayanandan and Sasikumar (1999) while evaluating the performance of District Co operative Banks (DCBs) of Kerala opined that, for any financial institution it is an imperative need to have sufficient funds to meet its primary aims of improving socio economic life of the members and to strengthen itself financially.

Bhaskaran and Josh (2000) concluded that the recovery performance of co-operative credit institutions continues to be unsatisfactory which contributes to the growth of Non Performing Asset (NPA) even after the introduction of prudential regulations. They suggested legislative and policy prescriptions to make co-operative credit institutions more efficient, productive and profitable organization in tune with competitive commercial banking.

Dash (2000) opined that urban have to sharpen their operational and managerial skill in the context of economic reforms and liberalization process in India.They highlighted the need for judicious management of funds by formulating feasible storage in areas of deposit mobilization, cash management, credit management, investment and asset liability management.

Urs and Chitambaram (2000) studied performance of 14 District Central Cooperative Banks (DCCBs) in Kerala on 23 parameters and found inefficiency in their operations with lower capital and poor deployment of funds in the DCCBs

Kamat (2001) in his attempt to study the productivity challenges before co operative banks pointed out that a reduction in cost will certainly bring about improvement in profitability. It can be achieved through enforcement of measures like mobilizing low cost resources and identifying cost effective avenues of deployment of funds such as loans and advances and investments.

Jain (2001) has done a comparative performance analysis of District Central Co-operative Banks (DCCBs) of Western India, namely Maharashtra, Gujarat and Rajasthan and found that DCCBs of Rajasthan have performed better in profitability and liquidity as compared to Gujarat and Maharashtra.

Sadare(2004) In his study revealed that lower is the ratio of operating cost to total total asset better is the efficiency. There are many banks, which are heavily higher ratio in terms of operating expenses to total asset. If an attempt is made to reduce such ratios the same will help these banks to show better performance in terms efficiency as well as profitability,.

Vidyanathan committee report(2004) the government of India had set up a task force in august 2004 to suggest an action plan for reviving rural co operative credit institution and make it a well managed and vibrant medium to serve the credit needs of rural India especially the small and marginal farmers. The revival package is aimed at wiping out accumulated losses of rural co operative financial coverage to the invoked but unpaid guarantees given by the state governments to the co operatives, increasing capital to a specified minimum level, retiring government share capital from co operative's etc. The recommendation envisages a bottom up approach. The NABARD would be the implementing agency for the scheme.

Fulbag and Balwinder (2006) studied the funds management in the District Central Co-operative Banks of Punjab with specific reference to the analysis of financial margin. It noted that a higher proportion of own funds and the recovery concerns have resulted in the increased margin of the Central Co-operative Banks and thus had a larger provision for non-performing assets.

Chandra and Buddhadeb (2006) concluded that financial literacy program has no effect on the likelihood of opening a bank savings account, but do find modest effects for uneducated and financially illiterate households. In contrast, small subsidy payments have a large effect on the likelihood of opening a savings account. These payments are more than two times more cost-effective than the financial literacy training.

Pal and Malik (2007) concluded that the overall position of RRBs in India is not quite encouraging. The poor credit-deposit ratio is still making dent on the desired functioning of RRBs. Since the RRB is supposed to be a bank for poor people, government should spread the branches of RRBs at grass root level to provide such banking service to the really needy rural people and to take corrective measures to raise the credit deposit ratio of the bank that would make RRBs relevant in the rural India.

Campbell (2007) focused on the relationship between nonperforming loans (NPLs) and bank failure and argued for an effective bank insolvency law for the prevention and control of NPLs for developing and transitional economies as these have been suffering severe problems due to NPLs.

Mallika (2007) in his attempt to study the strategic issues of agricultural co operative credit in Uttarakhand pointed out that the rural co operatives has long been neglected but the development would go long way in extricating the co operative with their focus on financial inclusion, marketing ,information technology, women members and strategic alliances with value based organisation. Rural credit co operative will grow not only in size, but also in range and coverage of their activities and usher in new era in mountain agriculture.

Natarajan (2007) based on his study of Primary Agricultural Co-operative Societies in Kerala found that , there is a need for the service co operative bank to go for modern banking practices, which are experience touch competition with commercial and co operative banks.

Ramesha and Nagaraju (2007) suggested that performance of banking in terms of profitability, productivity, asset quality and financial management has become important to stable the economy. They found that public sector banks have been more efficient than other banks operating in India.

Ved Pal and Malik (2007) investigated the differences in the financial characteristics of fourty four (public, private and foreign) banks in India based on factors, such as profitability, liquidity, risk and efficiency. It is suggested that foreign banks were better performers, as compared to other two categories of banks, in general and in terms of utilization of resources in particular.

Zakir Hussain (2007) in his attempt to study the relative performance of service co-operative banking in kerala pointed out that state co-operative Bank(SCB) in Kerala mobilize 46% of all India's deposit and lend only 18% of all India loan amount. The major portion of its funds is kept idle. The mounting of surplus funds to be the major cause for failure of SCB.

Harish (2008) emphasized on financial management and examined the financial position of sixteen banks by considering profitability, capital adequacy, debt-equity and NPA.

Ramu(2008) while evaluating the business performance appraisal of urban co-operative bank(UCB)In Tamil Nadu pointed out that co-operatives will not be able to face competition in the changing economic environment. The main difference between a co operative and a well run private company is management. to bridge this gap, executives in UCBs must be suitably trained.

Ravi Varma and Rajendra Naidu (2008) based on their study Performance evaluation of PACS pointed out that educational qualification is not a bar to the growth of co operative movement. Lot of amount has been kept idle as debts. To get rid of this further and also for development of banking activities it is advisable to have a speedy recovery of loan by taking concrete measures

Uttam Dutta and Amit Basak (2008) suggested that Co-operative banks should improve their recovery performance, adopt new system of computerized monitoring of loans, implement proper prudential norms and organize regular workshops to sustain in the competitive banking environment.

Ganesan (2009) In his over view on the Primary Agricultural Credit Societies In India concluded that PACS form an important part of the short term credit structure.PACS's directly interface with farmers, provide short term and medium term credit. The viability of PACS's is essential for the development of our country.

Mohanan (2009) in his study on NPA Management observed that the rise in gross and net NPA of co operative banking in recent past is an exponential rate and it indicates a heavy toll on co operative credit discipline. In order to reduce NPA a professional approach is required in dealing with NPA.

Ramesh, Devanadhen and Rajkumar (2009) while the Performance of UCBs In Thanjavur District opined that co operative bank including UCBs have been forced to work hard to retain their members/customers and to enlarge their clientele base. The co operative banks have to practice the concept of cost effectiveness, commercial orientation, professionalization, accountability etc in order to survive amidst the sophisticated modern banks

Ravi Varma and Rajendra Naidu (2009) while analyzing the borrowers and defaulters in co operative credit they pointed out that, there has not been any supervision over the end use of credit and further the defaulters have not been persistently asked to repay the loans. It is reported that may borrowers are not sanctioned adequate amount of credit for the intended purpose. The main reason for this is improper maintenance of records about individual land holdings, cropping pattern and wrong fixation of scale of finance.

Chakrabarty (2010) opined that the future of the urban co operative banks (UCB) lies in penetrating the unbanked peoples in urban areas. The commercial banks may not be able to touch the rural peoples because they are big. It is the Co operative banking system that can bring financial inclusion and not the main stream banks because they do not have contact with people as much as urban co operative banks do.

Ramesh and Jai Krishna (2010) analyzed the financial efficiency and viability of Haryana State Cooperative Apex Bank (HARCO Bank) and found poor performance of the bank on capital adequacy, liquidity, earning quality and the management efficiency parameters. Centric to the ratio analysis, these studies have customized and blended financial ratios in a model form to examine and predict the financial health. Similarly, comparative performance, recovery performance, cost reduction, productivity and efficiency are vital areas which have been considered by various analysts.

The above review of literature includes various studies, and articles on different aspects Funds Management in India and in Kerala. Now it is apparent from the review of literature that quite a lot of studies have been made on various aspects of Funds Management in PACS in different parts of the country .But only limited studies have attempted a detailed analysis of Mobilization, Deployment and Other aspects of Funds Management. The present study would fill this gap to a certain extent. The present study is also tries to understand about the operational efficiency and profitability of the bank. These reviews would help to conduct the study in a better manner

1.4 METHODOLOGY

The study involves examination of exiting Funds Management practices in Hosdurg Service Co operative Bank Ltd.The data were analyzed to get the structural composition in the sources and uses of funds. The study made use of both primary and secondary data. For studying the trend and pattern of funds,10 years audited data were collected from annual report of HSCB Ltd starting from 2001-02 to 2010-11.For studying the efficiency in funds management, ratio analysis have been used. The ratios are grouped into ratios reflecting the Efficiency in Mobilization of Funds, Deployment of Funds, Efficiency in Operation and Other Ratios were used.

For analyzing the Mobilization of Funds ratios like Borrowed Funds to Working Capital ratio, Deposit to Total Borrowed Funds ratio, Deposit to Total Funds ratio and Debt Equity ratio were used. For measuring the Deployment of Funds Credit to Working capital, Credit to Borrowed funds ratio, Credit to Deposit ratio, Credit to Owned funds ratio, Credit to Total fund as ratio, Investment to Working capital ratios are used. Ratios like Interest Paid to Interest Received ratio, Net Profit to Interest Received ratio, Spread ratio, Burden ratio, and Profitability ratio were used for measuring the Efficiency in Operation. The Other ratios like Loan Overdue to Demand ratio, Liquid Asset to Working Capital ratio, Liquid Asset to Demand and Time Liability ratio, Demand Deposit to Term Deposit ratio were used.

FAMILIARISATION WITH THE CONCEPT USED

Owned Fund	Share Capital + Statutory Reserves
Total Borrowed fund	Deposit + Borrowings
Total funds	Owned funds + Total borrowed funds
Working capital	Gross working capital–Investment in Fixed Asset
Non Interest Expenses	contingency expenses +Establishment Expenses
Interest Expenses	Interest paid and payable on Deposit and Borrowings
Interest Income	Interest Received and Receivable on loan + Interest Received and Receivable from Investment
Non Interest income	Miscellaneous income + Commission
Spread	Interest income – Interest Expenses
Burden	Non Interest Expenses – Non Interest Income
Liquid asset	Cash in hand + Cash at bank + Interest Receivables
Demand and Time Liability	Time Liability + Demand Deposit
Time Liability	Fixed deposit + Recurring deposit + Athulya +Day + Other Deposit
Demand Deposit	Savings deposit + Current Deposit

1.5 OBSERVATIONS TO BE MADE

- Share Capital
- Deposits
- Borrowings
- Reserves
- Loans and Advances
- Owned Fund
- Interest Income
- Non Interest Income
- Interest Expense
- Non Interest Expense
- Borrowed Fund
- Liquid Asset

1.6 SCOPE OF STUDY

The study highlights the composition of source and deployment of funds during the last 10 year period. It also tries to evaluate the effectiveness in the mobilization and deployment of funds, by computing various financial ratios. The study will be beneficial to the bank as it will highlight the important factors that modulate the profitability of the bank.

1.7 LIMITATION OF THE STUDY

- As the study is limited to one bank, its conditions cannot be generalized.
- The main tools and techniques used for the analysis are borrowed from the corporate accounting practices because a systematic accounting frame work is not readily available for Co operative Bank
- Major drawback in respect of ratio analysis is the difference of opinion in respect of various concept used to compute ratios. The quality of the data is another major constraint.

1.8 SCHEME OF STUDY

The study is presented in four chapters. The first chapter deals with design of the study including Introduction, Statement of the problem, Objectives, Methodology, Scope and Limitation of the study. The second chapter outlines the Profile of the Organization under study is discussed. Third chapter deals with Analysis of Funds Management in HSCB Ltd and incorporated findings and conclusion in the fourth chapter.

"A bank is a place where they lend you an umberlla in fair weather and ask for it back when it begins to rain"

Robert frost

HOSDURG SERVICE CO OPERATIVE BANK LTD.NO.1064

CHAPTER 2

THE HOSDURG SERVICE CO OPERATIVE BANK LTD NO.1064

Credit cooperatives are the oldest and most numerous of all the types of cooperatives in India. The cooperative credit institutions in the country may be broadly classified into urban credit cooperatives and rural credit cooperatives. There are about 2090 urban credit cooperatives and these societies together constitute for about 10 percent of the aggregate banking business and therefore regarded as an important segment of the banking system. The rural credit cooperatives may be further divided into short-term credit cooperatives and long-term credit cooperatives. With regard to short-term credit cooperatives, at the grass-root level the Primary Agricultural Credit Societies dealing directly with the individual borrowers. At the central level District Central Cooperative Banks (DCCB) function as a link between primary societies and State Cooperative Apex Banks (SCB).DCCB and SCB are the federal cooperatives and thus the objective is to serve the member cooperatives. Three-tier structure of short-term credit and the long-term credit structure have two tiers in many states with Primary Cooperative Agriculture and Rural Development Banks (PCARDB) at the primary level and State Cooperative Agriculture and Rural Development Bank at the state level. However, some states in the country have unitary structure with state level cooperative operating with through their own branches and in one state an integrated structure prevails. Under the Banking Regulation Act 1949, only SCBs, DCBs and select UCBs are qualified to be called as banks in the cooperative sector.

Table 1.1 Trend and Progress of Primary Agricultural Credit society

Particulars		Year				
		2005-06	2006-07	2007-08	2008-09	2009-10
No. of societies	India	106384	93224	94950	95633	94647
	Kerala	1600	1624	1555	1608	1608
Total Membership	India	125197	125792	131530	132350	126419
	Kerala	11054.4	16390.71	16399.95	16604.68	12735.09
Total share capital	India	564425	613841	659665	700732	714842
	Kerala	42550	49368	44748	45918	69745
Deposit	India	1956119	2348407	2544926	2624538	3528607
	Kerala	900644	1246529	1316055	1308759	2090705
Loan Advances	India	4291959	4961275	5764248	5878674	7493754
	Kerala	758416	1027394	1347150	1536505	2615277
% of overdue out standing	India	30.36	29.11	35.67	44.89	41.39
	Kerala	17.05	18.87	40.89	16.06	25.34

Source: National Federation of State Co operative Bank (NAFSCOB), 2010-2011

The PACS in Kerala have really come of age and are in a matured stage of development. The comparative performance of PACS in Kerala vis-à-vis PACS of the all India level is shown in Table No 1.1 PACS in the state are flushed with funds raised in the form of deposit from both members and non members. In fact the deposit has increased from ₹ 900644 lakhs during 2005-2006 to ₹ 2090705 lakhs during 2009-2010.At the national level the deposit has increased from ₹ 1956119 during 2005-2006 to ₹ 3528607 lakhs during 2009-2010.The loan advanced by PACS in Kerala during 2009-2010 is ₹ 2615277 lakhs against loans advanced during 2005-2006 of 900644 lakhs. The loans and advance by PACS in India during 2009-2010 is ₹ 7493754 lakhs against ₹ 4291959 lakhs during 2005-2006.

Table 1.2 Agency wise Ground Level Cash Flows

Agency	2006-07	2007-08	2008-09	2009-10	2010-11	Growth Rate (%)		
						2006-10 #	2009-10 *	2010-11 *
Regional Rural Bank(RRB)	42,480	48,258	45,966	63,497	70,105	15.66	38.14	10.41
Co-operative Bank	20,435	25,312	26,765	45,217	43,968	20.4	31.58	24.85
Commercial Bank	1,66,485	1,81,088	2,28,951	2,85,800	3,32,706	20.01	24.83	16.41
Total	2,29,400	2,54,658	301,908**	3,84,514	4,46,779	18.97	27.36	16.19
#:compound annual growth rate *: percentage changes over previous year **: include ₹ 226 crores by other agency								

Source: Annual report of National Bank for Agriculture and Rural Development, 2010-11

Table 1.2 shows the flow of credit to agriculture by RRB, Co-operatives and commercial banks in India. As against the target of 3, 75,000 crore of credit flow to agriculture for 2010-11, the banking system disbursed ₹ 4, 46,779 crore as on 31 March 2011, achieving 119.14 per cent of the target. Commercial banks, Co-operative banks and Regional Rural Banks disbursed ₹ 3, 32,706 crore, ₹ 70,105 crore and ₹ 43,968 crore, respectively, sharing 74 per cent, 16 per cent and 10 per cent of the total credit flow during 2010-11.

During the period 2005-10, the Ground Level Credit (GLC) flow for agriculture and allied activities registered a Compound Annual Growth Rate (CAGR) of 19.57 per cent. The growth rate for crop loans and term loans was 26.49 per cent and 7.56 per cent, respectively for the five year period (2005- 06 to 2009-10). An analysis of the term loans during 2009-10 for the broad sub sectors indicated that Minor Irrigation witnessed the highest annual growth of 63.43 per cent, followed by Fisheries (44.73 per cent), Land Development (27.09 per cent) and Farm Mechanization (22.52 per cent) in GLC flow over 2008-09.

Table 2.2 Growth of Short Term Co operative Bank

Particulars	SCB		DCB	
	2009	2010	2009	2010
Number	31	31	370	370
Share capital	1570	1635	6452	7226
Reserve	10256	10403	22719	22598
Borrowings	20971	223430	27588	28334
Loan issued	64779	53589	90006	113610
Loan out standing	48382	49199	99462	123221

Source: Annual Report of NABARD, 2010-2011

Table 2.2 shows the Growth of short term co operative bank. An analysis of the financial position of the SCB and DCCB indicated that their deposits as on 31 March 2010, increased by about 15 per cent each; the borrowings of SCB increased by 12 per cent and that of DCCB increased by 3 per cent over the previous year. Loans issued by SCB decreased by 17 per cent and that of DCCB increased by 26 per cent during the year 2009-10, as compared to the previous year. Loans outstanding of SCB increased marginally by 2 per cent while that of DCCB increased by 24 per cent in 2009-10 as compared to the previous year.

Table 2.3 Growth of Long Term Co operative Bank

Particulars	SCARDB		PCARDB	
	2009	2010	2009	2010
Number	20	20	697	697
Share capital	814	817	1515	1513
Reserve	3272	3369	3236	3269
Deposits	707	756	467	447
Borrowings	14773	14701	12403	12592
Loan issued	2586	3076	2054	2324
Loan out standing	16279	16879	11231	11377

Source: Annual Report of NABARD, 2010-2011

Table 2.3 shows the growth of long term co operative bank. In the Long Term Co-operative Credit Structure (LTCCS), borrowings of State Co-operative Agriculture and Rural

Development Banks (SCARDB), as on 31 March 2010, marginally decreased by 0.5 per cent over the previous year while that of Primary Co-operative Agriculture Rural Development Banks (PCARDB) marginally increased by 2 per cent during the corresponding period. Loans issued by SCARDB and PCARDB during the year 2009-10 increased by 19 per cent and 13 per cent, respectively, while the loans outstanding increased by 4 per cent and one per cent, respectively, over the previous year

Table 2.4 Working Result of Co operative Banks in India

Year	SCB		DCCB		SCARDB		PCARDB	
	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10
Total No.	31	31	370	370	20	20	697	697
In Profit(no)	26	28	321	323	12	11	343	307
Profit amount	395	463	1603	1545	407	97	220	154
In loss (No)	5	3	49	47	7	8	353	390
Loss amount	71	210	261	524	88	155	324	518

Source: Annual Report of NABARD, 2010-2011

Table 2.4 shows the working result of co operative banks. During 2009-10, 28 out of 31 SCB were in profit aggregating 463 crore while the remaining 3 SCB were in loss (₹ 210 crore), resulting in aggregate profit of ₹ 253 crore. While 323 out of 370 DCCB earned profit of ₹ 1,545 crore, 47 DCCB incurred losses to the extent of ₹ 524 crore, resulting in a overall profit of ₹ 1,021 crore. Eleven SCARDB earned an aggregate profit of ₹ 97 crore, while eight incurred an aggregate loss of ₹ 155 crore, resulting in a loss of ₹ 58 crore. Out of 697 PCARDB, 307 earned an aggregate profit of ₹ 154 crore, while 390 incurred an aggregate loss of ₹ 518 crore during the year, resulting in a loss of ₹ 364 crore

2.1 GENESIS OF HOSDURG SERVICE CO OPERATIVE BANK

The Hosdurg Service Co operative Bank Ltd.N0.C1068 in Kanhangad is an outstanding rural co operative bank. Before attaining the present status, the bank has undergone many transformations.

HSCB was registered on 10-6-1913 under the Kerala Co operative societies Act, 1912.The society was established with the purpose of saving farmers and ordinary people from the clutches of landlords and private money lenders.

It was registered as a Multi Purpose society in the beginning and started functioning from 21-9-1913.Later it was converted into Hosdurg Agricultural Credit Society with the objective of establishing efficient and continuous business with members. On 31-7-1953 the society was converted into Hosdurg Co operative Town Bank and on 18-5-1958 it was named as Hosdurg Co operative Bank and finally on 26-11-1962 it was transformed into Hosdurg Service Co operative Bank.

The society will celebrate its centenary in the next year. During 2000-01 and 2001-02 it has got the Best Performance Award by Kerala State Co operative Bank and in 2003-04, it won the State Level 1st prize by Kerala Co operative Societies association. It has four branches excluding the Head Office (21-9-1913), Padannakkad Branch (17.11.1980), Arangadi (25.03.1996), Kallooraavi (13.10.2002), Morning and Evening branch (05.02.2010)

2.2 OBJECTIVES OF THE BANK

1. To encourage among the members the spirit of economy, self sufficiency, thrift and co operation and to formulate and implement schemes for the same.
2. To grand Short term, Medium term and Long term loan under approved schemes to the members of the bank.
3. To collect and distribute improved manure and fertilizers, improved agricultural implements, insecticide etc for agricultural purposes and necessary materials for agriculture and home improvement and household use.
4. To sell out produce and industrial products through marketing societies or otherwise for advantage of members.
5. To formulate schemes of agricultural production for members and implement them.
6. To acquire or hire go downs for collecting and storing the produce of the members.
7. To give necessary help and co operation to members for growing new strains of seeds.
8. To afford facilities to members for making manure and compost either individually or collectively within the jurisdiction of the bank.
9. To purchase and store modern agricultural equipments for hiring them out to the members.
10. To improve the pedigree of domestic through stud-bulls rams and good species.
11. To sell seed, manure and agricultural implements as agent and recover their prices.
12. To acquire movable and immovable properly necessary for the activities of the bank.

13. To carry out works relating to irrigation of land conservancy with the permission of the registrar under special circumstances for the improvement of agriculture for the benefit of the members.
14. To collect fund required for carrying out the objects from individuals and institutions.
15. To do such other things this will be adductive to carry out all or any of the above mentioned objects.

2.3 MEMBERSHIP

The Supreme authority of a co-operative is vested with the general body which is constituted by its members. A person is admitted in a co-operative as a members as per the provisions in the Act, rules and byelaws. The Hosdurg Service Co-operative Bank has two types of members, 'A' class, 'C'class. The conditions applied and the value of shares is mentioned below.

Table 2.6 Membership Conditions and Value of Shares

Membership	Conditions	Value of shares
A class	• membership is allowed to the people residing within the area of operation of the bank	₹ 100
B class	• Membership is open to the State Government /State Co operative Bank/Central Co operative Bank	₹ 1000
C class	• C class members are nominal members and it is given to chit subscriber, jewel loan subscribers etc.	₹ 5

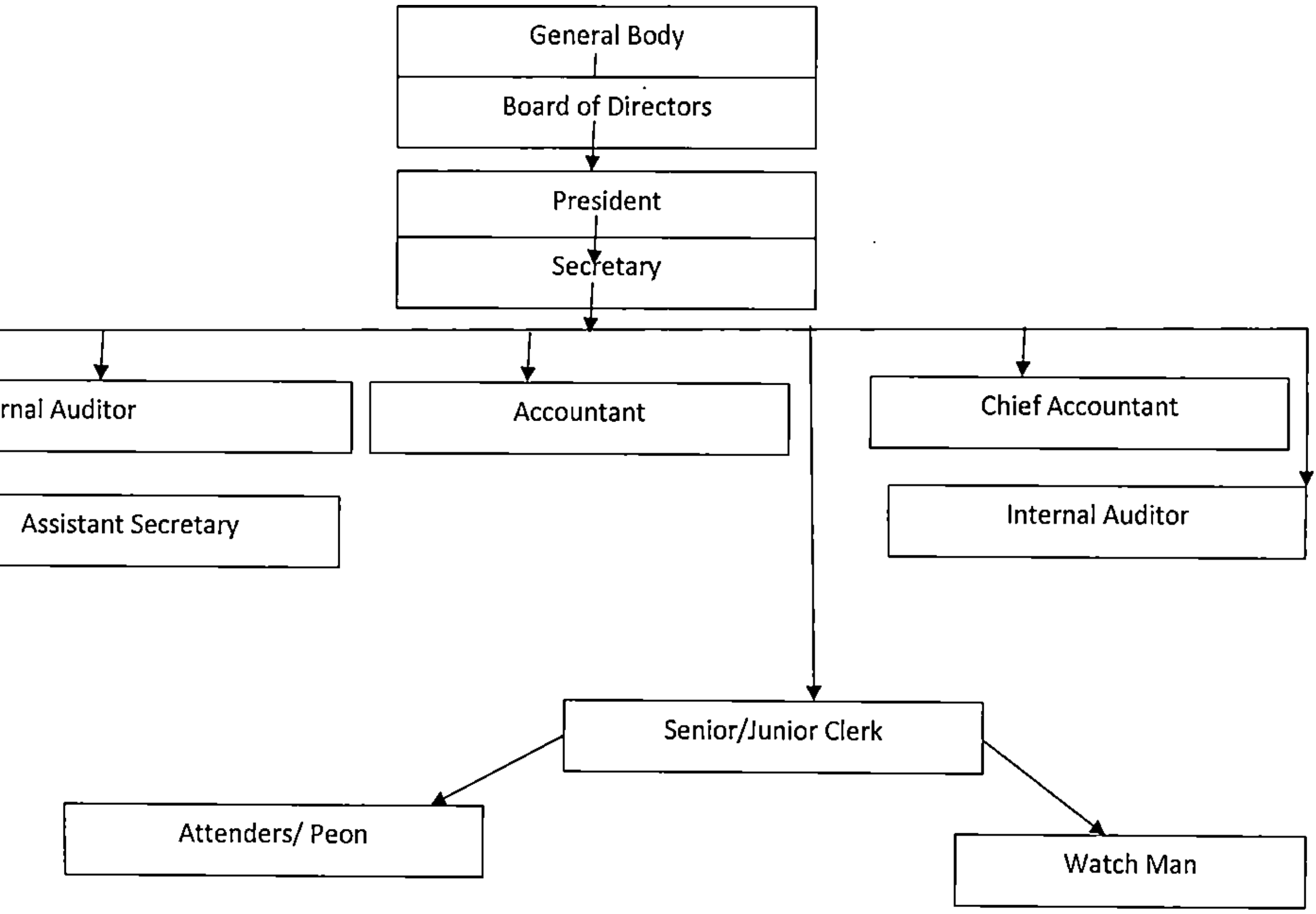
2.4 SHARE CAPITAL

The registered share capital of the bank for the present be ₹ 150, 00,000(rupees one crore fifty lakh only).There are three types of share namely 'A' class,'B'class and 'C'class shares. Share capital is made up of 146500 A class shares, 100 B class shares and 50000 C class share

2.5 MANAGEMENT

Like any other co operative organization HSCB Is also democratically managed. The management of the bank is vested with the Board of Directors of the bank consisting of nine members elected by the general body. Of the nine members one seat is reserved for women and one seat for SC/ST candidates. The tenure of the Board of Director is 5 years .The president is elected by the directors. The general manager is the chief executive officer of the bank who is assisted by managers, accountants, clerks and other staff members.

ORGANISATIONAL STRUCTURE



2.6 FUNDS

Necessary funds for the banks may be collected as follows:-

- Shares
- Loans and advances
- Contributions

- Special subscription
- Reserve fund and other funds.
- Undistributed profits.

2.7 DEPOSITS

The Board of Directors (BOD) may receive deposits from both members and non members at any time. In receiving deposits priority shall be given to mainly twelve kinds of deposits may be stated in the bank. They are

2.7.1 FIXED DEPOSIT (F.D)

F.D means depositing a fixed amount for a fixed period. F.D will not be accepted for an amount less than ₹ 100 or for a period less than the minimum period prescribed by the registrar from time to time.

2.7.2 RECURRING DEPOSIT (RD)

It is a deposit made by a person who undertakes to pay the bank every month a fixed amount of ₹ 5 or a multiple there of for a period of 12,24,36,48,60,72,84, or 96 months. The interest shall be paid at the rate of interest on fixed deposits, prescribed by the registrar from time to time

2.7.3 USUFRUCTURY DEPOSIT ON COCONUT TREE

A member or a non member can open an account with the bank an usufructuary deposit on coconut trees for the purpose of accumulating the deposits in his name. Each depositor shall give proof in writing to the bank to effect that he has done so. The produce from the usufructuary coconut trees shall be made over to the bank by the Board of Directors (BOD) after satisfying the depositor or his agent and the sales proceeds shall be credited to the account of the depositor.

2.7.4 SAVINGS BANK DEPOSIT (SB A/C)

Any person can open an SB A/C with the bank. The minimum amount that a person shall hold in the account be ₹ 100/- and the maximum that can be received from a depositor in any one year shall be ₹ 500000/-.

2.7.5 CURRENT ACCOUNT DEPOSIT

The BOD may permit any person to open a current A/C with the bank. The current A/c may be opened for a sum of not less than ₹ 500.No Interest is provided for current account.

2.7.6 HOME SAFE DEPOSIT

A home safe deposit is a deposit made by a person who under takes to deposit at his convenience In a home safe any amount that he can spare and pay the contents there of into the bank every month for a period of 12 months.

2.7.8 DAY DEPOSIT

Deposit made by a person who undertakes to pay the bank daily a fixed sum of ₹ 0.25,0.50 or its multiples for a period of one years, two years, three years.

2.7.9 CHIT FUND

On an application of ten or more members the BOD may start and conduct chit fund for that purpose subject to the following conditions

- The number of members of a single chit fund be not less than ten and not more than fifty
- The total amount of any chit fund shall not be more than ₹ 5000
- The BOD shall have full discretion in the maters of obtaining security from members to when the chit amount is allotted.

2.7.10 MEMBERS PROVIDENT FUND DEPOSIT

- Only A class members are allowed to open provident fund account
- The minimum contribution to this account shall be ₹ 5/per month.
- The member has the option to close the account at any time during the life period of his/her membership.
- Loans on the security of this deposit shall be given equal to 50% of the amount of deposit outstanding to the credit of the member for a period of one year and interest shall be charged 2% above the deposit interest rate.

- **2.7.11 CASH CERTIFICATE**
- This certificate is known as "The Hosdurg Service Co operative Bank Cash Certificate"
- The period of the certificate will range from 10 to 15 years in term of complete year.
- Cash certificate are available in denomination of ₹1000/-only.
- The secretary is authorized to issue the certificate only on receipt of the full face value.

2.7.12 ATHULYA DEPOSIT

The period of deposit will be above sixty months and it shall be fixed by the BOD from time to time subject to the variation in interest rates. Double the amount deposited will be paid to the depositors on the maturity, including interest.

2.7.13 MUTUAL BENEFIT FUND DEPOSIT

On an application of 25 or more members, the BOD may start and conduct mutual benefit deposits to secure savings and for the operation of this deposit frame necessary subsidiary rules with prior approval of the registrar.

2.8 LOANS

The various loans offered by the banks are

2.8.1 SHORT TERM LOANS

This loan shall be granted only to agricultural members At the beginning of each co operative year the body shall prepare a production plan for each member and determine the average agricultural expenses required per acre of each variety of crops. The loans are used for purchase of seeds manures and agricultural implements and other cultivation expenses.

2.8.2 MEDIUM TERM LOAN

It may be given for the purpose of Draught Cattle, Milch Cattle and implements for improving immovable property besides Medium term loans may also be given by the bank for purchase of house hold articles and other purpose according to the directions issued by the register from time to time for the purpose.

2.8.3 LONG TERM LOAN

- To purchase pump set and construct house for agricultural purposes.
- Digging new wells and tanks for irrigation purpose.
- Installation of bio gas plant

2.8.4 SECURED LOAN

Granted to members on the following securities

- On the security of Fixed Deposit of the borrower –such loan shall not exceed 90% of the fixed deposit.
- On pledging Government securities, Promissory notes and Debentures of central land mortgage bank-amount granted up to 90 per cent of the market value of these documents.

2.8.5 ORDINARY LOANS

Ordinary loans for non-agricultural purposes of the members repayable within a period of 18 months at the latest may be granted.

2.9 ACTIVITIES OF THE BANK

The major activities of the bank are classified into deposit mobilization and loan disbursement, which are discussed in the following paragraphs.

2.9.1 DEPOSIT MOBILISATION

Collecting deposits is one of the most important functions of a bank. The bank is raising fund through various schemes of time and demand deposits. It also accepting the deposit through NRE accounts. Various types of deposits and their interest rate is presented in Table 2.7

Table 2.7 Deposits and Interest Rate of the Bank as on 15-9-2011

Types of deposit	Interest rates	
1.Fixed Deposit	Ordinary	Senior citizen
14 days to 45 days	7.5 %	8 %
46 days to 90 days	9 %	9.5 %
91 days to 179 days	9.50 %	10.50 %
180 days to 365 days	9.75 %	10.25 %
365 days and above	10.50 %	11 %
2.Savings Deposit	4 %	5 %
3.Recurring Deposit	11 %	11.25%
3.Current Account	Nil	Nil

2.9.2 LOAN DISBURSEMENT

The most important function of a bank is lending money to the public, charging a specific rate of interest. HSCB operates various types of loan schemes for satisfying the credit needs of the people from time to time. Major loan schemes and their terms and conditions are in Table 2.3.Total over due position of bank as on 2010-2011 was ₹ 932.83 lakhs. The percentage of over due to demand was 8.1 per cent and over due to outstanding was 13.18 per cent as on 2010-11

2.10 NON BANKING ACTIVITIES

The bank under take non banking activities likes,

2.10.1 Sale of consumer goods

Bank sell consumer goods occasionally during the time of Onam, Christmas, Bakrid etc.The main intention behind this is to regulate price fluctuations in the market so to provide quality goods to the consumer at reasonable price. Sales proceeds of goods amounted ₹ 3.621 lakhs during 2010-11.

2.10.2 Fertilizers

In order to promote agriculture in the area of operation of the bank HSCB provide fertilizers to the agriculturist at a subsidized rate. Bank run fertilizer Depots for the same and sales amounted to ₹ 3429.70 lakhs during 2010-11

Table 2.8 Details of various loan scheme of HSCB Ltd

Sl. No	Loan Scheme	purpose	Maximum loan amount	Period	Interest rate	Security
1	Surety loan	All purpose	Up to ₹ 25000	Up to One year	15%	Two personnel security
2	Jewel loan	Agriculture, Productive, consumption	Up to ₹ 5 lakhs	Up to Six months	13%	Gold
3	Self employment loan	Employment	Up to 80% of the project	Up to 5 years	14%	Hypothecation + two personal security
4	Mortgage loan	All purpose	Up to ₹ 5 lakhs	Up to	15%	property
5	Vehicle	vehicle	80% of the property	Up to 5 years	15%	Land + Two personal security
6	O.D to members	Business	Up to ₹ 10 lakhs	Up to 1 Year	16%	Land + Two personal security
7	Milch animal loan	Purchase of domestic animal	Up to 80% of the property	Up to 1 Year	11%	Land + Two personal security
8	Mangalya soothra	Marriage	Up to ₹ 25000	Up to 1 year	5%	Two personal security

2.11 PERFORMANCE OF BANK

The important performance indicators of the bank foe the last 10 years from 2001-02 to 2010-11 is consolidated in the Table

Table 2.9 Important Performance Indicators of HSCB Ltd

(In ₹ lakhs)

Year	Membership	Share Capital	Statutory Reserve	Deposits	Loans and advances	Working capital	Net profit/loss
2001-02	47177	81.68	138.52	2378.32	2187.77	2587.35	42.80
2002-03	47983	99.86	160.64	2678.68	2505.24	2933.70	48.82
2003-04	49312	113.26	184.96	2993.42	2820.23	3283.87	50.31
2004-05	50154	114.91	205.75	3472.58	3279.65	3762.02	51.90
2005-06	50990	116.29	204.65	4066.05	3621.21	4299.65	55.33
2006-07	51760	118.79	251.58	4498.08	4086.15	4783.94	57.82
2007-08	52576	121.70	274.11	5135.40	4471.24	5437.96	61.54
2008-09	18347	124.94	300.48	6231.13	4742.41	6528.95	62.69
2009-10	18909	126.99	326.32	7525.31	5869.20	7847.40	77.90
2010-11	19541	130.29	365.10	8510.01	7076.68	8890.57	53.53

Audited Annual Report of HSCB Ltd from 2001-02 to 2010-11

2.10.1 MEMBERSHIP

Membership of the bank is considered as an important indicator which reflects coverage of the bank. It increased from 47177 in 2001-02 to 52577 in 2007-08, shows a growth rate of 11.44 per cent. The membership declined from52577 in 2007-08 to 19541 in 2010-11, showed a growth rate of -62.83 per cent. The main reason behind this is during 2007-2008' C' class membership fees was increased from ₹ 1 to ₹ 5.Due to this reason some of the 'C 'class members were removed from membership.

Table 2.10 Membership Position of HSCB Ltd

Year	A Class	B Class	Total	Growth Index
2001-02	8715	38462	47177	100
2002-03	8925	39031	47983	101.70
2003-04	9779	39533	49312	102.76
2004-05	10253	39901	50154	101.70
2005-06	10700	40290	50990	101.66
2006-07	11046	40714	51760	101.51
2007-08	11495	41081	52576	101.57
2008-09	12150	6197	18347	34.89
2009-10	12346	6563	18909	103.06
2010-11	12481	7060	19541	103.34

Audited Annual Report of HSCB Ltd from 2001-02 to 2010-11

2.11.2 SHARE CAPITAL

The Share Capital of the bank increased from ₹ 81.68 lakhs in 2001-02 to ₹ 130.29 lakhs during the study period. The Share Capital increased by 59.51 per cent. When we compare the growth of Share Capital with that of the membership, the growth of Share Capital out performed membership growth.

Table 2.11 Share Capital of HSCB Ltd

Year	A Class	C Class	Total	Growth Index
2001-02	81.43	.25	81.68	100
2002-03	99.58	.27	99.86	122.25
2003-04	112.96	.30	113.26	113.42
2004-05	114.59	.32	114.91	101.45
2005-06	115.94	.34	116.29	101.19
2006-07	118.42	.36	118.79	102.14
2007-08	121.32	.38	121.70	102.45
2008-09	124.63	.30	124.94	102.66
2009-10	126.66	.32	126.99	101.64
2010-11	129.94	.35	130.29	102.60

Audited Annual Report of HSCB Ltd from 2001-02 to 2010-11

2.12.3 RESERVE

Reserve fund consist of both statutory and non statutory reserves. The major items of reserve fund includes Bad Reserve, Credit Stabilization Fund, Common Good Fund, Building Fund etc.The Total Reserve fund of the bank stood at ₹ 365.108 lakhs as on 2010-2011,which increased from ₹ 138.521 lakhs in 2001-02 with a growth rate of 163.57 per cent.

2.12.4 BORROWINGS

During the study period HSCB has no borrowings. This indicates indicate that the bank is sufficient in catering its financial needs by its own fund and deposits.

2.12.5 DEPOSIT

The bank provide various kind of deposit facilities viz.,C urrent Account, Savings account, Fixed Deposit account, to its members as well as the public. The bank enjoys comfortable deposits. It stood at ₹ 8510.01 Lakhs in 2010-11, which increased from ₹ 2378.32 Lakhs in 2001-02.The deposit accounted a growth rate of 257.81 per cent. The analysis of deposit mix revealed that Fixed deposit account (78.43 per cent) constituted highest share followed by Savings Account (17.44 per cent). The Current (0.024 per cent) and Recurring accounted (.08 per cent) only a marginal share.

Table 2.12 Growth of Deposit of HSCB Ltd

(In ₹ lakhs)

Year	Athulya	Fixed Deposit	Recurring	Curren t	Savings	Day Deposit	Other Deposit
2001-02	401.69	1471.83	19.03	2.20	353.08	25.34	1589.21
2002-03	345.04	1715.13	19.03	1.49	453.02	30.82	1597.09
2003-04	283.37	2013.69	20.20	0.22	522.22	30.72	1606.56
2004-05	223.53	2429.06	21.01	4.51	623.89	41.66	1611.89
2005-06	174.78	2998.36	20.17	0.41	679.91	55.30	1620.07
2006-07	112.80	3395.27	24.76	11.10	793.48	26.53	1627.99
2007-08	44.18	4049.70	29.45	2.94	829.90	26.22	1635.97
2008-09	1.505	4892.97	41.50	9.07	1082.22	40.90	1645.92
2009-10	.0550	5950.79	55.68	1.65	1266.28	78.20	1655.61
2010-11		7674.94	70.07	2.10	1484.16	95.34	183.36

Audited Annual Report of HSCB Ltd from 2001-02 to 2010-11

2.12.6 Loans and Advances

The bank operates various types of loan scheme for satisfying the credit needs of its members as well as the public from time to time. The major loan scheme of the bank consists of Surety loan, Jewel loan, Self Employment loan. Domestic loan, Mortgage loan, Vehicle loan and Over Draft to members. The total Loans and Advances of the bank stood at ₹ 7076.68 Lakhs during 2010-11.Analysis of the loan mix showed that short term non agricultural loan (44.60 per cent) accounted the highest share followed by Jewel loan (25.18 per cent). The loan and advances showed a growth rate of 223.46 per cent over the study period.

Table 2.13 Loan Mix of HSCB Ltd

Sl No	Type of Loan	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1.	Surety loan	issued	745.24	771.43	708.36	656.97	586.12
		Outstanding	928.11	967.83	958.64	9282.10	376.93
		Over due	208.31	236.04	284.68	302.42	313.07
2.	Jewell loan	issued	2251.20	2764.35	3123.69	4129.87	6259.64
		Outstanding	904.50	1075.85	1202.98	1781.96	2595.87
		Over due	67.01	59.42	87.59	107.59	133.03
3.	Self Employment	issued	.21	.58	.19	.16	3.47
		Outstanding	.87	1.83	.49	.58	2.74
		Over due	.10	.19	.03	.04	.05

4.	Domestic Loan	issued	7.99	4.14	3.25	1.21	2.72
		Outstanding	18.62	14.65	10.50	6.49	6.00
		Over due	1.64	1.72	1.25	1.36	1.22
5.	Mortgage Loan	issued	148.52	171.99	134.14	174.70	29.78
		Outstanding	328.06	350.93	338.65	362.98	499.81
		Over due	39.48	30.74	31.99	36.55	45.50
6.	Over draft	issued	1942.34	2214.40	2500.91	2590.15	3199.37
		Outstanding	1728.88	1842.86	1939.27	2110.08	2575.72
		Over due	303.20	301.20	297.59	334.96	392.14
7.	Agricultural Loan	issued	185.56	251.34	411.84	927.89	907.63
		Outstanding	98.35	122.19	202.53	542.55	375.96
		Over due	7.01	9.31	13.15	21.08	24.20
8.	Milch Loan	issued				.1500	
		Outstanding				.1500	.10
		Over due					
9.	Mangalya suthra loan	issued				.20000	
		Outstanding				.20000	
		Over due					
10.	Other Loan	issued	232.79	250.23	244.35	352.15	403.41
		Outstanding	78.23	95.07	89.31	135.95	143.51
		Over due		9.32	24.22	18.11	23.60

Audited Annual Report of HSCB Ltd from 2001-02 to 2010-11

2.12.7 Working Capital

Working capital (also known as net working capital) is a financial metric which represents the amount of day-by-day operating liquidity available to a business or the total funds available to carry out its core activities. Along with fixed assets such as plant and equipment, working capital is considered a part of operating capital. It consists of share capital, reserves, deposits and borrowings. The working capital of the bank stood at ₹ 8890.57 Lakhs during 2010-2011 which increased from ₹ 2587.34 Lakhs in 2001-2002.The total working capital showed a growth rate of 243.61per cent

2.12.8 Net Profit

The Net Profit of the bank was ₹.53.53 Lakhs during 2010-11.The bank was running on profit during the study periods. During 2010-2011 there shows a slight reduction in the profit as compared with past years. The total profit shows a growth rate of 25.07 per cent.

CONCLUSION

The Hosdurg Service Co operative Bank Ltd is located in Hosdurg thaluk of Kasaragod district. Majority of the population in Hosdurg and Kanhangad villages are agriculturist and the main cultivation of this villages are Coconut, Arecanut, Paddy, and Vegetables. This 100 years old Hosdurg Service Co operative renders the credit requirements of its valuable members and promotes the development of the villages. The credit requirements of the members are met by various loan scheme like Agriculture Loan, surety loan, Jewell Loan, Self Employment Loan, Domestic Loan, Mortgage Loan etc.The loan disbursed by the banks has increased thrice during the study period (increased from ₹ 2187.77 lakhs in 2001-02 to ₹ 7076.68 in 2010-11).The deposit mobilized by the bank as on 2010-11 was ₹ 8510.01 lakhs which shows the trust of people in Hosdurg Service Co operative Bank.

Apart from the Credit requirements bank also engaged in controlling the price fluctuation during festival season by operating chanthas.The Fertilizer requirements of the farmers are met by operating various depots throughout its area of operation of the bank. Even now the commercial banks operating in Kanhangad and Hosdurg villages are not able to compete with this year old experienced Hosdurg Service Co operative Bank.

ANALYSIS

CHAPTER 3

FUNDS MANAGEMENT IN HOSDURG SERVICE CO OPERATIVE BANK LTD NO.1064

Introduction

The financial soundness of an organization can be evaluated by analyzing and interpreting financial statements such as Receipts and Disbursement, Profit and Loss Account and Balance sheet. The analysis and interpretation of financial statement are generally aimed at determining the financial position of the firm.

The relationship between two variables expressed mathematically is called ratio. Ratio analysis is the process of determining and interpretation of various ratios for helping managerial decisions. While analyzing the financial health of an institution ratio analysis plays a critical role. A financial institution should properly plan its resources in order to retain flexibility in its operations. Flexibility is essentially the spread between the cost incurred for mobilizing the resources and the income generated through deployment, which is essentially for its survival and growth.

Funds management is attempted by applying the ratio analysis. For the purpose of analysis the ratio are grouped into four categories viz; ratios reflecting efficiency in mobilization of funds. Efficiency in Deployment of funds, Efficiency in Operation and Other ratios. Other ratio includes Overdue to Demand, Liquid Asset to Working Capital, Demand Deposit to Term Deposit ratios etc. This ratio is important because this gives exact profitability position of the bank

3.1 Analysis of Mobilization of Funds

For the efficient functioning of an organization adequate funds are required. Hence an analysis of the efficiency in the Mobilization of Funds by Hosdurg Service Co operative Bank is attempted for the purpose of analysis.

- Owned Fund to Working Capital Ratio
- Borrowed fund to Working Capital Ratio
- Deposit to Total Borrowed Fund Ratio
- Debt Equity Ratio

3.1.1 Owned Fund to Net Working Capital Ratio

This ratio reveals the share of Owned Funds in the Net Working capital of the bank. Since Owned Funds are interest free funds, a higher ratio is preferred in order to minimize the cost of Total Funds. A higher ratio may reflect strong capital base of the bank if the ratio of Equity to Owned Fund is high. The ratio is computed by using the formula

$$\text{Owned funds to Net Working Capital Ratio} = \frac{\text{Owned Funds}}{\text{Net Working Capital}} \times 100$$

An Owned Funds of the bank includes Share Capital and Reserves. The Gross Working Capital includes Share Capital, reserves, Deposits and Borrowings. The Net Working Capital includes Share Capital, Reserves, Deposits and Borrowings less Investment in Fixed Asset.

Table 3.1 Owned Funds to Working Capital

(In ₹ lakhs)

Year	Total Owned Fund	Net Working Capital	Ratio
2001-02	220.20	2587.35	8.51
2002-03	260.50	2933.70	8.87
2003-04	298.23	3283.87	9.08
2004-05	320.67	3762.02	8.52
2005-06	320.94	4299.65	7.46
2006-07	370.37	4783.94	7.74
2007-08	395.81	5437.96	7.27
2008-09	425.42	6528.95	6.51
2009-10	453.31	7847.409	5.77
2010-11	495.40	8890.57	5.57

Audited Annual Report of HSCB Ltd from 2001-02 to 2010-1

Figure 3.1 Owned Funds to Working Capital Ratio

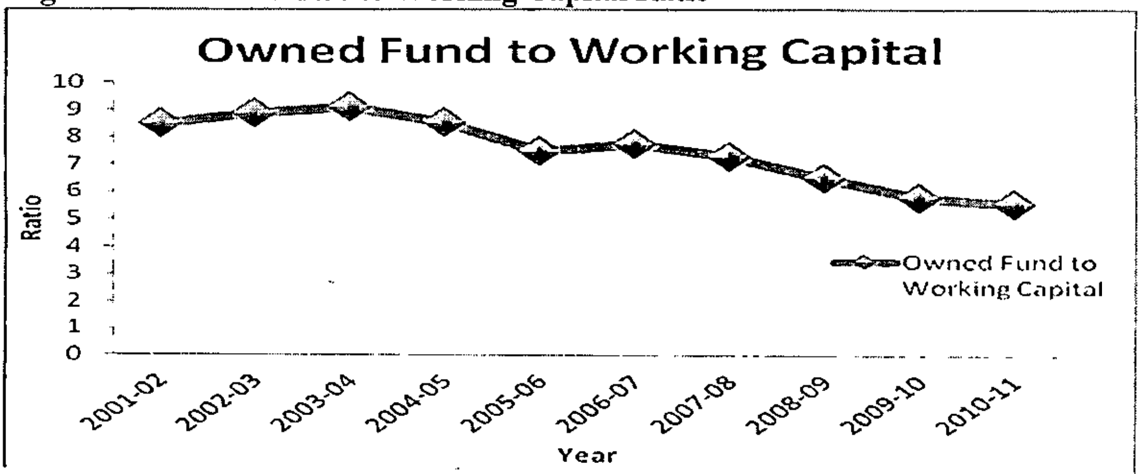


Table 3.2 Composition of Working Capital

(In ₹ lakhs)

Year	Share Capital (a)	Reserves (b)	Owned Funds (a+b=c)	Deposit (d)	Total Borrowings (d=e)	Depreciati-on Fund (f)	Gross Working Capital (g=f+e+c)	Fixed Asset (h)	Net working Capital (i=g-h)
2001-02	81.68	138.52	220.20	2378.32	2378.32	37.57	2636.10	48.75	2587.35
2002-03	99.86	160.64	260.50	2678.68	2678.68	48.77	2987.96	54.25	2933.70
2003-04	113.26	184.96	298.23	2993.42	2993.42	49.45	3341.11	57.24	3283.87
2004-05	114.91	205.75	320.67	3472.58	3472.58	49.55	3842.81	80.78	3762.02
2005-06	116.29	204.65	320.94	4066.05	4066.05	52.96	4439.96	140.31	4299.65
2006-07	118.79	251.58	370.37	4498.08	4498.08	56.27	4924.73	140.79	4783.94
2007-08	121.70	274.11	395.81	5135.40	5135.40	59.68	5590.91	152.94	5437.96
2008-09	124.94	300.48	425.42	6231.13	6231.13	51.75	6708.31	179.36	6528.95
2009-10	126.99	326.32	453.31	7525.31	7525.31	61.13	8039.75	192.35	7847.40
2010-11	130.29	365.10	495.40	8510.01	8510.01	69.65	9075.07	184.50	8890.57

Audited Annual Report of HSCB Ltd from 2001-02 to 20111

Table 3.1 and Figure 3.1 shows that the Owned Funds ratio declined from 8.51 per cent in 2001-2002 to 5.57 per cent in 2010-2011 although with year to year to year fluctuations. It represents a negative impact on Capital base of the bank. A long with the decline in the Owned Funds to Working Capital ratio, the Owned Funds and Working Capital increases from year to year. The share of Owned Funds has increased from Rs. 220.2073 lakhs in 2001-2002 to ₹ 495.40 lakhs in 2010-2011 and the Working Capital has increased from ₹ 2587.35032 in 2001-2002 to ₹ 8890.57 lakhs in 2010-2011.The fluctuations in Reserves was the chief factor contributing to annual variations in Owned Funds ratio. From 2007-08 to 2010-11 Owned Funds to Working Capital shows a declining trend, the main reason behind this is due to the repayment and closing down of Athulya Deposit scheme.

3.1.2 Borrowed Funds to Working Capital

Borrowed Fund to Working Capital ratio measures the proportion of Borrowed Funds in the Working Capital of the bank. A very high ratio will increase the banks average cost of funds, hence a lower ratio is always preferable. The ratio is worked out by using the formula

$$\text{Borrowed Fund to Working Capital} = \frac{\text{Borrowed fund}}{\text{Net Working Capital}} \times 100$$

The Borrowed Funds of the bank include Deposit and Borrowings from members, non members and District Co operative Banks (DCB).Over the last ten years HSCB has no Borrowings from DCB or from Government.Net working capital of the bank includes Share Capital, Reserves, Deposits and Borrowings less Investment in Fixed Asset.

Table 3.3 Total Borrowed Fund to Working Capital Ratio

(In ₹ lakhs)

Year	Total Borrowings	Net Working Capital	Ratio
2001-02	2378.32	2587.35	91.92
2002-03	2678.68	2933.70	91.30
2003-04	2993.42	3283.87	91.15
2004-05	3472.58	3762.02	92.30
2005-06	4066.05	4299.65	94.56
2006-07	4498.08	4783.94	94.02
2007-08	5135.40	5437.96	94.43
2008-09	6231.13	6528.95	95.43
2009-10	7525.31	7847.409	95.89
2010-11	8510.01	8890.57	95.71

Audited Annual Report of HSCB Ltd from 2001-02 to 2010-11

Figure 3.2 Total Borrowed Fund to Working Capital Ratio .

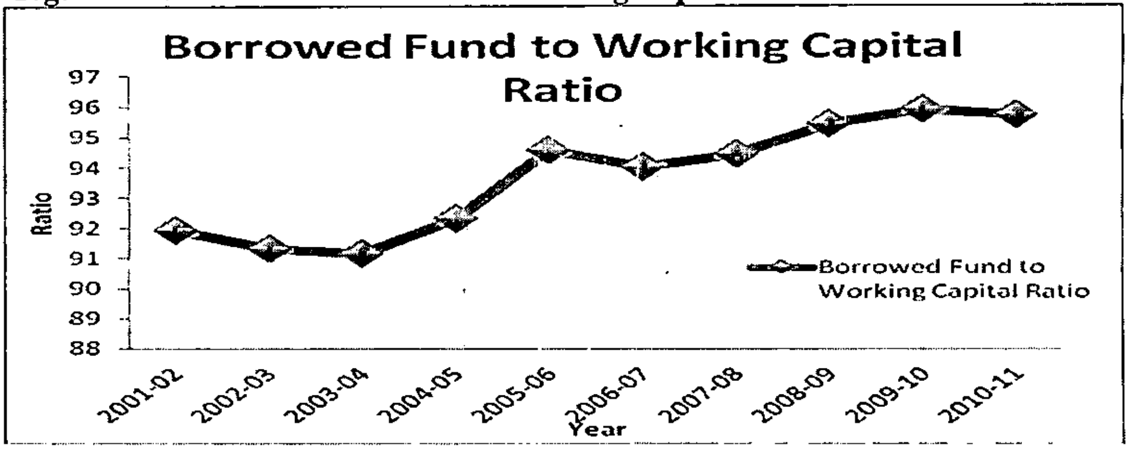


Table No.3.2 Figure 3.2 Shows a high borrowed fund ratio which has gone up marginally from 91.92 per cent in 2001-2002 to 95.71 per cent in 2010-2011.In fact since 2002-03 and 2003-04 showed a slight reduction in the ratio. This is not a desirable situation as it reflects heavy dependence on Borrowed Funds. This has tremendous implication on the cost of funds and bank has to plan strategies for minimizing the average cost of funds. The Working Capital and Total Borrowed Funds of the bank increased three times during the study period.

3.1.3 Ratio of Deposit to Total Borrowed Funds

Ratio measure the efficiency of the organization in mobilizing funds locally on its own strength. The ratio is computed using the following formula.

$$\text{Deposit to Total Borrowed Funds Ratio} = \frac{\text{Deposit}}{\text{Total Borrowed Fund}} \times 100$$

Total Borrowed Funds include both deposit and other forms of Borrowings. Deposit constitutes funds mobilized through Savings Deposit, Fixed Deposit, Recurring Deposit, Day Deposit, Athulya Deposit, Current Deposit etc

Table 3.4 Ratio of Deposit to Total Borrowed Funds Ratio

(In ₹ lakhs

Year	Deposit	Total Borrowing	Ratio
2001-02	2378.32	2378.32	100
2002-03	2678.68	2678.68	100
2003-04	2993.42	2993.42	100
2004-05	3472.58	3472.58	100
2005-06	4066.05	4066.05	100
2006-07	4498.08	4498.08	100
2007-08	5135.40	5135.40	100
2008-09	6231.13	6231.13	100
2009-10	7525.31	7525.31	100
2010-11	8510.01	8510.01	100

Audited Annual Report of HSCB Ltd from 2001-02 to 2010-11

Figure 3.3 Ratio of Deposit to Total Borrowed Funds Ratio

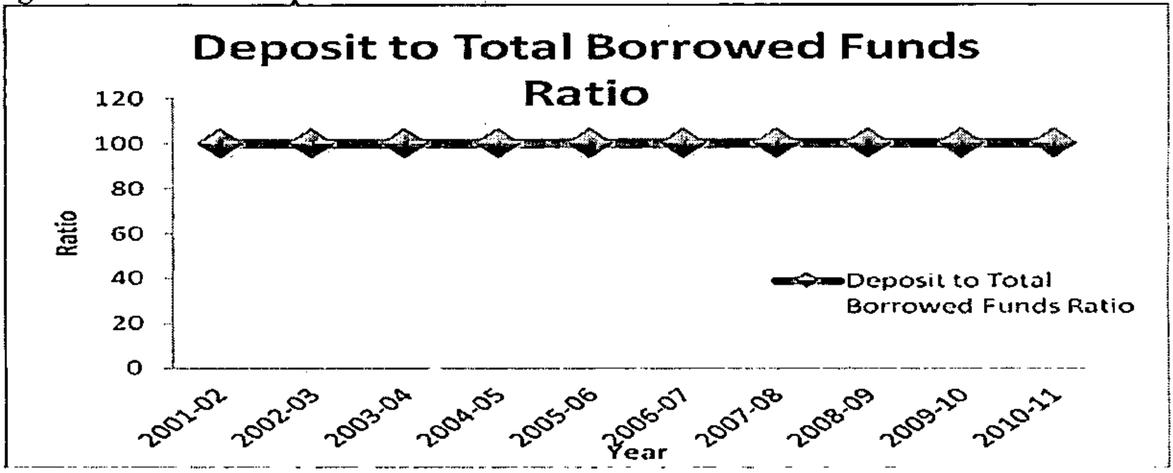


Table 3.3 Figure 3.2 shows that the Deposit to Total Borrowed Funds ratio is (100 per cent) stable during the study period. This indicates the strength and efficiency of HSCB in Mobilization of Deposit. Funds requirement of HSBC is fully satisfied with Deposit Mobilization, this reduce use of Borrowed Funds. Here Total Borrowings are equal to Deposits.

3.1.4 Debt Equity Ratios

It represents the ratio of Borrowings to Owned funds. The optimum contribution of Debt to Equity varies according to the type of organization. While in manufacturing concern the ratio may be 2:1, in banking organization as in the case of PACS the ratio may be as high as 10:1.As far as PACS are concerned owned fund has two components viz., share capital and Reserves, Also the debt of PACS include outside borrowings and deposits, Therefore two alternative versions of debt equity is considered (1) conventional Debt Equity Ratio (2) Debt / Owned Fund.

$$\text{Debt Equity Ratio} = \frac{\text{Debt}}{\text{Equity}} \text{ x } 100$$

Debt Funds of the bank include Deposit and Borrowings and Equity Funds includes Share Capital and Reserve Funds of HSCB Ltd.

Figure 3.4 Debt equity Ratios

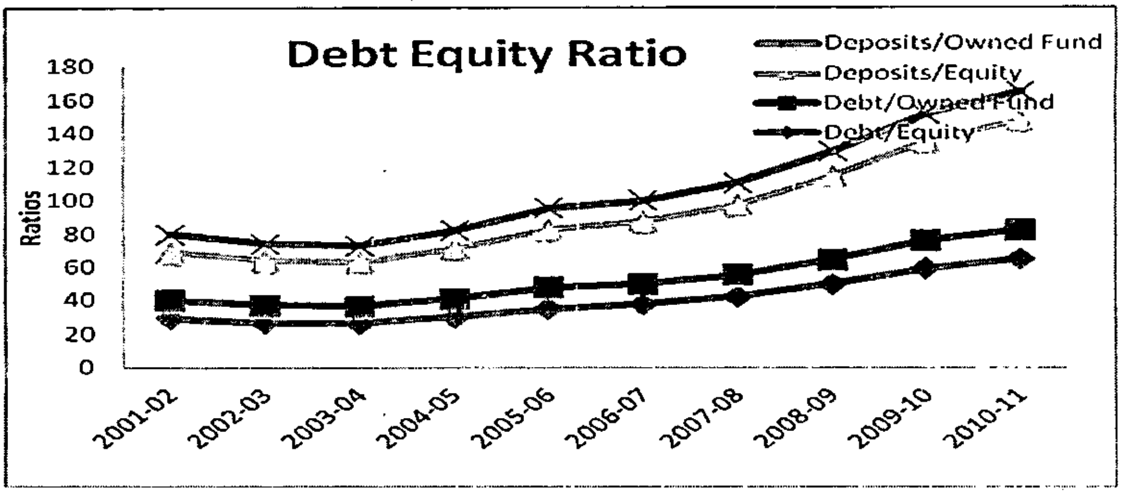


Table No.3.4 Figure 3.2 reveals that the Debt Equity ratio has been steadily increasing from 29.11 per cent to 65.31 per cent during the study period. This shows that the capital base of the bank is weak in contract to the debt position.

The Debt to Owned Funds ratio went up from 10.80 per cent in 2001-02 to 17.17 per cent in 2010-11.All these ratio indicates the unsatisfactory Capital base of the bank, in relation to its external liabilities. The bank has to make special efforts to enhance its owned funds in order to reduce the cost of fund.

Table 3.5 Debt Equity ratio

(In ₹ lakhs)

Year	Debt	Deposits	Equity	Owned Fund	Debt/ Equity	Debt/ Owned Fund	Deposits/ Equity	Deposits/ Owned Fund
2001-02	2378.32	2378.32	81.68	220.20	29.11	10.80	29.11	10.80
2002-03	2678.68	2678.68	99.86	260.50	26.82	10.28	26.82	10.28
2003-04	2993.42	2993.42	113.26	298.23	26.42	10.03	26.42	10.03
2004-05	3472.58	3472.58	114.91	320.67	30.21	10.82	30.21	10.82
2005-06	4066.05	4066.05	116.29	320.94	34.96	12.66	34.96	12.66
2006-07	4498.08	4498.08	118.79	370.37	37.86	12.14	37.86	12.14
2007-08	5135.40	5135.40	121.70	395.81	42.19	12.97	42.19	12.97
2008-09	6231.13	6231.13	124.94	425.42	49.87	14.64	49.87	14.64
2009-10	7525.31	7525.31	126.99	453.31	59.25	16.60	59.25	16.60
2010-11	8510.01	8510.01	130.29	495.40	65.31	17.17	65.31	17.17

Audited Annual Report of HSCB Ltd from 2001-02 to 2010-11

3.2 Efficiency in Deployment of Funds

In order to attain the efficiency in the deployment of resources, the bank has to consider the factors like Liquidity, Profitability and Safty.The entire funds mobilized by the bank are not available for deployment. A part of this is locked up by the bank in the form of investment in Fixed Assets. While a lower level of liquidity enhances the rate of return through more advances, it also adds to the liquidity risk of the bank and vice versa. Hence the bank should try to optimize its efficiency by minimizing the risk and maximize the return.

The efficiency of the HSCB in the case of deployment of fund is examined in respect of the following ratios.

- Credit to Net Working Capital Ratio
- Credit to Borrowed Fund
- Credit to Deposit Ratio
- Credit to Owned Fund Ratio
- Credit to Total Fund Ratio
- Investment to Net Working Capital Ratio

3.2.1Credit to Net Working Capital Ratio

Credit to working capital ratio indicates the efficiency of conversion of Working Funds into Credit. A higher ratio will mean large volume of credit to members from the Working Capital. It is always desirable for a bank to attain a higher ratio. The ratio is computed using the following.

$$\text{Credit to Net working Capital ratio} = \frac{\text{Credit}}{\text{Net Working Capital}} \times 100$$

Credit includes Loans and Advances of HSCB Ltd and the Net Working capital includes Share Capital, Reserves, Deposits and Borrowings less Investment in Fixed Asset.

Table No.3.6 Credit to Working Capital Ratio

(In lakhs)

Year	Credit	Net Working Fund	Ratio
2001-02	2187.77	2587.35	84.55
2002-03	2505.24	2933.70	85.39
2003-04	2820.23	3283.87	85.88
2004-05	3279.65	3762.02	87.17
2005-06	3621.21	4299.65	84.22
2006-07	4086.15	4783.94	85.41
2007-08	4471.24	5437.96	82.22
2008-09	4742.41	6528.95	72.63
2009-10	5869.20	7847.40	74.79
2010-11	7076.68	8890.57	79.59

Audited Annual Report of HSCB Ltd from 2001-02 to 2010-11

Figure 3.5 Credit to Working Capital Ratio

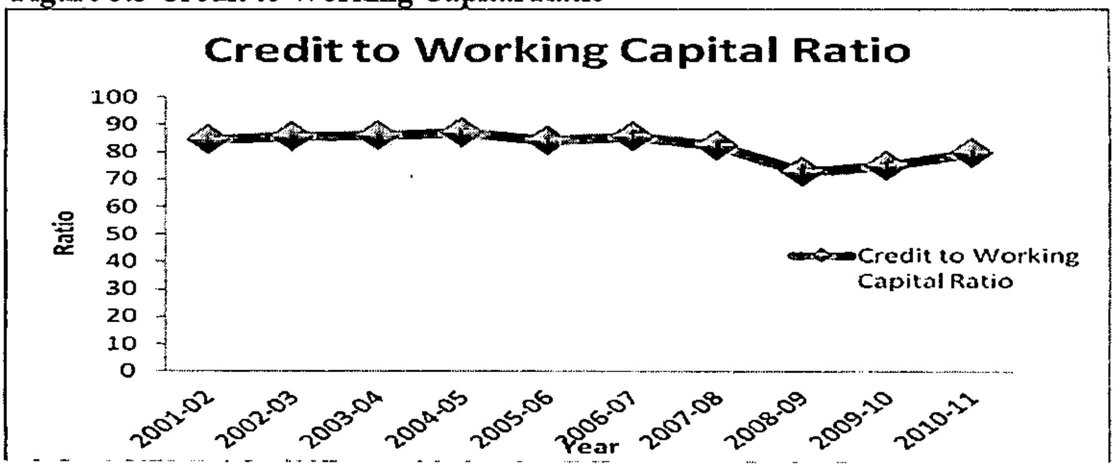


Table 3.5 Figure 3.5 shows that, during 2001-02 to 2010-11 the Credit to Working Capital ratio of the bank has shown slight fluctuating trend. The ratio was highest during 2004-05.A minimum of more than 72 per cent of the Working Capital is utilized for loans and advances. The declining trend was not a good sign.The bank has to utilize its resources efficiently in order to attain more profit.

3.2.2 Credit to Borrowed Fund Ratio

Credit to Borrowed funds ratio reveals the measure of the efficiency and strength of the bank in converting the Borrowed Funds into Credit. A higher ratio indicates greater effectiveness in the deployment of funds. The ratio is calculated as;

$$\text{Credit to Borrowed Funds Ratio} = \frac{\text{Credit}}{\text{Borrowed Funds}} \times 100$$

A Credit fund includes Loans and Advances of HSCB Ltd and Borrowed Funds constitute Deposit and Borrowings.

Table 3.7 Credit to Borrowed Fund

(In ₹ lakhs)

Year	Credit	Borrowed Fund	Ratio
2001-02	2187.77	2378.32	91.98
2002-03	2505.24	2678.68	93.52
2003-04	2820.23	2993.42	94.21
2004-05	3279.65	3472.58	94.44
2005-06	3621.21	4066.05	89.05
2006-07	4086.15	4498.08	90.84
2007-08	4471.24	5135.40	87.06
2008-09	4742.41	6231.13	76.10
2009-10	5869.20	7525.31	77.99
2010-11	7076.68	8510.01	83.15

Audited Annual Report of HSCB Ltd from 2001-02 to 2010-11

Figure 3.6 Credit to Borrowed Funds Ratio

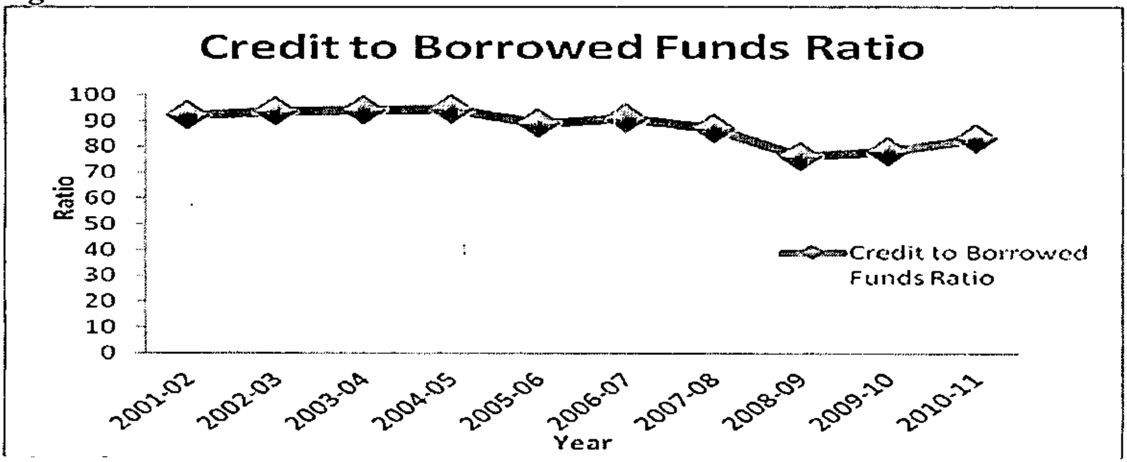


Table 3.6 Figure 3.6 Credit to Borrowed funds ratio has been increasing over the years in spite of year to year fluctuations. More than 76 per cent of the Borrowed Funds was deployed as Loans and Advances. The ratio was highest during 2004-05.During 2007-08 to 2010-11 closure of Athulya Deposit scheme of HSCB Ltd influence the Credit to Working Capital ratio to bring down.

3.2.3 Credit to Deposit Ratio

Credit to Deposit ratio measures the efficiency in the conversion of Deposit into Loans and Advances. This ratio is computed using the formula

$$\text{Credit to Deposit Ratio} = \frac{\text{Credit}}{\text{Deposit}} \times 100$$

Credit funds includes Loans and Advances and Deposit constitutes funds mobilized through Savings Deposit, Fixed Deposit, Recurring Deposit, Day Deposit, Athulya Deposit, Current Deposit etc

Deposit constitute the main source of fund of the HSCB.However,the entire Deposits mobilized by the bank are not available for deployment as Loans and Advances The liquidity needs as per the norms are to be provided in DTL (Demand and Time Liability) which will blocked a part of the of the Deposits. It is desirable to attain a higher ratio as it implies higher share of Credit from Deposit mobilized by the bank.

Table 3.8 Credit to Deposit Ratio

(In ₹ lakhs)

Year	Credit	Deposit	Ratio
2001-02	2187.77	2378.32	91.98
2002-03	2505.24	2678.68	93.52
2003-04	2820.23	2993.42	94.21
2004-05	3279.65	3472.58	94.44
2005-06	3621.21	4066.05	89.05
2006-07	4086.15	4498.08	90.84
2007-08	4471.24	5135.40	87.06
2008-09	4742.41	6231.13	76.10
2009-10	5869.20	7525.31	77.99
2010-11	7076.68	8510.01	83.15

Audited Annual Report of HSCB Ltd from 2001-02 to 2010-11

Figure 3.7 Credit to Deposit Ratio

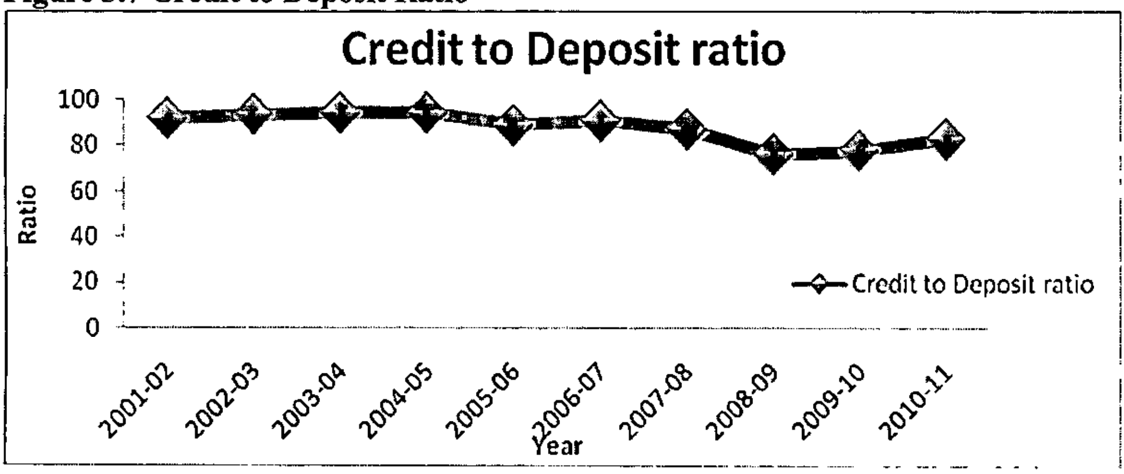


Table 3.7 Figure 3.7 shows the Credit to Deposit ratio of HSCB Ltd.Ratio shows an increasing trend up to 2004-05 and later shows a fluctuating trend. From this analysis it was found that more than 76 per cent of the Deposits are utilized for granting Loans and

Advances. Due to the efficient Cash Management system of the bank profitability showed an increasing trend.

3.2.4Credit to Owned Fund Ratio

Credit to Owned fund ratio indicates the measure of efficiency of the bank to convert the Owned Funds into Loans and Advances. Idle funds always adversely affect the profitability of the bank. So the Management is always vigilant regarding the full utilization of resources. The expenditure for creating Owned Funds are comparitatively lesser than Borrowed Funds. So a higher ratio is always preferable. The ratio is expressed as

$$\text{Credit to Owned Funds Ratio} = \frac{\text{Credit}}{\text{Owned Funds}} \times 100$$

Credit funds include Loans and Advances and Owned Fund constitute Share Capital and Reserve Funds of HSCB Ltd

Table 3.9 Credit to Owned Fund Ratio

(In ₹ lakhs)

Year	Credit	Owned Fund	Ratio
2001-02	2187.77	220.20	993.50
2002-03	2505.24	260.50	961.68
2003-04	2820.23	298.23	945.64
2004-05	3279.65	320.67	1022.72
2005-06	3621.21	320.94	1128.29
2006-07	4086.15	370.37	1103.25
2007-08	4471.24	395.81	1129.61
2008-09	4742.41	425.42	1114.75
2009-10	5869.20	453.31	1294.72
2010-11	7076.68	495.40	1428.45

Audited Annual Report of HSCB Ltd from 2001-02 to 2010-11

Figure 3.8 Credit to Owned Fund Ratio

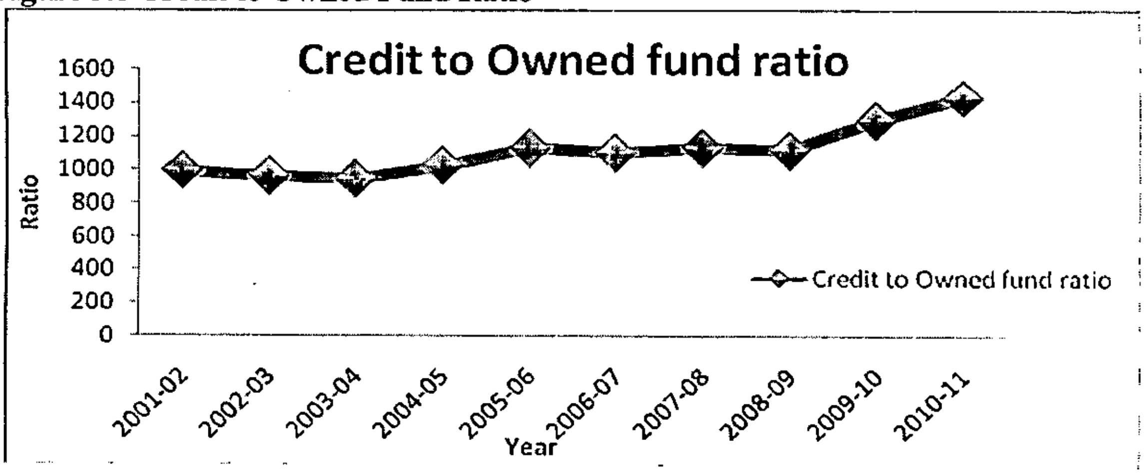


Table 3.8 Figure 3.8 shows the Credit to Owned Funds ratio of HSCB Ltd.The Owned Funds of the HSCB is comparitatively lower than Credit made by the bank. The Owned

Funds to Credit has increased from ₹ 993.50 lakhs in 2001-02 to ₹ 1428.45 lakhs in 2010-11.It was revealed from the table that bank fully utilize its Owned Funds for Loans and Advances and it was found that bank over depend on Deposit than Owned Funds.

3.2.5Credit to Total Fund Ratio

Total Funds of the bank include Owned Funds (Share Capital and Reserve) and Total Borrowings (Deposit and Borrowings).This ratio measure the ability of the bank to convert its Owned Funds into Credit. Ratio is measured as

$$\text{Credit to Total Funds Ratio} = \frac{\text{Credit}}{\text{Total funds}} \times 100$$

Credit Funds include Loans and Advances and Total Funds include Owned Funds (Share Capital and Reserve Funds) and Total Borrowed Funds (Deposit and Borrowings).

Table 3.10 Credit to Total Funds Ratio

(In ₹ lakhs)

Year	Credit	Total Fund	Ratio
2001-02	2187.77	2598.53	84.19
2002-03	2505.24	2939.19	85.23
2003-04	2820.23	3291.66	85.67
2004-05	3279.65	3793.25	86.46
2005-06	3621.21	4387.00	82.54
2006-07	4086.15	4868.46	83.93
2007-08	4471.24	5531.22	80.83
2008-09	4742.41	6656.55	71.24
2009-10	5869.20	7978.62	73.56
2010-11	7076.68	9005.41	78.58

Audited Annual Report of HSCB Ltd from 2001-02 to 2010-11

Figure 3.9 Credit to Total Fund Ratio

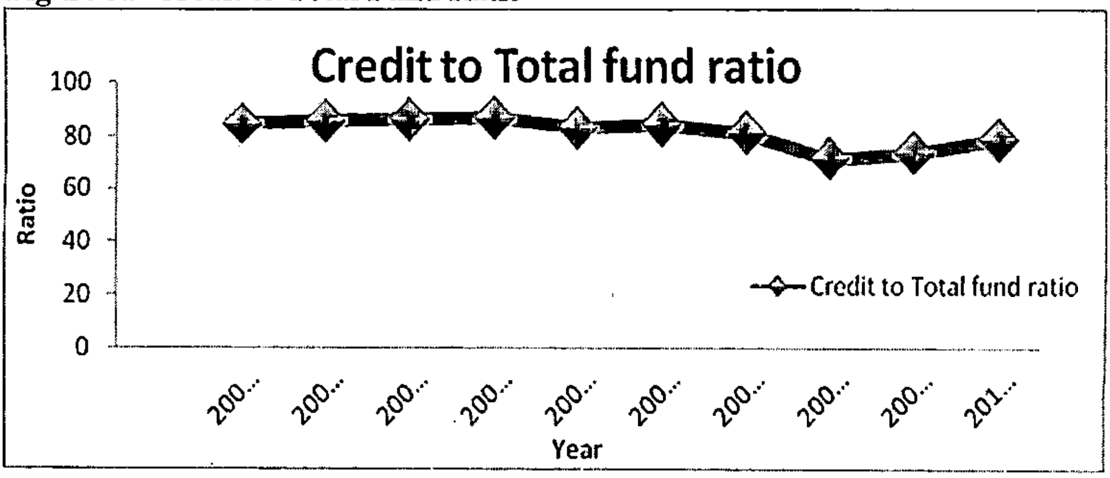


Table 3.9 Figure 3.9 shows the Credit to Total Funds ratio of HSCB Ltd.The Credit to Total Funds rose up to 2004-05 then it shows a declining trend. This ratio reveals that more than 75 per cent of the Total Funds are deployed as Credit. Ratio shows the highest during 2004-05.Closure of deposit scheme have an effect on reduction in the ratio from 2007-08 to 2010-11.During the period from 2006-07 to 2010-11 Credit to Total Funds reduce from 83.93 per cent to 78.58 per cent. During the same period disbursement Surety Loan and Domestic Loan is reduced. Disbursement of Mortgage Loan is at a minimum of ₹ 29.78 lakhs in 2010-11.

3.2.6 Investment to Working Capital Ratio

Investment means the purchase of a financial product or other item of value with an expectation of favorable future returns. In general terms, investment means the use money in the hope of making more money. Investment to Working Capital ratio measure contribution of Net Working Capital into Investment. The ratio expressed as

$$\text{Investments to Working Capital} = \frac{\text{Investments}}{\text{Net Working Capital}} \times 100$$

Net Working capital includes Share Capital, Reserves, Deposits and Borrowings less Investment in Fixed Asset.

Table 3.11 Investment to Working Capital Ratio

(In ₹ lakhs)

Year	Investment	Net working Capital	Ratio
2001-02	48.75	2587.35	1.88
2002-03	54.25	2933.70	1.84
2003-04	57.24	3283.87	1.74
2004-05	80.78	3762.02	2.14
2005-06	140.31	4299.65	3.26
2006-07	140.79	4783.94	2.94
2007-08	152.94	5437.96	2.81
2008-09	179.36	6528.95	2.74
2009-10	192.35	7847.40	2.45
2010-11	184.50	8890.57	2.07

Audited Annual Report of HSCB Ltd from 2001-02 to 2010-11

Figure 3.10 Investments to Working Capital Ratio

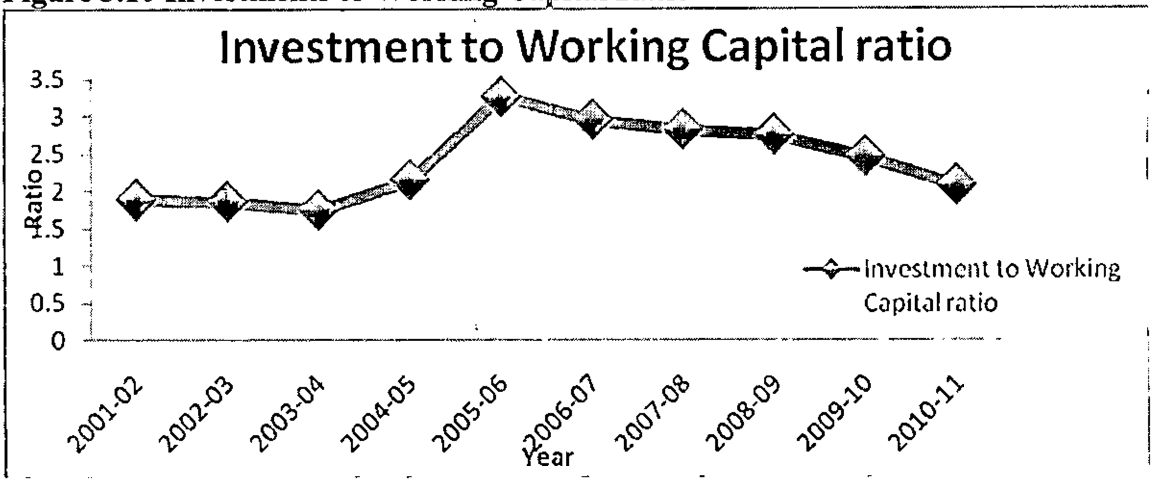


Table 3.10 Figure 3.10 Shows the Investment to Net Working Capital ratio of HSCB Ltd.The Investment to Net Working Capital shows a fluctuating trend over the study period. The ratio increased from 1.88 per cent in 2001-02 to 2.07 per cent in 2010-11.This suggests that a very small proportion of Working Capital is utilized for the Investment in Fixed Asset. Investment in Fixed Asset Leeds to reduction in the Net Working Capital by 2.07 per cent in 2010-11.

3.3 Efficiency in Operation

Operational efficiency of the bank depends upon the capacity of management of funds. The efficient mobilization and deployment leads to an organization into profit. The operational efficiency can be analyzed through the following ratio such as

- Interest Paid to Interest Received Ratio
- Net Profit to Interest Received Ratio
- Spread Ratio
- Burden Ratio
- Profitability Ratio

3.3.1 Interest Paid to Interest Received Ratio

Interest is a fee paid by a borrower of assets to the owner as a form of compensation for the use of the assets. It is most commonly the price paid for the use of borrowed money, or money earned by deposited funds. Interest Received is considered an income for the bank and Interest Paid is an expense for the bank. In order to increase the profitability bank have to raise the low cost deposit and lend at higher interest rate. The ratio is expressed as

$$\text{Interest Paid to Interest Received Ratio} = \frac{\text{Interest Paid}}{\text{Interest Received}} \times 100$$

Table 3.12 Interest Paid to Interest Received Ratio

(In ₹ lakhs)

Year	Interest paid	Interest Received	Ratio
2001-02	255.02	313.23	1.22
2002-03	261.80	339.39	1.29
2003-04	258.85	351.9	1.35
2004-05	272.42	374.74	1.37
2005-06	291.25	403.45	1.38
2006-07	325.44	445.95	1.37
2007-08	405.43	554.59	1.36
2008-09	489.38	585.15	1.19
2009-10	613.01	650.95	1.0
2010-11	633.43	791.03	1.24

Audited Annual Report of HSCB Ltd from 2001-02 to 2011

Figure 3.11 Interest paid to Interest Received Ratio

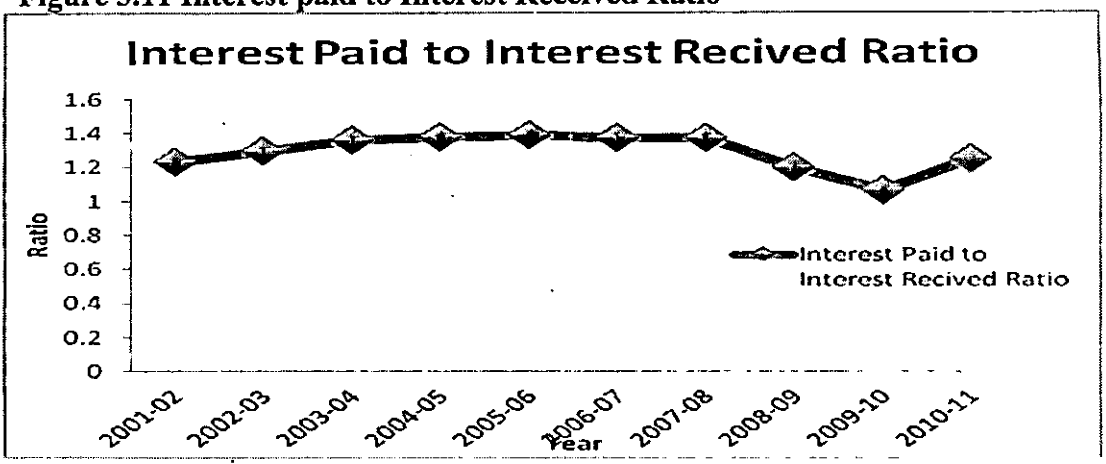


Table 3.11 Figure 3.11 Shows the Interest Paid to Interest Received ratio of HSCB Ltd.The ratio shows the gross margin from banking business. A higher interest margin others being equal reflect a higher level of efficiency. The table reveals that the ratio shows scratic variations. In 2005-06 the ratio was 1.38 per cent and this high ratio shows the higher level of efficiency of the bank. The interest Spread ratio goes up when the Credit Deposit rates is lowest. This may be due to the reason that the bank mobilizes more low cost deposit than the high cost deposits. If loans are given at a higher rate of interest, interest earned and spread will be higher.

3.3.2 Net profit to Interest Received Ratio

Net profit means amount of money earned after all expenses, including overhead, employee salaries, manufacturing costs, and advertising costs, have been deducted from the total revenue.Net profit and interest received by the banks are always directly related. Once the interest received increases the profitability also increases and vice versa. The interest received on loans and advances and investment is one of the major sources of income of the bank.

$$\text{Net Profit to Interest Received Ratio} = \frac{\text{Net Profit}}{\text{Interest Received}} \times 100$$

Table 3.13 Net Profit to Interest Received Ratio

(In ₹ lakhs)

Year	Net Profit	Interest Received	Ratio
2001-02	42.80	313.23	13.66
2002-03	48.82	339.39	14.38
2003-04	50.31	351.998	14.29
2004-05	51.90	374.74	13.85
2005-06	55.33	403.45	13.71
2006-07	57.82	445.95	12.96
2007-08	61.54	554.59	11.09
2008-09	62.62	585.12	10.70
2009-10	77.901	650.95	11.96
2010-11	53.53	791.03	6.76

Audited Annual Report of HSCB Ltd from 2001-02 to 2010-11

Figure 3.12 Net profit to Interest Received Ratio

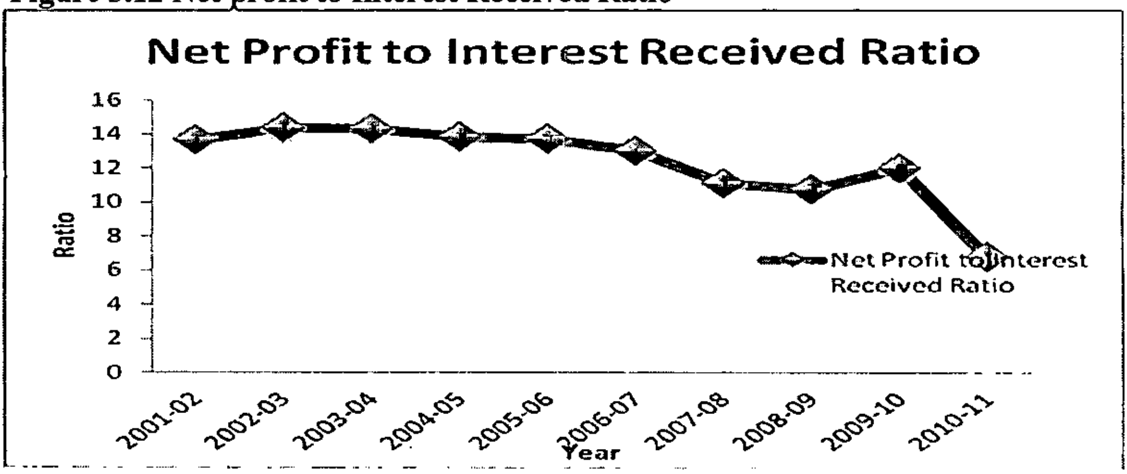


Table 3.12 Figure 3.12 Shows the Net Profit to Interest Received ratio of HSCB Ltd.Per cent of Net Profit to Interest Received ratio of the bank decline over the years. This indicates that interest received by the bank contribute little to the Net Profit.Inspite of interest income, bank enjoy more profit through non banking activities.

3.3.3 Spread Ratio

Spread is the difference between interest income and interest expences.Interest income includes Interest received and receivable on loan and Interest received and receivable from investment. Interest expenses include Interest paid and payable on Deposit and Borrowings.

A higher Spread ratio indicates higher profit and higher efficiency of the banking business of the bank. The ratio is calculated as

$$\text{Spread ratio} = \frac{\text{Interest Income} - \text{Interest Expences}}{\text{Working capital}} \times 100$$

Table 3.14 Spread Ratio (In ₹ lakhs)

Year	Interest paid	Interest Received	Working Fund	Spread Ratio
2001-02	255.02	313.23	2587.35	2.24
2002-03	261.80	339.39	2933.70	2.64
2003-04	258.85	351.99	3283.87	2.83
2004-05	272.42	374.74	3762.02	2.71
2005-06	291.25	403.45	4299.65	2.60
2006-07	325.44	445.95	4783.94	2.51
2007-08	405.43	554.59	5437.96	2.74
2008-09	489.38	585.12	6528.95	1.46
2009-10	613.01	650.95	7847.409	0.48
2010-11	633.43	791.03	8890.57	1.77

Audited Annual Report of HSCB Ltd from 2001-02 to 2010-11

Figure 3.13 Spread Ratio

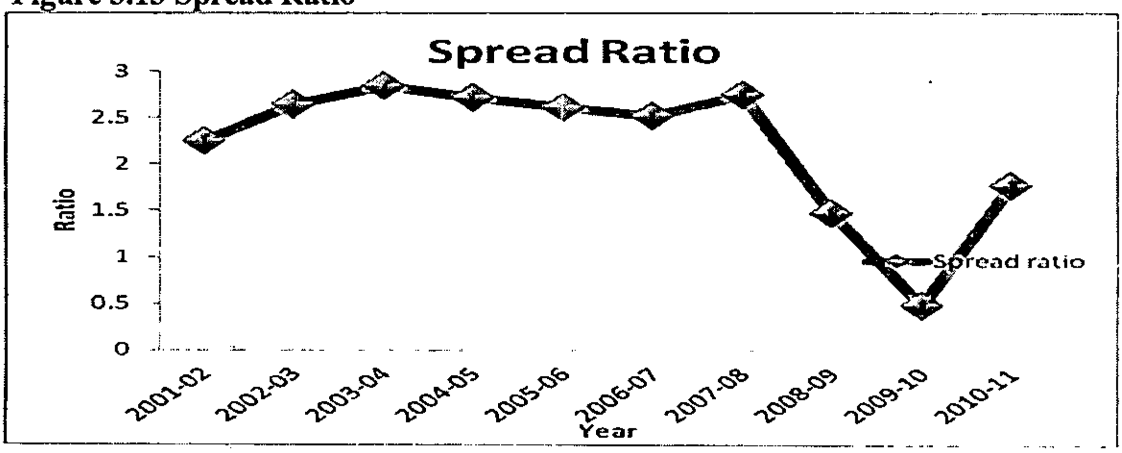


Table 3.13 Figure 3.13 shows the significant inter year variation of spread ratio. Spread ratio has declined from 2.24 per cent in 2001-02 to 1.77 per cent in 2010-11.The decrease in the spread ratio is due to the increase in the Working Capital, increased Working Capital is more than increase in interest received and paid. The main reason behind the

decrease in the spread ratio is due to the increase in the interest over due. The interest overdue was increased from 16.30 per cent in 2001-02 to 21.99 per cent in 2010-11.

3.3.4 Burden Ratio

The difference between Non Interest Expenses to Non Interest Income constitutes 'Burden'.Non Interest Expenses of the banks includes contingency expenses and establishment expenses and non interest income includes miscellaneous income and commission.

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. Reducing burden will improve the profitability of the bank. The ratio is calculated follows.

$$\text{Burden ratio} = \frac{\text{Non Interest Expences} - \text{Non Interest Income}}{\text{Net Working Capital}} \times 100$$

Table 3.15 Burden Ratio (In ₹ lakhs)

Year	Non Interest Expenses	Non Interest Income	Net Working Capital	Burden
2001-02	55.50	70.74	2587.35	-0.0058
2002-03	67.03	83.68	2933.70	-0.0056
2003-04	73.55	91.67	3283.87	-0.0055
2004-05	72.04	73.97	3762.02	-0.0005
2005-06	96.22	98.07	4299.65	-0.0004
2006-07	95.48	11.82	4783.94	-0.0034
2007-08	100.52	109.29	5437.96	-0.0010
2008-09	113.01	170.61	6528.95	-0.0088
2009-10	138.38	266.97	7847.409	-0.0163
2010-11	192.97	230.10	8890.57	-0.0041

Audited Annual Report of HSCB Ltd from 2001-02 to 2010-11

Figure 3.14 Burden Ratio

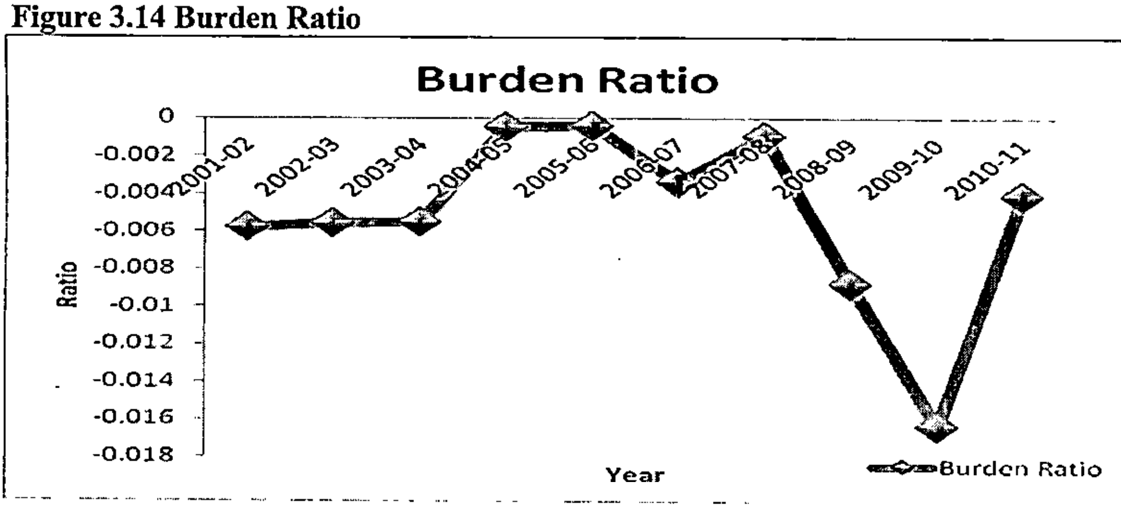


Table 3.14 Figure 3.14 Shows the burden ratio HSCB Ltd .The burden ratio of the HSBC showed the lowest throughout the study period. The ratio showed the lowest during 2007-08(-0.0010 per cent).For HSCB noninterest income is higher than non interest income, Leeds to fall in burden ratio. This gives a big push to the net profit of the bank.

3.3.5 Profitability Ratio

The overall profitability is analyzed in terms of Spread and Burden ratios. The difference between the Spread and Burden is termed as Profits (or loss) of a bank. Profitability ratio indicates the ability of the bank to generate profit. Higher the value of this ratio higher is the profitability of the bank .The ratio is expressed as

$$\text{Profitability Ratio} = \text{Spread} - \text{Burden}$$

Spread is the difference between Interest Income and Interest Expenses and Burden is the difference between Non Interest Expenses to Non Interest Income

Table 3.16 Profitability Ratio (In ₹ lakhs)

Year	Spread Ratio	Burden	Ratio
2001-02	2.24	-0.0058	2.25
2002-03	2.64	-0.0056	2.65
2003-04	2.83	-0.0055	2.84
2004-05	2.71	-0.0005	2.72
2005-06	2.60	-0.0004	2.61
2006-07	2.51	-0.0034	2.52
2007-08	2.74	-0.0016	2.74
2008-09	1.46	-0.0088	1.47
2009-10	0.48	-0.0163	0.49
2010-11	1.77	-0.0041	1.77

Audited Annual Report of HSCB Ltd from 2001-02 to 20

Figure 3.15 Profitability Ratio

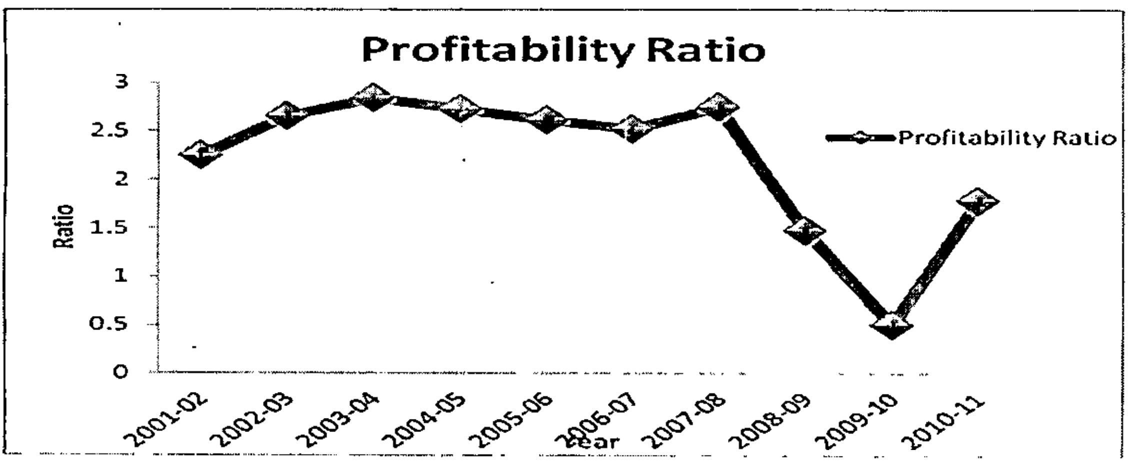


Table 3.15 Figure 3.15 shows the profitability ratio of HSCB Ltd.The profitability of the bank shows a decreasing trend. Profitability ratio shows the ability of the bank to generate profit. Increase in the profitability is due to increase in the spread ratio and decrease in the burden ratio. During 2010-11 net profit of the bank reached to ₹ 53.53 lakhs.

3.4 Other ratios

Other ratio includes overdue to demand, Liquid asset to working capital, Demand deposit to term deposit ratios etc.This ratio is important because this gives exact profitability position of the bank.

3.4.1 Trend in Loan Overdue to Demand

Loans, bills of exchange, and other obligations remaining unpaid past their due (or maturity) date is called overdue. Mounting overdue is an important problem faced by PACS.Overdue to loan outstanding indicates the risk involved in lending, when a portion of loans and advances turn to overdue it badly affects the recycling of the funds and also affect the earning capacity of the bank since a large amount remained unrealized. So efforts should be made to reduce the overdue ratio. The ratio is expressed as

$$\text{Loan Overdue to Demand} = \frac{\text{Overdue}}{\text{Demand}} \times 100$$

Figure 3.17 Loan Overdue to Demand Ratio

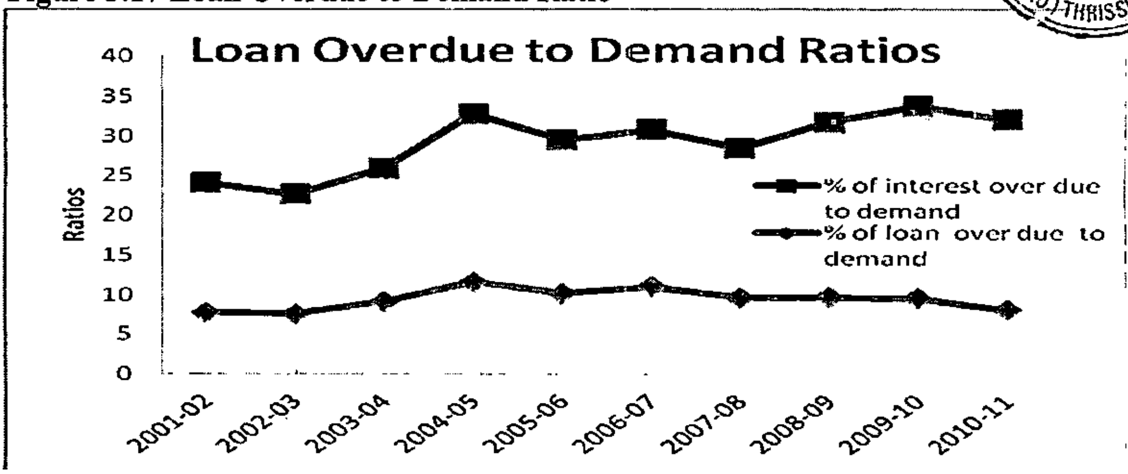


Table 3.16 Figure 3.16 shows the loan over due and interest over due to demand positions of HSCB. The loan overdue to demand per cent of the bank shows a fluctuating trend. It increased from 7.78 per cent in 2001-02 to 8.19 per cent in 2010-211.During the last four years the ratio shows a decreasing trend. The ratio decreased from 9.68 per cent in 2007-08 to 8.19 per cent in 2010-11.Decreasing of loan over due to demand is a positive sign this

implies the bank is efficient in collecting the loan issued. Interest overdue position showed the highest during 2004-05 to 2006-07.The overdue of surety loan and overdraft is the main factor responsible for increase in the overdue position of that period. The interest over due position of the bank increased from 16.30 per cent in 2001-02 to 23.90 per cent in 2010-11.This ratio shows that bank is not efficient in collecting the interest on loan, this will affect the profitability position of the bank. HSCB should measures to overcome such a situations

Table 3.17 Trend in Loan Overdue to Demand

(In ₹ lakhs)

Year	Demand	Collection	Overdue	% of Loan Overdue to Demand	Interest Demand	Interest Collection	Interest Overdue	% of Interest Overdue to Demand
2001-02	2475.03	2282.37	192.65	7.78	335.71	280.96	54.75	16.30
2002-03	3280.46	3029.57	250.88	7.64	400.29	340.09	60.19	15.03
2003-04	3655.02	3319.50	335.51	9.17	421.76	350.91	70.84	16.79
2004-05	4134.78	3653.51	481.2	11.63	443.99	349.99	93.99	21.17
2005-06	4923.84	4419.51	504.32	10.24	488.12	395.63	94.18	19.29
2006-07	5675.74	5048.94	626.80	11.04	518.88	416.46	102.41	19.73
2007-08	6692.29	6044.31	647.97	9.68	624.00	506.59	117.40	18.81
2008-09	7600.02	6855.57	744.44	9.79	708.88	552.94	155.94	21.99
2009-10	8528.79	7706.94	822.10	9.63	796.93	604.50	192.42	24.14
2010-11	11385.60	10452.27	932.83	8.19	939.89	715.20	224.68	23.90

Audited Annual Report of HSCB Ltd from 2001-02 to 2010-11

3.4.2 Liquid Asset to Working Capital

An asset that can be converted into cash quickly and with minimal impact to the price received is called Liquid Asset. The term Liquidity refers to how quickly and cheaply an asset can be converted into cash. Liquid Assets are generally regarded in the same light as cash because their prices are relatively stable when they are sold on the open market.

Liquid Asset to Working Capital measures the liquid asset in Working Capital. The Liquid Asset of the bank includes cash in hand, Cash at Bank, Debtors and Bills Receivables. A higher ratio is always preferable. Ratio is computed as

$$\text{Liquid Asset to Working Capital} = \frac{\text{Liquid Asset}}{\text{Net Working capital}} \times 100$$

Liquid Asset includes Cash in Hand, Cash at Bank, Debtors and Interest Receivables and the Net working Capital includes Share Capital, Reserves, Deposits and Borrowings less Investment in Fixed Asset.

Table 3.18 Liquid Asset to Working Capital

(In ₹ lakhs)

Year	Liquid Asset	Net working Capital	Ratio
2001-02	2964.99	2587.35	114.59
2002-03	3339.31	2933.70	113.82
2003-04	3749.30	3283.87	114.17
2004-05	4217.56	3762.02	112.10
2005-06	5092.11	4299.65	118.43
2006-07	5657.27	4783.94	118.25
2007-08	6546.80	5437.96	120.39
2008-09	8499.54	6528.95	130.18
2009-10	10183.68	7847.409	129.77
2010-11	11027.69	8890.57	124.03

Audited Annual Report of HSCB Ltd from 2001-02 to 2010-11

Figure 3.17 Liquid Asset to Working capital

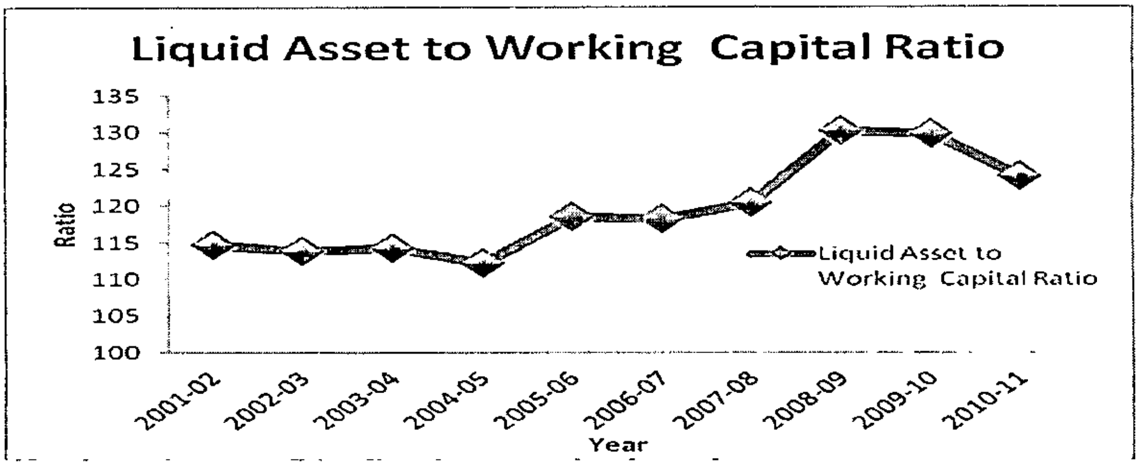


Table 3.17 Figure 3.17 and Figure No.3.17 Shows the Liquid Asset to Working Capital ratio of HSCB Ltd.The Liquid Asset and Net Working Capital of the bank increases over the period. It is understood from the table that, bank maintain cent percentage of Liquid Asset as Working Capital. Bank reduces the shortage of Working Capital by maintain liquidity in Working Capital. It was also understood that bank maintain excess liquid asset than working capital requirement.

3.4.3 Liquid Asset to Demand and Time Liability

'Demand Liabilities' include all liabilities which are payable on demand and Time Liabilities are those which are payable otherwise than on demand.

As per the statutory provisions PACS are expected to maintain 24% of demand and time liability (DTL) as statutory liquidity ratio. In addition to this 3-4% of DTL may be required for meeting contingencies and expences.There fore liquid asset to DTL ratio of around 30 %may be sufficient

$$\text{Liquid Asset to Demand and Time liability Ratio} = \frac{\text{Liquid Asset}}{\text{Demand and Time liability}} \times 100$$

Liquid Asset includes Cash in Hand, Cash at Bank, Debtors and Interest Receivables. Demand Liability constitutes Savings deposit and Current deposit and Time Liability includes Fixed Deposit, Recurring Deposit, and Athulya Deposit Day Deposit etc of HSCB Ltd.

Table 3.19 Liquid Asset to Demand and Time liability

(In ₹ lakhs)

Year	Liquid Asset	Demand and Time Liability	Ratio
2001-02	2964.9	3862.36	76.76
2002-03	3339.31	4161.66	80.23
2003-04	3749.30	4477.01	83.74
2004-05	4217.56	4955.56	85.10
2005-06	5092.11	5549.03	91.76
2006-07	5657.27	5991.96	94.41
2007-08	6546.80	6618.38	98.91
2008-09	8499.54	7714.11	110.18
2009-10	10183.	3008.29	113.04
2010-11	11027.69	9510.00	115.95

Audited Annual Report of HSCB Ltd from 2001-02 to 2010-11

Figure 3.18 Liquid Assets to Demand and Time Liability

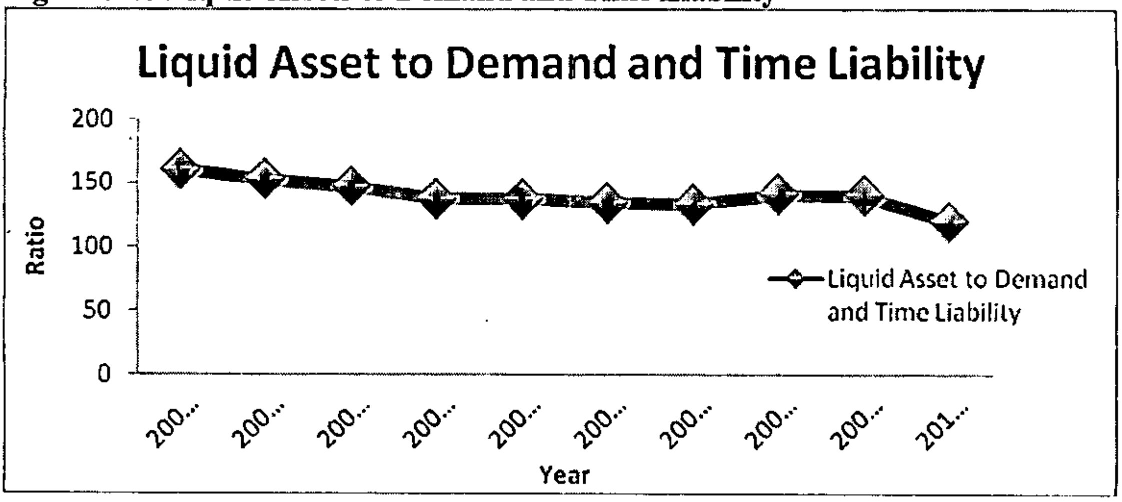


Table 3.18 Figure 3.18 shows the Liquid Asset to demand and Time Liability of HSCB Ltd.The liquid Asset of the bank has increased from ₹ 2964.999 lakhs in 2001-2002 to ₹ 11027.6926 lakhs during 2010-2011.A long with the increase in Liquid Asset, Demand and Time Liability also increased from ₹ 1846.1129 lakhs in 2001-2002 to ₹ 9231.2949 lakhs in 2010-11.The ratio of Liquid Asset to Demand and Time Liability decreases over the years. This ratio reveals that the bank is able to meet its Demand and Time Liability whenever the customer demanded. HSCB maintained a minimum Liquidity of 119.45 per cent during the study period. This indicates the efficient cash management of HSCB as it doesn't maintain more Liquid Asset. So this will leads to increase the profitability.

3.4.4 Demand Deposit to Term Deposit

Demand Deposit is a type of deposit held at the bank and that may be withdrawn at any time by the customer. A deposit held at a financial institution that has a fixed term is called as term deposit. These are generally short-term with maturities ranging anywhere from a month to a few years. The ratio is expressed as

$$\text{Demand Deposit to Term Deposit} = \frac{\text{Demand Deposit}}{\text{Term Deposit}} \times 100$$

The Demand Deposit of a bank includes Savings and Current Deposit and Term Deposit of HSCB Ltd includes Fixed Deposit, Recurring Deposit, Athulya Deposit, Day Deposit, Current Deposit etc.

Table 3.20 Demand Deposit to Term Deposit

(In ₹ lakhs)

Year	Total Demand Deposit	Total Time Liability	Ratio
2001-02	355.24	3507.11	10.12
2002-03	454.52	3707.14	12.26
2003-04	522.45	3954.55	13.21
2004-05	628.40	4327.16	14.52
2005-06	680.33	4868.70	13.97
2006-07	804.58	51.87.38	15.51
2007-08	832.84	5785.54	14.39
2008-09	1091.29	6622.82	16.47
2009-10	1267.93	7740.35	16.38
2010-11	1486.27	8023.73	18.52

Audited Annual Report of HSCB Ltd from 2001-02 to 2010-11

Figure 3.19 Demand Deposit to Term Deposit

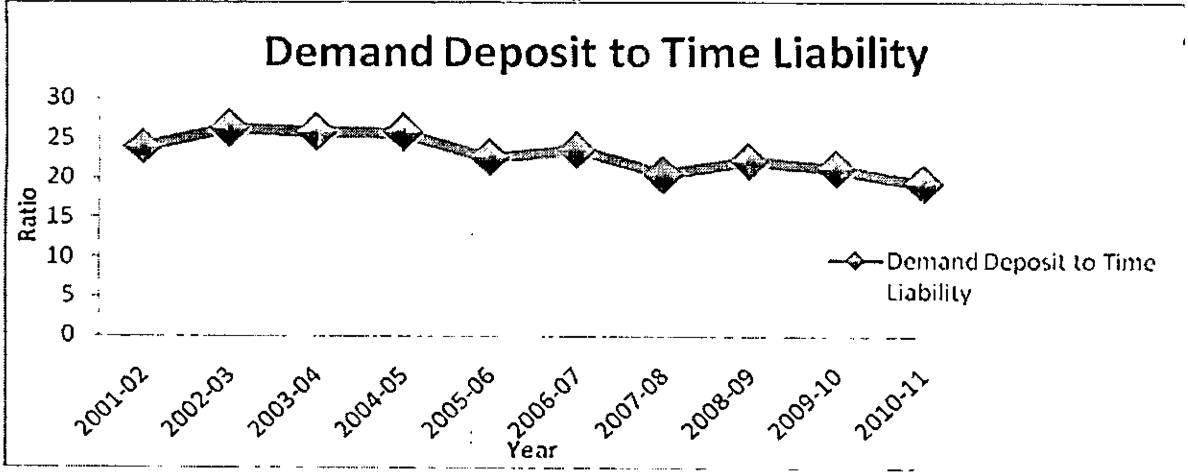


Table 3.19 Figure 3.19 shows the Demand to Term Deposit ratio of HSCB Ltd.In HSCB Fixed Deposit amounts higher than Demand Deposit. The Demand Deposit has increased up to ₹ 1486.27 lakhs in 2010-11 from ₹ 355.24 lakhs in 2001-02 .The ratio fluctuate year after year, even then the bank has 20 times Fixed Deposit than Demand Deposit over the study period. This indicates that major part of Interest Income was earned through Term Deposit than Demand Deposit. The ratio was decreased to 19.19 per cent in 2010-211 from 23.82 per cent in 2001-02.

CONCLUSION

The study was conducted in Hosdurg Service Co operative Bank Ltd No.1064 to analyze the existing Funds Management practices of HSCB Ltd. The analysis revealed that Deposit constituted 91 per cent of the Working Capital of HCSB Ltd.Of the Net working Capital the share of Borrowings is zero per cent. The proportion of Owned Funds to Working Capital of the bank declined from 8.51 per cent in 2001-02 to 5.57 per cent in 2010-11.The bank has to increase its Owned Funds by increasing its membership and improving its performance there by providing greater provision towards Reserves.Net Working Capital of the bank has increased by four times during the study period. It increased to ₹ 8890.57 lakhs in 2010-11 from ₹ 25.87 lakhs in 2001-02.Debt to Owned Funds of the bank increased from 10.80 per cent to 17.17 per cent during the study period. Debt to Equity ratio of the bank doubled during the study period. The Credit to Working Capital ratio of the bank was above 72 per cent during 2001-2002 to 2010-11. Ratio of Credit to Working Capital showed as high as 87.17 per cent during 2004-05.Since 2007-08 the ratio has started declining. The Net Profit to Interest Received ratio of the bank showed that the bank profit from Interest Income is as low as 6.76 per cent in 2010-11.

Now this is not the end. It is not even the beginning of the end. But it is, perhaps, the end of the beginning.

_Winston Churchill

SUMMARY OF FINDINGS AND CONCLUSION

CHAPTER 4

SUMMARY OF FINDINGS AND CONCLUSION

The present study entitled "Funds Management-A case study in Hosdurg Service Co-operative Bank (HSCB) Ltd" has been under taken for the period from 2001-02 to 2010-11 with an objective to analyze the efficiency in funds management of Hosdurg Service Co operative Bank Ltd.

4.1 Summary of Findings

Summary of Findings are grouped into Efficiency in Mobilization, Efficiency in Deployment, Efficiency in Operation and Other Ratios.

Efficiency in Mobilization

- The Hosdurg Service Co operative Bank is registered with the main objective of catering to the needs of the farmers. The bank accept Deposit from members and non members which include, Fixed Deposit, savings deposit , Athulya ,Day Deposit etc.The bank provides various types of loan viz, Short Term Loan, Medium Term, Long Term, Gold Loan etc.The bank is under taking both banking business and non banking business. The non banking activities include sales of Fertilizer, Onam Chanda etc.
- While the Total Deposit of the bank increases from ₹ 2378.32 lakhs during to ₹ 510.01 lakhs between the study periods 2001-02 to 2010-11, the Total Advances went up from ₹ 2187.77 lakhs to ₹ 7076.68 lakhs during the study period.
- The Owned Fund to Working Capital ratio declined from 2001-02 to 10-2011.The Owned Fund to Working Capital ratio which was 8.51 per cent during 2001-02 declined to 5.57 per cent during 2010-11.This shows the weak capital base of the bank and this will increase the average cost of funds.
- The Borrowed Funds to Working Capital ratio of the bank have shown an appreciation from 91.92 per cent in 2001-02 to 95.71 per cent in 2010-11.This ratio was more than 90 per cent during the study period. This is not a good sign for the bank. The bank should reduce its Total Borrowed Funds in order to reduce the average cost of funds.
- The ratio of Deposit to Total Borrowed Funds shows stable (100 per cent) during the study period from 2001-01 to 2010-11.Bank is not accepting any Borrowed Funds other than Deposit. This indicates the self sufficiency of funds through Deposits.
- The Debt Equity and Deposit Equity ratio has been steadily increasing from 29.11 per cent to 65.31 per cent during the study period. The Debt to Owned fund and Deposit to

Owned Fund ratio steadily went up from 10.80 per cent to 17.17 per cent during the study period. This shows the unsatisfactory capital base of the bank.

- Major sources of funds of HSCB were through Fixed Deposit. It constitutes 90.18 per cent of Total Deposit.
- The Membership of the bank has reduced from 52576 during 2007-08 to 19541 during 2010-11.Because bank has increased ' C ' class membership fee to ₹ 5
- Profit of the bank increased steadily except during 2010-2011.Profit increased from ₹ 42.80 lakhs during 2001-02 to ₹ 53.53 during 2010-11

Efficiency in Deployment

- The Credit to Working Capital ratio rose up to 2004-2005 then declined, and reached 79.59 per cent in 2010-11.More than 75 per cent of the Working Capital was used for Loans and Advances.
- The Credit to Borrowed Funds ratio and Credit to Deposit ratio of the bank rose up to 2004-05, then declined and reached 83.15 per cent in 2010-11.More than 77 per cent of the Deposit are utilized for Loans and Advances.
- The utilization of Owned Fund in Loans and Advances is comparitatively very low. Owned Fund constitutes only 7 per cent of its Loans and Advances.
- The Credit to Total Funds rose up to 2004-05 then it shows a declining trend. This ratio reveals that more than 75 per cent of the Total Funds are deployed as Credit. Ratio shows the highest during 2004-05.
- Working Capital investments in Fixed Asset is comparatively low. Investment in Fixed Asset Leeds to reduction in the net working capital by 2.07 per cent in 2010-11.

Efficiency in Operation

- Interest Received to Interest Paid ratio shows a scratic variations throughout the study period. The Interest Spread ratio goes up when the Credit Deposit rates is lowest. This may be due to the reason that the bank mobilizes more low cost deposit than the high cost deposits.
- Percentage of Net Profit to Interest Received ratio of the bank decline over the years. This indicates that Interest received by the bank contribute little to the Net Profit.Inspite of Interest income, bank enjoy more profit through non banking activities.
- The Spread ratio shows an erratic variation during the entire study entire study period. In 2003-04 the ratio is 2.83 per cent and this is a higher ratio and it shows the higher level

of efficiency of the bank. The Interest Spread was showing an increasing trend when Credit Deposit ratio was declining. If the loans are given at a higher rate of interest, Interest earned and Spread will be higher.

- Burden ratio has shown erratic variation during the entire study period and the ratio reached negative throughout the study period. It goes -0.0041 per cent during 2010-11.
- The profitability ratio of the bank decreased throughout the study period. It reached the lowest ratio of 0.4998 per cent in 2009-10.

Other Ratios

- Percentage of loan Overdue to Demand ratio of the bank has decreased and it reaches 8.19 per cent during 2010-11, shows a satisfactory sign. Percentage of interest to demand ratio increased and it reached at 23.90 per cent. This will negatively affected the profitability.
- Liquid Asset to Working Capital ratio is too high. More than cent percent of the Working Capital is in liquid form. During 2010-11 banks maintain 124.03 per cent as liquid asset for Working Capital. This is more than the requirement.
- Liquid Asset to Demand and Time Liability ratio is also high. Least ratio showed during 2010-11 shows 115.95per cent.

SUGGETIONS

- HSCB should increase its owned funds. Instead of distributing profit as dividend; dividend should be issued as bonus shares. So profit can be reinvested in the bank as owned fund.
- Present situation is suitable for the PACS to go for non banking business. In order to increase the profitability HSCB can do the business like medical shops and textile shops.
- Fluid resource maintained by the bank is in excess than the required level. Such excess fund should be reinvested to earn a minimum rate of return.
- In order to increase the co-operative movement in the district HSCB should go for campaign, workshop and seminar on the importance of co-operatives.

CONCLUSION

The forgoing analysis showed a satisfactory funds management system of Hosdurge Service Co operative Bank Ltd.The bank have a proper plan of action for management of its resources effectively and efficiently. The bank is efficient in Mobilization and Deployment of resources. 91 per cent of the Working Capital is constituted through Deposit and Borrowings, the contribution of Share Capital to the Working Capital is minimum.

There is a substantial growth in the Deposits of the bank from ₹ 2378.32 lakhs in 2001-02 to ₹ 8510.01 lakhs in 2010-11 and this shows the banks efficiency in mobilization of resources. Credit to Working Capital ratio of the bank diminished from 85.41 per cent in 2006-07 to 79.59 per cent in 2010-11. The bank should make necessary steps to reduce its overdue and interest overdue position. The overdue position in surety loan and over draft is the chief factor responsible for increase in the Overdue position of HSCB Ltd.The Overdue of surety loan increased from ₹ 208.31 lakhs in 2006-07 to ₹ 313.07 lakhs in 2010-11 and the overdue position of Over Draft increased from ₹ 303.20 lakhs in 2006-07 to ₹ 392.14 lakhs in 2010-11.

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FUNDS MANAGEMENT- A CASE STUDY OF HOSDURG SERVICE CO-OPERATIVE BANK

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ABSTRACT OF THE PROJECT REPORT
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ABSTRACT

The study entitled Funds Management-A case study of Hosdurg service co-operative bank was undertaken with the objective of analyzing the existing funds management practice of HSCB Ltd.For studying the Funds Management 10 years audited data from 2000-01 to 2010-11 were employed. Ratio analysis was employed covering four categories viz. Ratio's reflecting Efficiency in Mobilization and Deployment, Operational Officiency and Other Ratios reflecting the profitability was used for the study.

The study found that during 2008-09 HSCB Ltd increased the face value of C class membership from ₹ 1 to ₹5.Due to this reason the Membership position of the bank reduced to 19541 in 2010-11 from 52576 in 2007-08. For the HSCB Ltd deposit constitutes 91 per cent of the Net Working Capital of the bank. During the study period there was a substantial growth in the Deposits of the bank from ₹ 2378.32 lakhs in 2001-02 to ₹ 8510.01 lakhs in 2010-11 and these shows the banks Efficiency in Mobilization of resources. Credit to Working Capital ratio of the bank diminished from 85.41 per cent in 2006-07 to 79.59 percent in 2010-11.Reduction in the Credit to Working Capital is geared by the removal of Athulya Deposit scheme of HSCB Ltd.

Analysis found that Overdue and Interest Overdue is main problem faced by Hosdurg Service Co operative Bank. The Overdue position in Surety Loan and Over Draft is the chief factor responsible for increase in the Overdue position of HSCB Ltd.The Overdue of Surety Loan increased from ₹ 208.31 lakhs in 2006-07 to ₹ 313.07 lakhs in 2010-11 and the Overdue position of Over Draft increased from ₹ 303.20 lakhs in 2006-07 to ₹ 392.14 lakhs in 2010-11.The Interest Overdue to Demand increased from 16.30 per cent in 2001-02 to 23.90 per cent in 2010-11.

The optimal utilization of the funds of HSCB Ltd was constrained by the level of poor recovery position of Loans and Advances. The bank has to take appropriate policy regarded with proper recovery of Loans and Advances.

APPENDIX

Appendix 1. Demand Deposit of HSCB Ltd from 2001-02 to 2010-11

(In ₹ lakhs)

Year	Savings	Current	Total Demand Deposit
2001-02	353.08	2.20	355.24
2002-03	453.02	1.49	454.52
2003-04	522.22	0.22	522.45
2004-05	623.89	4.51	628.40
2005-06	679.91	0.41	680.33
2006-07	793.48	11.10	804.58
2007-08	829.90	2.94	832.84
2008-09	1082.22	9.07	1091.29
2009-10	1266.28	1.65	1267.93
2010-11	1484.16	2.10	1486.27

Appendid 2. Time Liability of HSCB Ltd from 2001-02 to 2010-11

(In ₹ lakhs)

Year	Fixed deposit	Recurring	Athulya	Day Deposit	0ther Deposit	Total Time Liability
2001-02	1471.83	19.03	401.69	25.34	1589.21	3507.11
2002-03	1715.13	19.03	345.04	30.82	1597.09	3707.14
2003-04	2013.69	20.20	283.37	30.72	1606.56	3954.55
2004-05	2429.06	21.01	223.53	41.66	1611.89	4327.16
2005-06	2998.36	20.17	174.78	55.30	1620.07	4868.70
2006-07	3395.27	24.76	112.80	26.53	1627.99	51.87.38
2007-08	4049.70	29.45	44.18	26.22	1635.97	5785.54
2008-09	4892.97	41.50	1.505	40.90	1645.92	6622.82
2009-10	5950.79	55.68	.055O	78.20	1655.61	7740.35
2010-11	7674.94	70.07		95.34	183.36	8023.73

Appendix 3.Demand Deposit of HSCB Ltd from 2001-02 to 2010-11

(In ₹ lakhs)

Year	Cash in Hand	Cash at Bank	Deposits	Interest Receivables	Liquid Asset
2001-02	39.83	431.87	2378.32	169.71	2964.9
2002-03	55.91	495.89	2678.68	169.01	3339.31
2003-04	57.54	599.08	2993.42	170.09	3749.30
2004-05	54.67	589.46	3472.58	194.83	4217.56
2005-06	49.40	868.17	4066.05	202.65	5092.11
2006-07	47.73	981.71	4498.08	232.14	5657.27
2007-08	79.38	1169.27	5135.40	280.14	6546.80
2008-09	62.63	2049.38	6231.13	612.32	8499.54
2009-10	106.62	2385.38	7525.31	358.78	10183.
2010-11	122.60	2185.15	8510.01	434.60	11027.69

Appendix 4.Demand Deposit of HSCB Ltd from 2001-02 to 2010-11

(In ₹ lakhs)

Year	Total Time Liability	Total Demand Deposit	Demand and Time Liability
2001-02	3507.11	355.24	3862.36
2002-03	3707.14	454.52	4161.66
2003-04	3954.55	522.45	4477.01
2004-05	4327.16	628.40	4955.56
2005-06	4868.70	680.33	5549.03
2006-07	51.87.38	804.58	5991.96
2007-08	5785.54	832.84	6618.38
2008-09	6622.82	1091.29	7714.11
2009-10	7740.35	1267.93	3008.29
2010-11	8023.73	1486.27	9510.00