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**A STUDY ON THE FINANCIAL PERFORMANCE OF
THRISSUR DISTRICT CO-OPERATIVE BANK LTD. (TDCB)
BEFORE AND AFTER COMPUTERIZATION**

by
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(2014-31-121)



MAJOR PROJECT REPORT

Submitted in partial fulfilment of the
Requirements for the post graduate degree of

MBA IN AGRIBUSINESS MANAGEMENT

Faculty of Agriculture

Kerala Agricultural University



COLLEGE OF CO-OPERATION, BANKING AND MANAGEMENT

VELLANIKKARA, THRISSUR-680656

KERALA, INDIA


2016

Declaration

DECLARATION

I, hereby declare that this project report entitled “**A STUDY ON THE FINANCIAL PERFORMANCE OF THRISSUR DISTRICT CO-OPERATIVE BANK LTD. (TDCB) BEFORE AND AFTER COMPUTERIZATION.**” is a bonafide record of work done by me during the course of project work and that it has not previously formed the basis for the award to me of any degree/diploma, associateship, fellowship or other similar title of any other University or Society.

Vellanikkara
18-08-2016


BINEESHA C.P.
(2014-31-121)

Certificates

CERTIFICATE

Certified that this project report entitled “A STUDY ON THE FINANCIAL PERFORMANCE OF THRISSUR DISTRICT CO-OPERATIVE BANK LTD.(TDCB) BEFORE AND AFTER COMPUTERIZATION” is a record of project work done independently by Ms. Bineesha C.P. under my guidance and supervision and that it has not previously formed the basis for the award of any degree, fellowship, or associateship to her.

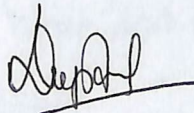
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CERTIFICATE

We, the undersigned members of the advisory committee of Ms. Bineesha C.P., a candidate for the degree of **MBA in Agribusiness Management**, agree that the project work entitled **“A STUDY ON THE FINANCIAL PERFORMANCE OF THRISSUR DISTRICT CO-OPERATIVE BANK LTD.(TDCB) BEFORE AND AFTER COMPUTERIZATION”** may be submitted by Ms.Bineesha C.P., in partial fulfilment of the requirement for the degree.



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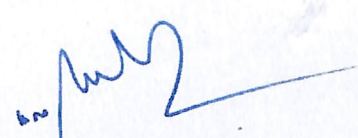
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This is to certify that, **Bineesha.C.P** (2014-31-121) has successfully undergone the Placement Training on the topic "A study on the Financial Performance of Thrissur District Co-operative Bank Ltd (TDCB) before and after Computerisation" from 21-03-2016 to 10-05-2016 as a part of fulfillment of her MBA in Agri-Business Management Degree from Kerala Agricultural University.

Kindly note that the Project Work and findings should be kept strictly confidential.

We wish her all success.




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Needless to say, I solely responsible for any errors, which may remain.....

Bineesha C.P.

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Chapter - 1

Design of the Study

Chapter-1

DESIGN OF THE STUDY

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1.1 Introduction

Renovation in Indian banks is taking place all aspects and is being refined as time proceeds and the product of the banking industry are enthusiastically modifying the face of banking. The approach of using IT product which has changed the face of banking sector in India, The process is flowing from the bulk banking to class banking with the introduction of value added and customised products. Technology helps banks to create what appearance like a branch in a business building's lobby without taking to hire manpower for manual operations. These branches are 24*7 working which has been made possible due to ATMs, Tele-banking and mobile banking. The technology determined the delivery channels which are used to reach maximum customers in most effective manner and at lowest cost. The splendor of these banking novelties is that it put both customers and banker in a win win-win situation. Increased demand of customers is forcing banks to provide their service online. One of the major user of communication and information technology in business life is banking industry technology has changed the face of the banking industry through computerisation

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 whether functioning at the state or district or primary level are one composite integrated co-operative credit structure, available for the financing of all type of co-operative business organization with in a state. All individual respective level, a co-operative bank must be a strong and viable organization, exhibiting trends towards self reliance through mobilization of various types of resources both from the community and the customer. A co-operative bank is for all practical purposes like any other regular bank accepting deposits from the public withdraw able by cheque or otherwise, for the purpose of lending and investment. Thus they are institutions dealing essentially in other people's money. Co-operative bank are again not banks in the ordinary sense of the term.

Computerization enable Thrissur District Co-Operative bank to offer better services to its customers in a secure, reliable, and affordable manner, and sustain competitive advantage

over other banks. Adoption of technology has led to the following benefits: greater productivity, profitability, and efficiency; faster service and customer satisfaction; convenience and flexibility; 24x7 operations; and space and cost savings.

1.2 Statement of problem

The need of providing improved customer service reducing transaction cost and increasing productivity shall be the main drivers of for banking sector to adopt IT. IT adoption in the banking sector will provide real time availability of transaction processing through multiple channels. It would ensure better management and security and safety of funds and increase efficiency through integration of systems across various locations. It would also ensure efficient management of Non-Performing Assets (NPAs) minimise transaction costs, enhance ability to conduct in-depth financial analysis and gather business intelligence.

Here the study focuses on the financial performance of the Thrissur District Co Operative Bank Ltd. (TDCB) before and after computerization. It also try to identify the recent technology based services provided by the TDCB.

1.3 Objectives

1. To compare the financial performance of TDCB before and after computerization.
2. To identify the recent technology based services provided by the TDCB.

1.4 Methodology

The study is analytical and descriptive in nature. Methodology used is following:

1.4.1 Data collection

Secondary data was used for the study. It was collected from the published annual reports, journals, registers and other available sources.

1.4.2 Period of the study

The period of the study is March to June 2016

Reference period is financial year from 1997-98 to 2001-02 and from 2009-10 to 2014-15

1.4.3 Data analysis

Ratios and averages are the main tool used for analyzing the financial performance of the District Co-operative Bank.

Ratio analysis

Ratios used in the analysis are:

Asset Quality

- 1. Gross NPA to Total Advances Ratio
- 2. Provisioning to Total Assets Ratio

Efficiency in fund mobilization

- 1. Borrowed fund to Working capital Ratio
- 2. Borrowings to borrowed fund Ratio
- 3. Deposit to Working capital Ratio

Efficiency in fund deployment

- 1. Credit to Deposit Ratio
- 2. Credit to Working capital Ratio
- 3. Credit Owned fund Ratio

Efficiency in operation

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1. Net profit to Working capital Ratio
2. Interest paid to Interest received Ratio
3. Interest paid to Borrowed fund Ratio
4. Net profit to Interest received Ratio
5. Interest received to Total income Ratio

Profitability Ratios

1. Net Interest Margin (NIM) to Total Assets Ratio
2. Return on asset
3. Return on equity

1.5 Observations made

1. Working capital
2. Fixed assets
3. Share capital
4. Deposits
5. Reserves
6. Loans and advances
7. Borrowings
8. Owned fund
9. Net profit
10. Income
11. Expenditure
12. Interest paid
13. Interest received
14. Non-performing assets
15. Credit
16. Provision

1.6 Scope of the study

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The efficiency of an organization can be judged by analysing their operation with various indicators. Finance is the lifeblood of the organization. Financial study analysis is the index of efficiency as well as growth of an organization. The study covers a brief financial statement analysis of Thrissur District Co-operative bank before and after computerisation the TDCB.

1.7 Limitations of the study

- The study is limited to the financial performance of the TDCB. Hence the inferences and findings cannot be generalised.
- Analysis is completely based on the data provided by the institution.

1.8 Chapterisation

- Chapter-1 Design of the study
- Chapter-2 Review of literature
- Chapter-3 Thrissur District Co-Operative Bank- Profile
- Chapter-4 Theoretical frame work
- Chapter-5 Financial performance of TDCB- An analysis
- Chapter -6 Findings and conclusion

Chapter - 2

Review of Literature

Chapter-2

REVIEW OF LITERATURE

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2.1 Introduction

The purpose of this chapter is to briefly review the selected streams of major Academic research relevant to technology in banking, performance evaluation and various tools available for analysis. An attempt is made to review the earlier studies carried out in India and abroad.

Rangarajan Committee (1989) : IT came into picture as early as in the 1980's in Banking Technology through the Rangarajan committee recommendations. It involves many phases.

First phase: Accounting process and back office functions

Second phase: Automate the front office as well as the back office function

Third phase: Networking concept and centralized operation

Fourth phase: ATM and mobile banking and internet banking

Fifth phase: "inter-bank" connectivity

Narasimham Committee (1991): The banking industry has introduced various new customer services and products using IT. The banking industry has gone through many changes as a result of the introduction of IT. In fact, the structure of the industry is continuously changing because of rapid development of IT. Banks are the backbone of the economy of the country. Implementation of information technology and communication networking has brought revolution in the functioning of the banks and the financial institutions. The status of automation in the banks in India is not uniform. There are banks functioning for decades, having a sizable number of branch networks in the rural and semi-urban centers. Compared to this, there are banks which are generally regional in character and not having a large number of branches in the country. In the recent past, a few private sector banks have been established with the latest technology. Foreign banks located at major commercial centers of the country also transact their business in a computerized environment. The level and extent of automation in the banks are generally vary because of their history, work culture and policies/strategies adopted by their management in branch expansion and investment in technology

William C. Hunter; Stephen G. Timme (1991), examines technological change, its relationship to firm size, and its impact on the efficient scale of output and product mix for

large U.S. commercial banks. The results suggest that technological change lowered real costs by about 1.0% per year, increased the cost-minimizing scale of outputs, and affected product mix. We do not find support for the Galbraith-Schumpeter hypothesis. This suggests that the largest banks cannot use innovation alone to outpace smaller banks

Dober (1994) identified organizations are becoming increasingly competitive in seeking to implement the effective use of IT.

Baba Prasad and Patrick T. Harkery (1997) examines the effect of IT investment on both productivity and profitability in the retail banking sector in the United States. This paper concludes that additional investment in IT capital may have no real benefits and may be more of a strategic necessity to stay even with the competition

Sircar, Turnbow and Bordoloi (2000) explored the relationship between firm performance and IT investments based on a sample of 624 firms. They used canonical correlation analyses as a research method and found that IT investments had a strong positive relationship with sales, assets, and equity, but not with net income. Spending on IS staff and staff training was positively correlated with firm performance, even more so than computer capital.

Bernardo Batiz- Lazo and Douglas Wood (2001) argued that outstanding IT-based innovations are considered and grouped into four distinct periods: early adoption (1864-1945), specific application (1945-1965), emergence (1965-1980) and diffusion (1980-1995) and two dimensions of technological progress in retail banking. These dimensions describe the nature of change brought about by technological innovation externally (product or service offerings) and internally (operational function) to banking organizations.

Elena Beccalli (2003) studied the influence of IT (in terms of hardware, software and IT services) on the performance of banks and found that there is an insignificant positive correlation and the existence of a productivity paradox.

Berger (2003), the usage of information technology (IT)xx broadly referring to computers and peripheral equipment, has seen tremendous growth in service industries in the recent past. The most obvious example is perhaps the banking industry, where through the introduction of IT related products in internet banking, electronic payments, security investments, information exchanges, banks now can provide more diverse services to customers with less manpower

Reserve Bank of India (2004): The three categories of IT investment – hardware, software and IT services - comprise the following investments on:

1. Computer Hardware (HA): which includes spending on commercial systems (including central processing unit and basic peripherals, such as data storage devices, terminals, memory, and peripherals), single-user systems (workstations and personal computers), data communications (local area network hardware, wide area network hardware, analog modems, digital access);
2. Software (SO): which includes spending on packaged software, application solutions software, application tools, systems infrastructure software;
3. Services (SE): spending on consulting services, implementation services, operational services, training and education, support services

Sivakumaran (2005), believes that adoption of technology has led to the following benefits: greater productivity, profitability, and efficiency; faster service and customer satisfaction; convenience and flexibility; 24x7 operations; and space and cost savings.

Jarunee Wonglimpiyarat (2006) is concerned with the technological learning and capabilities of Thai banking. The results show that the use of technology in the mass automation regime is carried through to the smart automation regime, showing that the technological change in the banking sector is not revolutionary but evolutionary.

Sangjoon jun (2006) explored the nexus between the information technology (IT) investment of Korean banks using panel data and found that large banks comparatively improve their returns.

Vadlamani Ravi (2007) defines the term "banking technology" refers to the use of sophisticated information and communication technologies together with computer science to enable banks to offer better services to its customers in a secure, reliable, and affordable manner, and sustain competitive advantage over other banks

Costas Lapavitsas And Paulo L. Dos Santos (2008), argued technological innovation has contributed to recent changes in the conduct and character of banking, but its impact has been contradictory. First, money-dealing transactions have become cheaper, but investment costs have increased and a broader range of services had to be provided. The cost efficiency of banks has not improved.

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Chapter – 3
*Thrissur District Co-operative Bank
Ltd. (TDCB) – A Profile*

THRISSUR DISTRICT CO-OPERATIVE BANK -A PROFILE

3.1 Origin and Development

Thrissur District Co-operative Bank Ltd No.60 was registered as the Cochin Central Cooperative Bank Ltd., on 29 -06 - 1918 and started functioning on 19 - 11- 1918 as the apex bank of the erstwhile Cochin State with 39 affiliated societies and a paid up capital of Rs. 2795. Shri. Manakulam Kunjunni Raja was the first president and shri. V K Varkey, the first secretary. In 1954, when Cochin and Travancore was amalgamated, the then Travancore Central Cooperative Bank got the status of apex bank and the Cochin Central Cooperative Bank was affiliated as District Cooperative Bank. Subsequently a branch was opened at Ernakulum on 1 December 1954. Later, in 1961 the area of the operation of the bank was restricted to Thrissur revenue district and, the bank was renamed as Thrissur District Cooperative Bank Limited. This was after the reorganization of cooperative banks on the basis of revenue districts. Till 1978, the bank extend finance only through PACs and in 1978, it started direct finance to individuals. The bank functions with its registered office at Thrissur and extends its operation to the whole revenue districts through 58 branches. The bank is headquartered at Kovilakathumpadam, Thrissur.

3.2 Objectives

As per the bye-law the objectives of the bank are;

1. The main objective is to provide financial support to members, associate members of the societies registered under Kerala State Co-operative Societies Act.
2. Encourage thrift among members & non-members.
3. With the permission of Registrar open branches, pay office extension counters, ATM in the area of operation of the society.
4. Make arrangements for the inspection & supervision of the societies.
5. Help, extend, and co-ordinate the activities of affiliated societies.
6. Conduct co-operative conference and activities according to the resolution passed in the conference.
7. Establish a library to publish co-operative literature.

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8. Take loans from State Co-operative Banks to purchase shares of the affiliated societies.
 9. Conduct banking business according to Co-operative Laws.
 10. Work as an agent of General Insurance, Life Insurance & other Insurance agencies.
 11. Act as a guarantor and charge commission within the limits and conditions on the loans and advances availed by the member societies and individuals of the bank from the Government, SBI, or other banks and agencies.
 12. Decide and permit housing loans, vehicle loans and other loans timely according to the rules accepted by the Registrar and board of directors.
 13. Undertake activities which is to be encouraged cooperatively and also for helping the above mentioned objectives.
 14. Establish company/trust with the participation of employees and member societies and undertake activities related to self-financing/Aided Professional educational institutions, Hospitals and Tourism.
 15. Grant loans to local self-government institutions like Gram panchayat, Block panchayat, District panchayat, Municipality and corporation according to the objectives and conditions decided by the general body.
 16. Make available different kinds of loan schemes to the permanent residents of the district and institutions which are head quartered at the district.
 17. Undertake one or more activities mentioned below besides the banking practices;
 - i. Take loans or mobilize cash in other ways, give loans or advances on security or without security. Accept, buy, sell, mobilize, discount, withdraw, and carry out transactions related to securities which can or cannot be transferred and contracted, Instruments, Bill of Exchange, Hundies, Promissory Notes, Coupons, Drafts, Bills of Lading, Railway Receipts, Warrants, Debentures, certificates and scripts. Allow and Distribute Letter of Credit, Travelers' cheque and circular notes. Buy and sell foreign bank notes and foreign exchange. Avail, keep in hand and handle all types of investments, stock and shares. Buy and sell Scripts for transactors and others. Negotiate loans and advances. Provide locker facility (safe deposit vaults) and accept in safe custody the different Bonds and Scripts.
 - ii. Involve in contracts and give public loans and personal loans.

- iii. Give, assign responsibility, act as guarantor, involve, control and continue the Stock, Debenture and Debenture stock of companies, co-operative societies, corporations and societies and private and public loans of State Government and municipalities and grant loans to attain the aims related to this.
- iv. Commence business and involve in contracts related to all types of mortgage and documents related to it.
- v. Handle, sell and receive money on properties and assets come under the custody of bank for settlement of liabilities partially or fully.
- vi. Undertake, keep in hand and handle the object or related objects or any part of it obtained as security on the loans and advances given by the bank
- vii. Handle properties as trustee or executor or in any other way.
- viii. Obtain, build, maintain and modify the buildings which are needed and suits for the attainment of objectives of co-operative bank.
- ix. Handle, sell partially or fully, monitor, modify, transfer, lease, mortgage, add in accounts as income or handle in any other way the properties, assets and rights of the bank.
- x. Undertake and conduct the business of company, individual or society mentioned or explained in this subsection.
- xi. Undertake suitable activities which help the growth and sustainability of the co-operative bank.
- xii. Involve in any business which law permits and which is clearly stated in Central Government Official gazette.
- xiii. Give financial support, help and accelerate agricultural activities including agricultural clinics and schemes.

3.3 Functions

The Bank undertake the following functions;

1. Mobilize funds through deposits and share capital from members, deposits from non-members and borrowings from KSCB, RBI, NABARD and Government.
2. Providing financial assistance to the members and non-members.
3. Bringing technological advancement and modernization in banking business for appropriate completion of activities.
4. Develop, assist, co-ordinate and supervise the working of member societies.
5. Work according to the objectives.

3.4 Area of operation

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Area of operation of the bank is confined to the Thrissur Revenue District.

3.5 Membership

The bank is having 3 types of members. They are A class members which includes PACS, UCB, Employment Credit societies, consumer societies, marketing societies, education societies, women societies, SC/ST societies, miscellaneous societies, industrial societies, dairy societies, coir societies, khadhi societies & handloom societies; B class for government & C class for individuals & institutions like Guruvayur Devaswam and all A class members have the voting right.

3.6 Share Capital

Share capital was subscribed by the three types of members of the bank. A class share value was ₹100, B class share values ₹2000 and C class share values ₹100. Other than these members' subscription the bank is sourcing share capital by two ways from the year 2014-15. They are Long-Term Subordinate Deposits and linking of share capital with loans (That is 1% share of loan amount of C class members will also be added to the share capital & reimbursed when they closes the loan account.

3.7 Reserves

It is obligatory on the part of every Bank to allocate not less than a prescribed percentage of annual net profits to Reserve Fund. This is prescribed by the Co-operative Societies Act of the State. The bank is keeping 25% of the Net Profit as General Reserves, 7% as Agricultural Credit Stabilization Fund, 7.5% as Common Good Fund and 5% as Professional Education Fund. Member Relief Fund and Educational Fund are also there.

The reserve fund is a component of Owned fund of the Bank. The bank to meet unforeseen contingencies that might occur in future keeps the reserve. Reserves include Statutory Reserve Fund, Common Good Fund, Dividend Equalization Fund, Building Fund, Agricultural Stabilization Fund, Professional Education Fund and other reserves.

3.8 Borrowed Fund

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Borrowed fund comprises of deposits and other borrowings of the bank.

3.8.1 Borrowings

The Bank borrows from Kerala State Co-operative Bank, NABARD and other Banks.

3.8.2 Deposits

The major part of the Borrowed Fund includes Deposits mobilized by the Bank. Various kinds of deposits maintained by the bank are Fixed Deposits, Savings Deposits, Current Deposits and other Deposits. Deposits are accepted from member societies, individuals and institutions.

3.9 Investment

Investment of the bank includes shares in Kerala State Co-operative Bank & other Organizations, Fixed Deposits, Current Deposits in other Banks, and Savings Deposits in Treasury, Investment in Debentures and RF account in Kerala State Co-operative Banks

3.10 Working Capital

The Working Capital of the Bank is mobilized through Deposits, Borrowings, Reserve and Share Capital. Working Capital is the amount of Fund used for the day-to day working of the bank. It is computed using following Formulae.

Working capital = (Owned Fund + Borrowed Fund) - Accumulated loss.

3.11 Loans and Advances

The Bank provides loans and advances to societies, individuals and institutions. Credit is the cornerstone of the banking business.

3.12 Net Profit/ Loss

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Net profit/ Loss indicates what the Bank has earned (or loss) in a given period of time. It is an indication of efficiency and profitability of a bank.

3.13 Management and Administration

The TDCB is governed by the General body and Board of Directors. Management is vested with Board of Directors and they were elected by the General Body...

3.13.1 General Body

General Body is the supreme authority of the bank. All eligible members will be participating in the meetings. President will be presiding the meetings. Each member has one vote. The powers of General Body are to elect Board of Directors, consideration and approval of annual reports, budgets, division of net profit and amendment of bylaws.

3.13.2 Board of Directors

Board of Directors are elected members of General Body. There are 21 members. 3 seats are reserved for women, one seat for SC/ST and 2 representatives from depositors'. 2 directors should be of those having professional qualification and practical experience in banking sector. The term of office of each director is 5 years. President and Vice President are elected from the Board.

3.13.3 Executive Committee

Executive committee includes 7 directors from the Board. One will be the President and one will be Vice President of the Bank. Quorum of meeting is 4 members and decisions should be approved by at least 4 members in meeting. The meetings are conducted twice a month. The executive directors have the duties and responsibilities which is entrusted by the General Body.

3.13.4 President

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The President shall have the overall control on the affairs of the bank. The President shall be ex-officio treasurer. He will be Responsible for the administration of the bank. Sri. M.K. Abdul Salam is the present President of the TDCB.

3.13.5 Vice President

Vice President has the authority of President in his absence. He is also responsible for the administration of the bank along with the President. The present Vice President of TDCB is Sri. C. A Sebastian.

3.13.6 General Manager

The General Manager is the Chief Executive Officer of the bank subjected to the control of the President. He/She will be a paid employee and will be responsible for the general administration of the bank. The present General Manager of TDCB is Sri. N. Jayakumaran Nair.

3.13.7 Sub Committees

As per the instructions of RBI/NABARD there are 14 subcommittees including the senior executives and directors for making governance easier. Each subcommittee has three to five members. They are President, General Manager, one Deputy General Manager and 2 directors.

The sub committees are;

- i. Investment Committee
- ii. Audit Committee
- iii. Purchase Committee
- iv. Staff Consultative Committee
- v. Provident Fund Committee
- vi. Employees Welfare Fund Committee
- vii. Gratuity Committee
- viii. Harassment Against Women Committee

- ix. Know Your Customer Committee
- x. Disciplinary Committee
- xi. Risk Management Committee
- xii. Asset Liability Management Committee
- xiii. Loan Policy Committee
- xiv. Industrial Loan Committee

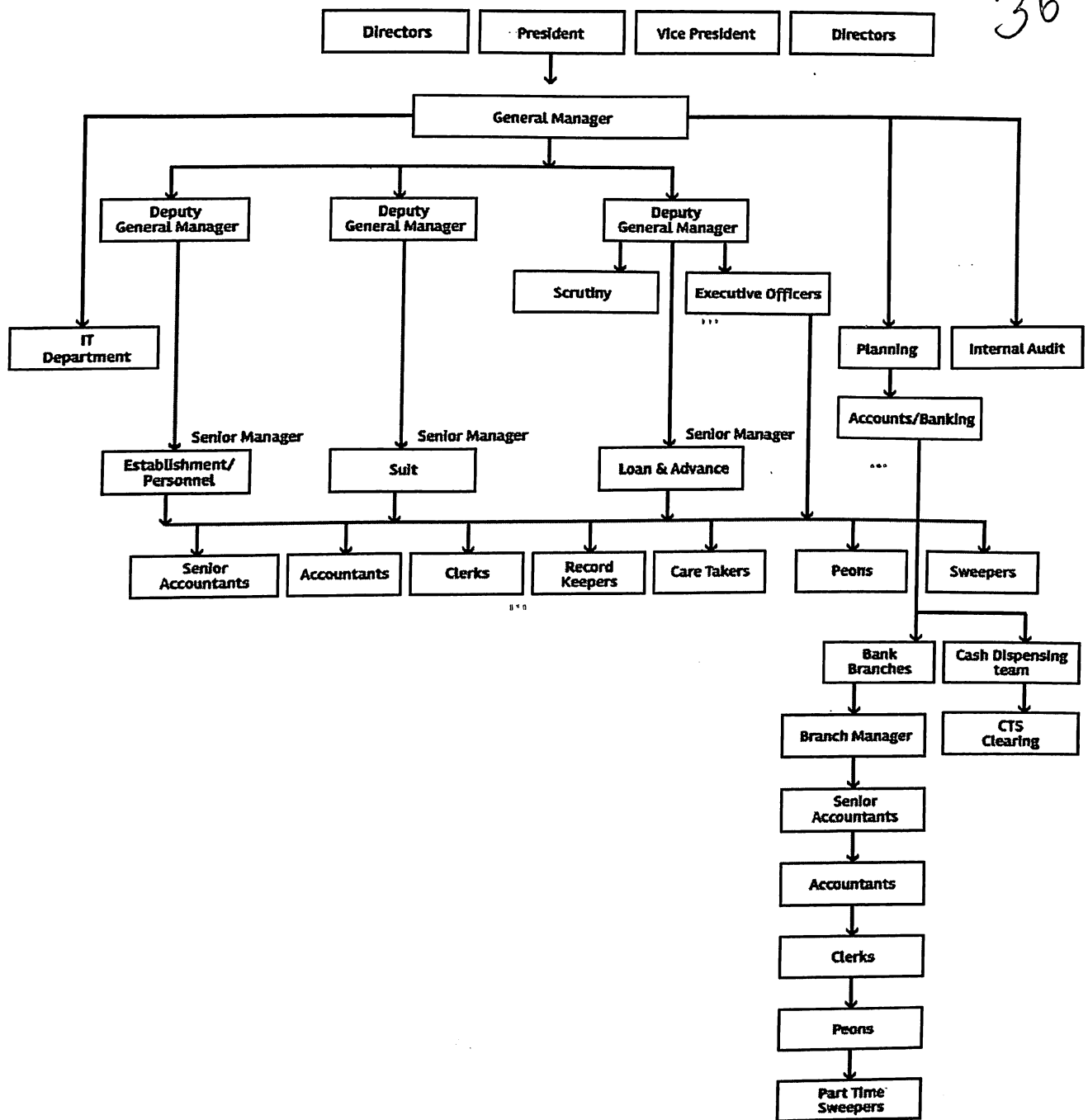
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3.13.8 Organizational Structure

The General body among themselves elect Board of Directors and Board of Directors among themselves elect President and Vice President. The Board appoints the General Manager who is the CEO of the bank. For executing day-to day affairs of the bank, there are paid employees under General Manager and Deputy General Managers.

Chart 3.1 Organizational Chart of the TDCB

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Source: www.thrissurdcb.com

3.13.9 Staff Position

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Staff position of the TDCB in 2014-15 is shown in the Table 3.1

Table 3.1 Staff position of TDCB

Sl. No.	Designation	N0. Of Employee
1	General Manager	1
2	Deputy General Manager	3
3	Executive Officer	43
4	Agricultural Officer	1
5	Branch Manager	49
6	Electrical Supervisor	1
7	Senior Accountant/ Accountant	112
8	Clerk/ Typist	148
9	Last Grade/ Part Time Staff	125
Total		483

Source: Audited Annual Reports of TDCB from 1997-98 to 2013-15

3.14 Conclusion

Thrissur District Co-operative Bank Ltd No.60 which is the organization under the study performs all the functions of a District Co-operative bank. The bank was started functioning with the area of operation of Thrissur Revenue District in 1961. Membership, Share Capital, Borrowed Fund, Deposits, Loans and Advances etc. from the year 2005-06 to 2014-15 indicates the effective performance of the bank. The forthcoming chapter analyzes the financial performance of the bank in detail.

Chapter – 4

*Theoretical Framework- Bank
Computerization*

THEORETICAL FRAME WORK - BANK COMPUTERIZATION

4.1 Information Technology and Banks

At the time of manual transactions, an account holder had to wait for hours at the bank counters for getting a draft or for withdrawing his own money. Now, for banking transactions customers are no longer needed to wait for information or services. They want their banking information and services at their fingertips by their chosen delivery channel. This creates a problem for many banks and financial institutions. Because if they are unable to provide a fingertip service or IT based service to their customer, it affects their business. So as per the increasing need of IT, they have now started to provide a wide variety of delivery channels like ATM, Phone Banking, Internet Banking, Mobile Banking etc. Today, customer has a choice to use tailor made products for a quick service. Many banks in India have introduced IT for several reasons:-

- Adoption of information technology in financial institutions and IT based new services offered by them/competitors
- Rising competition in banking industry
- Globalisation in banking
- To meet the growing demand of customers for mobility, speed, efficiency and economy through various technology based services

Today IT has dramatically changed the functioning of the banks. They have moved from a distributed/disbursed to a centralised environment by introducing multiple delivery channels like: ATM, Internet, and Mobile etc. From the IT perspective, the banking industry can be classified into three categories

1. Banks where all the processes are automated.
2. Banks that are in the process of implementing core banking software and setting up their networking infrastructure.
3. Banks that are in the process of identifying the core solutions.

The technologies for managing and distributing information have changed over the period of time, but the functions required for human organisation have remained fairly

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constant. In each of the above category, the extent of IT usage and process automation varies. Most of the automation happens in the core banking system, while support functions form a very small portion of the overall operations. The main types of the bank computerisations are as follows:

- Back office Application
- Total Branch Automation
- Core Banking Solutions

There are several types of banks, which differ in the number of services they provide and the customers they serve. Although some of the differences between these types of banks have lessened as they have begun to expand the range of products and services they offer, there are still key distinguishing qualities. Commercial banks, which dominate this industry, offer a full range of services for individuals, businesses, and governments. ...

These banks come in a wide range of sizes, from large global banks to regional and community banks. Global banks are involved in international lending and foreign currency trading, in addition to the more typical banking services. Regional banks have numerous branches and automated teller machine (ATM) locations throughout a multistate area that provide banking services to individuals. Banks have become more oriented toward marketing and sales. As a result, employees need to know about all types of products and services offered by their banks. Community banks are based locally and offer more personal attention, which many individuals and small businesses prefer. In recent years, online banks, which provide all services entirely over the Internet, have entered the market, with some success. However, many traditional banks have also expanded to offer online banking, and some formerly Internet-only banks are opting to open branches.

4.2 Technological Revolution in the Banking Sector

Information and Communication Technology (ICT) has changed the working of banks and other financial institutions. The major breakthrough started with the use of Advanced Ledger Posting Machines (ALPM) in 1980s. The massive computerisation started at the branch level with the focus on automation of transactions. This reduced errors in calculations and transactions. Customers started getting error free services and were supplied with printed account statements. In late 1980s, banks focused on Total Branch Automation (TBA) and

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automation of both the front-end and back-end operations started within the same branch. Total Branch Automation means total automation of a particular branch with its own database. Mechanised cheques processing systems have been established, which uses a Magnetic Ink Character Reader (MICR) technology. After the entry of new private sector banks and with the advent of internet, banks opted for a different model having a single centralized database instead of having multiple databases for all their branches. Decentralised networks have their own set of problems in terms of cost and management. Internet made it easy to share the databases and maintain a centralised database at a low cost. Internet has provided a paradigm shift in the working of banks. Internet is a network of networks, provides free exchange of information. Internet facilitated the World Wide Web (WWW), where banks can create their own web pages, and customers can access these web pages through the web browsers by shifting at home. This kicked off online banking way back in 1996, while the usage increased only after 1999 due to lower ISP online charges, increased PC penetration and technology stabilisation. Internet has thus ushered the concept of anytime and anywhere banking. Through online banking, customers could get their account information, bills could be paid online through the electronic bill payment service, online requests, i.e. stop payment of cheque, cheque book replenishment, demand draft, opening of fixed deposit account, etc.,

The other significant developments include the evolution of the ATM channel, debit cards, mobile banking and telephone banking through which the banking facilities are made available to customers on a 24 X 7 basis across the world. Establishment of the INFINET in 1999 resulted in the introduction of Real Time Gross Settlement (RTGS) system. It not only resulted in compliances with the core principles of systematically important payment systems of the Bank for International Settlements (BIS), but has also provided the way for risk free, credit push-based fund transfers settled on a real time basis. The facility for inter-bank funds settlement through RTGS is available today across more than 23,700 branches of banks spanning more than 500 centres in the country. Data ware housing is a new paradigm specifically intended to provide vital strategic information. Strategic information is not meant for running the day-to-day operations of the business. It is not intended to settle a claim, issue of cheques book, or post a withdrawal from a bank account. Management needs strategic information for continued health and survival of the bank. Strategic information is needed to take strategic decisions i.e. where to open a new branch, which product lines to be expanded and which market is to be strengthened. Data warehousing is the solution for providing

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strategic information. The data warehouse is an informational environment that provides an integrated and total view of the bank, makes the banks current and historical information easily available for decision-making, which makes decision-support transactions possible without hindering operational systems. After setting up the data warehouse, the challenge before banks is to discover the process that unearths patterns and trends in the data, which previously were unknown. Data mining helps the user to predict the future. Data mining can answer the questions, i.e. which customers are likely to be bad credit risks? For the next two years which branches are likely to have best performance? Which customers are likely to switch off on account of competition next year? Which customers offer the best profit potential? Intense competition has forced many banks to pay greater attention to retain customers and winning new ones. Customer focus has become the watchword. Concentration on customer experience and customer intimacy has become the key to better customer service. More and more banks are embracing customer relationship management (CRM) systems. Along with other CRM solutions, data mining can also provide vital information about the customer for better relationship management. Information is the life blood for the banks in mitigating and managing risks. Banks are setting up knowledge management system (KMS) using ICT. Knowledge management is a systematic process for capturing, integrating, organising and communicating knowledge accumulated by the banks. It is a vehicle to share corporate knowledge so that the employees may be more effective and be productive in their work. A KMS must store all the knowledge in a knowledge repository, sometimes called a knowledge warehouse. A knowledge warehouse holds unstructured information; therefore, a knowledge management framework must have tools for searching and retrieving unstructured information. As a part of the KMS, banks have set up their own intranets and extranets, which are a boon to both the employees and customers, spread over wide geographic locations.

4.2.1 Technological revolution in commercial banks

The banks faced with higher operating costs in recent years have increasingly turned toward automation and electronic networks to replace labour-based production system, especially for taking deposits, dispensing payments, and making credit available eg. ATM machines; which gives customers 24 hours access to their deposit accounts; point of sale (POS) terminals in stores and shopping centres that replace paper-based way of transactions around the globe.

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Thus, banking is becoming more of a capital-intensive, fixed-cost industry and less of a labour-intensive, variable cost industry. Many experts believe that traditional brick and mortar bank building and face to face meetings between bankers and their customers will eventually become relics of the past, replaced by electronic communication. Service production and service delivery will be fully automated. Such steps will significantly lower inter-face between the banker & the customer. Reserve bank of India has played an important role in implementation of information technology in banking sector. Dr. Rangarajan committee had drawn up in 1983-84 plans for computerisation and mechanisation in the banking industry and looked into the modalities of drawing up a phased plan for mechanisation for the banking industry covering the period 1985-1989. The committee in its report in 1984 recommended the introduction of computerisation and mechanisation at the branch, Regional office or Zonal office and Head office levels of banks. Nowadays nearly all nationalised banks have implemented IT based solutions for their day to day transactions. According to the RBI policy, nearly all commercial banks have already implemented the step by step solutions for doing computerised transactions. Public sector banks / nationalised banks / foreign banks have already implemented advanced technology based solutions like core banking solutions for providing their customers anywhere and anytime banking facility.

4.2.2 Technological revolution in co-operative banks

The present cooperative banking scenario is far from the anywhere and anytime banking. This is mainly because system reengineering for anywhere and anytime banking, demands use of high level of technological tools on one hand and strengthening the infrastructural facilities like communication system, networking etc. on the other. In addition to this, enhancement of the knowledge skill of the employees of the banks, play an important role to achieve this end. This apart, the level of awareness amongst the customers, consciousness of the banks for extending such facilities to the customers is very low, so the Indian banking sector has not yet considered the anywhere and anytime banking as one of the important parameters for their customer service. The reason for non implementation of anywhere and anytime banking in the cooperative banking sector may be listed as follows:

- Lack of consciousness of the cooperative banks about extending the facilities like anywhere and anytime banking to the customers
- Lack of awareness amongst the customers about their rights to various banking facilities
- Lack of the necessary computerised systems and tools

- Lack of proper communication system required for such facilities
- Requirement of the banks funds for investment on computer and communication system
- Lack of knowledge and skill of the bank employees
- Inability of the customer to use IT related facilities due to lack of knowledge
- Resistance against change in the system at all levels i.e. the employees, management & the top executives of the banks.
- Delay in framing the required rules and regulations for implementing the electronic transactions.

Although technological developments and infrastructural improvements are coming up very fast, it needs a huge amount of investment for any individual bank to reap the full benefits of such developments/improvements. Many of the cooperative banks are not in a very sound position financially as the profitability of those banks is on a decline. Some banks are on the verge of closure, unless it recovers financially. Thus many banks in the country may not be in a position to invest such huge amount in the technological areas although it is highly necessary for their survival as the private sector banks and the foreign banks are posing stiff competition to them particularly in the areas of customer service, business growth and profitability. These banks (private, public, foreign) because of their sound capital base can invest huge funds for technological developments and are optimally using the IT tools for their benefit. In comparison with this, the cooperative banks are falling behind in this area due to their poor capital base. In order to cope with this tough situation, the weaker of the cooperative banks may consolidate themselves by going in for a merger so that the merged unit becomes a bigger one with a sound financial base and a stronger force to reckon with. Once the banks attain the level of strong financial base, it will be easier for them to invest funds on technological developments which are essential for extending anywhere and anytime banking to the customers. The banks should also take steps for enhancing the level of knowledge and skill of their employees at all levels including top executives on IT by imparting training. The employees of all categories should be motivated through training on behavioural science so that there is a perceptible change in their attitudes about the new technologies that they are going to handle in the future. At the same time, the banks have the responsibility of educating their customers so that they are accustomed to the new environment.

CHAPTER 5
FINANCIAL PERFORMANCE ANALYSIS

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Financial statement is a written report which fully describes the financial position of an organization. The financial statements provide the needed information about the organization. It provides a summary of the accounts, the balance sheet reflecting the assets, liabilities and capital as on certain date, the profit and loss statement showing the results of operations during a certain period. Published financial statements are the only source of information about the activities and affairs of the organization available to the public. Financial statement analysis will help to identify the financial performance of an organization. Financial statement analysis is largely a study of relationship among the various financial ratios in business as reflected by a single set of statements and a study of trend of these ratios over a period of time. Such financial analysis enables us to have an insight into the financial condition of the organization and it also play an important role in the decision making of the managerial decision. Financial analysis helps to determine the financial strength and weakness of an organization.

Chapter 5: Analysis of results and decisions are provided. It covers the analysis of financial statements and interpretation of financial statements. It deals with the analysis of financial statements.

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Chapter - 5

Financial performance - An Analysis

CHAPTER 5

FINANCIAL PERFORMANCE - AN ANALYSIS

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5.1 Introduction

Financial statement is a written report which quantitatively describes the financial health of an organisation. The financial statements provide the needed information about the organization. It provide a summary of the accounts, the balance sheet reflecting the assets, liabilities and capital as on certain date the profit and loss statement showing the results achieved during a certain period. Published financial statements are the only source of information about the activities and affairs of the organization available to the public. Financial statements analysis will help to identify the financial performance of an organization. Financial statement analysis is largely a study of relationship among the various financial factors in business as disclosed by a single set of statement and a study of trend of these factors as shown in a series of statements. Such financial analysis enables us to have an idea about the financial soundness of the organization and it also play an important role in setting the frame work of the managerial decision. Financial analysis helps to determine the financial strength and weakness of the organization.

In this Chapter, analysis of results and discussion are presented. To ensure logical flow of the findings, the analysis and interpretation of financial statements is done by ratio analysis and averages.

5.2 Ratio analysis

The term ratio analysis refers to the numerical or quantitative relationship between two inter related figures. Ratios are relative expressions and may be used for comparison. Ratio analysis is a technique to analyse the financial statements. Thus, the ratio is a measuring device, to judge growth, development and present condition of a concern.

Ratios used in the analysis are:

Asset Quality

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1. Gross NPA to Total Advances Ratio
2. Provisioning to Total Assets Ratio

Efficiency in fund mobilization

1. Borrowed fund to Working capital Ratio
2. Borrowings to borrowed fund Ratio
3. Deposit to Working capital Ratio

Efficiency in fund deployment

1. Credit to Deposit Ratio
2. Credit to Working capital Ratio
3. Credit Owned fund Ratio

Efficiency in operation

1. Net profit to Working capital Ratio
2. Interest paid to Interest received Ratio
3. Interest paid to Borrowed fund Ratio
4. Net profit to Interest received Ratio
5. Interest received to Total income Ratio

Profitability Ratios

1. Net Interest Margin (NIM) to Total Assets Ratio
2. Return on asset
3. Return on equity

5.2.1 Asset quality

5.2.1.1 Gross NPA to Total advances Ratio

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This ratio is intended to identify and quantify problem assets in the loan portfolio. It measures the overall quality of banks loan book. A ratio less than one percent indicates better asset quality. Table 5.1 shows the Gross NPA to Advances Ratio. The ratio is calculated by using the formula,

$$\text{Gross NPA to Total advances Ratio} = \frac{\text{Gross NPA}}{\text{Total advances}} * 100$$

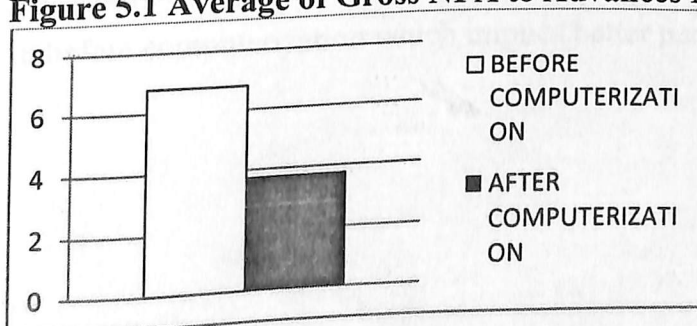
Table 5.1: Gross NPA to Advances Ratio (in cores)

Sl.No.	Before computerization				After computerization			
	Year	Gross NPA	Total Advances	Ratio	Year	Gross NPA	Total Advances	Ratio
1	1997-98	6.70	151.09	4.43	2009-10	75.21	1209.43	6.21
2	1998-99	7.29	158.78	4.59	2010-11	81.04	1521.34	5.32
3	1999-00	11.51	200.65	5.73	2011-12	49.72	1701.92	2.92
4	2000-01	19.08	252.63	7.55	2012-13	43.99	1969.87	2.23
5	2001-02	31.25	267.93	11.66	2013-14	49.34	2279.33	2.16

Source: Audited Annual Reports of TDCB from 1997-98 to 2013-15

On a year by year basis, the results show that the Gross NPA to Advances Ratio has a decreasing trend after computerization while before computerization it is increasing. The ratio was 4.43 percent in 1997-98 and it increased to 11.66 percent in 2001-02. It is 6.21 in 2009-10 and decreased to 2.16 in 2013-14. On an average, after computerization has a ratio of 3.77 percent which is lower than 6.79 percent before computerization.

Figure 5.1 Average of Gross NPA to Advances Ratio



Source: Audited Annual Reports of TDCB from 1997-98 to 2013-15

While a lower Gross NPA ratio suggests better NPA management, the results indicate that asset quality is better after computerization than before computerization.

5.2.1.2 Provisioning to Total asset Ratio

This ratio is calculated by dividing the total amount of provision for various purposes and anticipated losses by the total assets of the bank. It shows the proportion of the total assets set aside for various contingencies. The lower the ratio, the better is the quality of the assets.

Table 5.2 Provisioning to Total Assets Ratio (in cores)

Sl.No.	Before computerization				After computerization			
	Year	Provision	Total Assets	Ratio	Year	Provision	Total Assets	Ratio
1	1997-98	0	315.56	0	2009-10	46.69	1956.6	2.38
2	1998-99	19.77	426.33	4.63	2010-11	51.64	2279.85	2.26
3	1999-00	25.36	573.21	4.42	2011-12	51.66	2728.09	1.89
4	2000-01	36.16	628.59	5.75	2012-13	8.63	2963.76	0.29
5	2001-02	54.84	731.57	7.49	2013-14	4.53	4086.29	0.11

Source: Audited Annual Reports of TDCB from 1997-98 to 2013-15

The results show that after computerization, the ratio has consistently reduced from the highest (2.38 percent) in 2009-10 to the lowest (0.11percent) in 2013-14. But before computerization it shows an increase of 4.63 percent in 1998-99 to the highest of 7.49 percent. However, after computerization has an average of 1.38 percent against 4.46 percent in before computerization which implies better performance by TDCB after computerization.

Source: Audited Annual Reports of TDCB from 1997-98 to 2013-15

Sl. No.	Before computerization				After computerization			
	Year	Borrowed fund	Working capital	Ratio	Year	Borrowed fund	Working capital	Ratio
1	1997-98	271.33	297.36	91.24	2009-10	1752.24	1927.54	90.90
2	1998-99	375.10	404.08	92.82	2010-11	1916.021	2207.16	86.80
3	1999-00	513.67	549.73	93.44	2011-12	2477.754	2653.78	93.36
4	2000-01	554.44	601.81	92.12	2012-13	2718.195	2703.66	100.53
5	2001-02	650.34	717.99	90.57	2013-14	3772.02	3903.8	96.62

Table 5.3 Borrowed fund to Working capital Ratio (in cores)

Borrowed fund includes borrowings from government and other banks and deposits. Working capital means the amount required for day to day functioning of the bank. This ratio shows the extent of working capital financed through borrowed fund. The Borrowed fund to Working capital Ratio can be computed using the formula:

5.2.2.1 Borrowed fund to Working capital Ratio

Fund mobilisation is an important aspect as far as a co-operative society is concerned. These ratios are to know the efficiency of mobilisation of fund in the bank. The following ratios were used for measuring the efficiency in fund mobilisation by TDCB.

5.2.2 Efficiency in fund mobilisation

Source: Audited Annual Reports of TDCB from 1997-98 to 2013-15

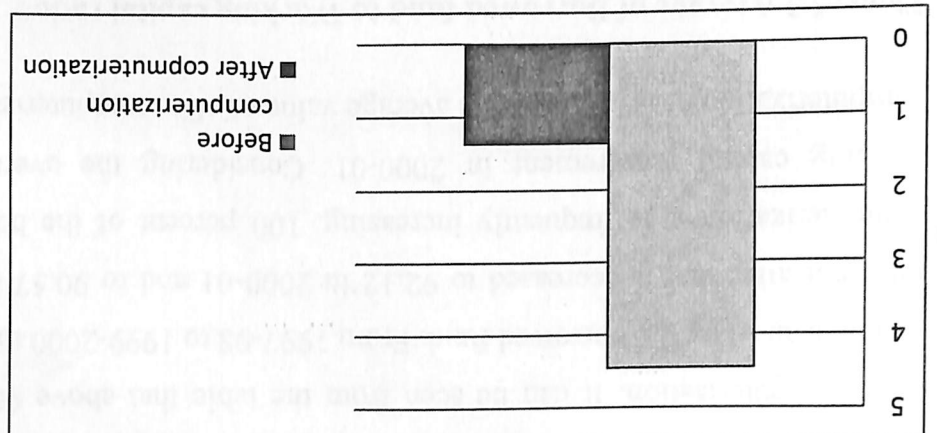


Figure 5.2: Average of Provisioning to Total Assets Ratio

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Source: Audited Annual Reports of TDCB from 1997-98 to 2013-15

SI. No.	Before computerization							After computerization		
	Year	Borrowings	Borrowed fund	Ratio	Year	Borrowings	Borrowed fund	Ratio		
1	1997-98	20.32	271.33	7.49	2009-10	106.55	1752.23	0.06		
2	1998-99	16.18	375.10	4.31	2010-11	106.55	1916.02	0.05		
3	1999-00	10.83	513.67	2.10	2011-12	106.55	2477.75	0.04		
4	2000-01	3.45	554.44	0.62	2012-13	74.45	2718.19	0.02		
5	2001-02	5.14	650.34	0.79	2013-14	19.67	3772.20	0.00		

Table : 5.4 Borrowings to Borrowed fund Ratio (in cores)

$$\text{Borrowings to Borrowed fund Ratio} = \frac{\text{Borrowings}}{\text{Borrowed fund}} \times 100$$

Borrowings include borrowings from apex institutions and the government. Borrowed fund include borrowing and deposits of the bank. It is calculated by using the formula:

5.2.2.3 Borrowings to Borrowed fund Ratio

Source: Audited Annual Reports of TDCB from 1997-98 to 2013-15

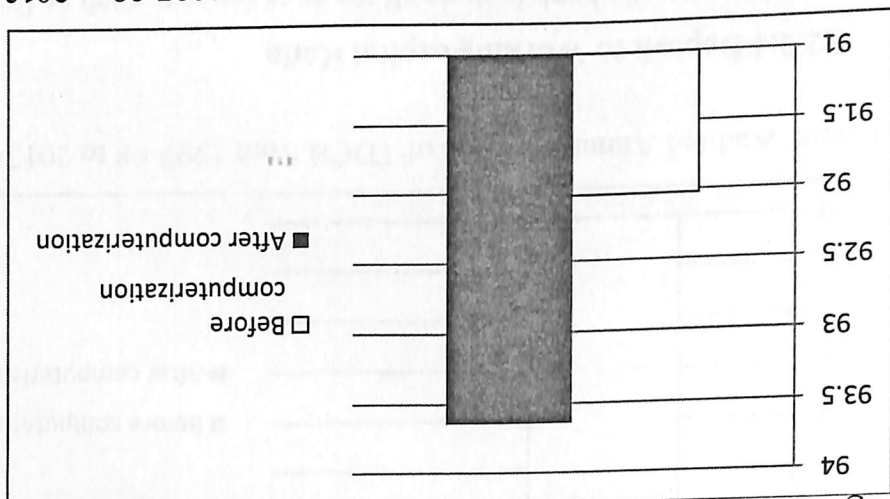
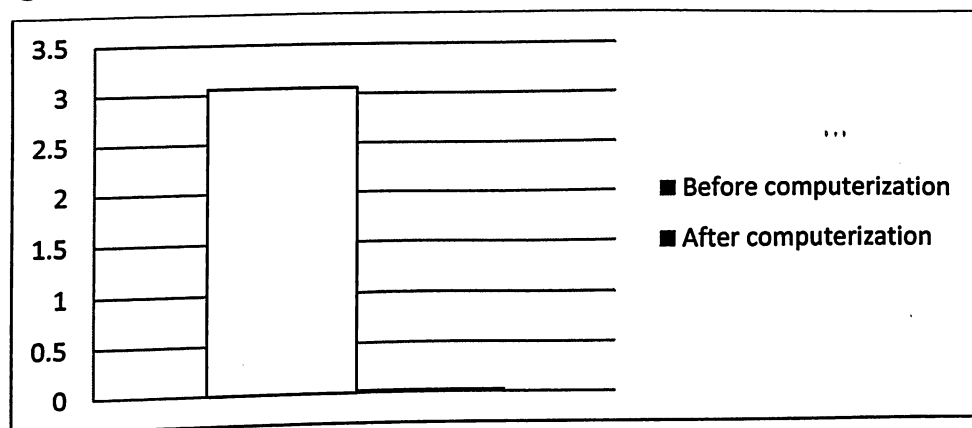


Figure 5.3 Average of Borrowed fund to Working capital ratio

Table 5.3 shows the Borrowed fund to Working capital ratio of TDCB before and after computerisation. It can be seen from the table that above 90 percent of the working capital is used by the borrowed fund. From 1997-98 to 1999-2000 there is an increase in the ratio but after that it decreased to 92.12 in 2000-01 and to 90.57 in the 2001-02. But after computerization it is frequently increasing. 100 percent of the borrowed fund is used for working capital requirement in 2000-01. Considering the average 92.03percent before computerization, it is less than the average value of after computerization of 93.64 percent.

From the table it can be understood that borrowings to borrowed fund ratio is decreasing in both periods. Compared to before computerisation periods the ratio is very less in after computerization. On an average, after computerization has a ratio of 0.03 percent which is lower than 3.06 percent before computerization. It means that after computerisation borrowing of the bank has decreased.

Figure 5.4: Average of Borrowings to Borrowed fund Ratio



Source: Audited Annual Reports of TDCB from 1997-98 to 2013-15

5.2.2.4 Deposit to Working capital Ratio

Deposits of a bank include all types of deposits such as fixed deposit, savings deposit, daily collection deposit etc. A higher Deposit to Working capital Ratio is an indication of higher share of deposit in the working capital. It also implies the efficiency of the bank in deposit mobilisation and at the same time it imposes certain additional responsibility on the bank to ensure deployment of funds in profitable channels. The ratio is calculated by using

$$\text{the formula: Deposit to working capital Ratio} = \frac{\text{Deposit}}{\text{Working capital}} \times 100$$

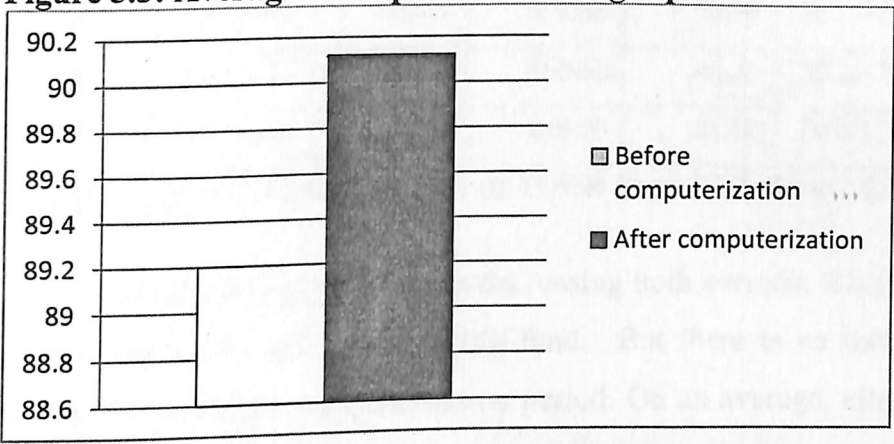
Table 5.5: Deposit to working capital Ratio (in cores)

Sl. No.	Before computerization				After computerization			
	Year	Deposit	Working capital	Ratio	Year	Deposit	Working capital	Ratio
1	1997-98	251.009	297.36	84.41	2009-10	1645.68	1927.54	85.37
2	1998-99	358.92	404.08	88.82	2010-11	1809.46	2207.16	81.98
3	1999-00	502.84	549.73	91.47	2011-12	2371.19	2653.78	89.35
4	2000-01	550.99	601.81	91.55	2012-13	2643.73	2703.66	97.78
5	2001-02	645.20	717.99	89.86	2013-14	3752.52	3903.8	96.12

Source: Audited Annual Reports of TDCB from 1997-98 to 2013-15

From the table it can be understood that the ratios have increasing trend in both periods. Increased ratio shows that there is a higher share for deposit in the working capital. Compared to before computerization periods there is an increase in the deposits and working capital after computerization.

Figure 5.5: Average of Deposit to working capital Ratio



Source: Audited Annual Reports of TDCB from 1997-98 to 2013-15

5.2.3 Efficiency in fund deployment

Fund deployment is an important function as far as a Co-Operatives are concerned. Efficiency in deployment is equally important as efficiency in mobilisation. The long term existence of any Co-Operative depends upon the effective deployment of funds mobilized.

5.2.3.1 Credit to Deposit Ratio

The relation between credit and deposit is relevant, since the deposits are mobilized for giving loans. The ratio shows the efficiency of the bank in successfully getting rid of the high cost sources. A higher ratio implies higher efficiency in the deployment of the funds by the bank. It is calculated as :

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

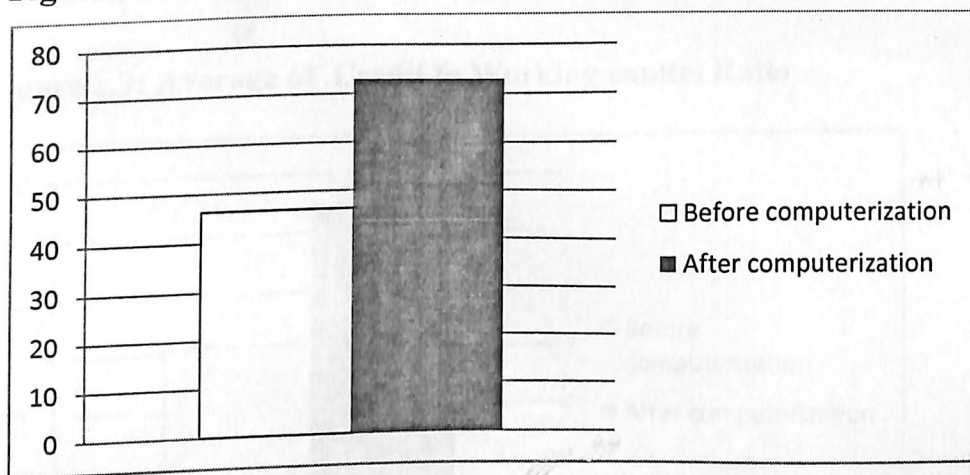
Table 5.6: Credit to Deposit Ratio (in cores)

Sl. No.	Before computerization				After computerization			
	Year	Credit	Deposit	Ratio	Year	Credit	Deposit	Ratio
1	1997-98	151.09	251.00	60.19	2009-10	1209.43	1645.68	73.49
2	1998-99	158.78	358.92	44.23	2010-11	1521.34	1809.46	84.07
3	1999-00	200.65	502.84	39.90	2011-12	1701.92	2371.19	71.77
4	2000-01	252.63	550.99	45.85	2012-13	1969.87	2643.73	74.51
5	2001-02	267.93	645.20	41.52	2013-14	2279.33	3752.52	60.74

Source: Audited Annual Reports of TDCB from 1997-98 to 2013-15

Credit to Deposit Ratio is decreasing both periods. It can be understood that the bank is not much efficient in deploying fund. But there is an increase in deployment of fund compared to before computerisation period. On an average, after computerization has a ratio of 72.91 percent which is higher than 46.33 percent before computerization.

Figure 5.6: Average of Credit to Deposit Ratio



Source: Audited Annual Reports of TDCB from 1997-98 to 2013-15

5.2.3.2 Credit to Working capital Ratio

This ratio indicates the efficiency in managing funds of the bank. The ratio shows the relationship between the deployment of loans and advances with the available fund. It also reveals the quantum of credit given every hundred rupees available.

The Credit to Working capital Ratio is calculated by using the formula:

$$\text{The Credit to Working capital Ratio} = \frac{\text{Credit}}{\text{Working capital}} \times 100$$

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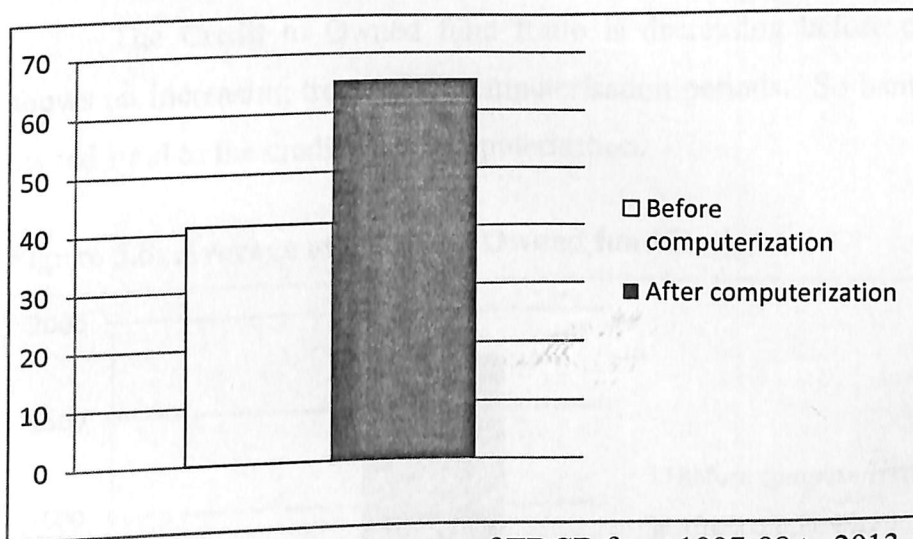
Table 5.7: Credit to working capital Ratio (in cores)

Sl. No.	Before computerization				After computerisation			
	Year	Credit	Working capital	Ratio	Year	Credit	Working capital	Ratio
1	1997-98	151.09	297.36	50.81	2009-10	1209.42	1927.54	62.74
2	1998-99	158.78	404.08	39.29	2010-11	1521.33	2207.16	68.92
3	1999-00	200.65	549.73	36.50	2011-12	1701.92	2653.78	64.13
4	2000-01	252.63	601.81	41.97	2012-13	1969.86	2703.66	72.85
5	2001-02	267.93	717.99	37.31	2013-14	2279.33	3903.8	58.38

Source: Audited Annual Reports of TDCB from 1997-98 to 2013-15

From the table it can be understood that both credit and working capital is increasing. The Credit to Working Capital Ratio is decreasing. So it is saying that bank is efficiently deploying the loans advances with the available fund.

Figure 5.7: Average of Credit to Working capital Ratio



Source: Audited Annual Reports of TDCB from 1997-98 to 2013-15

5.2.3.3 Credit to Owned fund Ratio

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Credit to Owned fund Ratio measures the capacity of the bank to convert owned fund to credit. A higher ratio is a positive indication of efficiency in fund deployment.

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

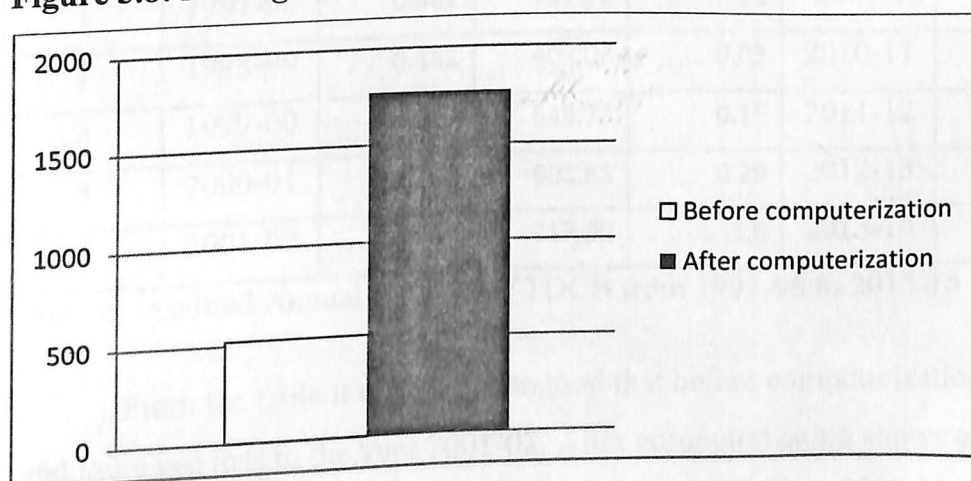
Table 5.8: Credit to Owned fund Ratio (in cores)

Sl. No.	Before computerization				After computerization			
	Year	Credit	Owned fund	Ratio	Year	Credit	Owned fund	Ratio
1	1997-98	151.09	26.03	580.45	2009-10	1209.42	77.41	1562.31
2	1998-99	158.78	28.97	547.90	2010-11	1521.33	84.92	1791.40
3	1999-00	200.65	36.05	556.49	2011-12	1701.92	94.53	1800.36
4	2000-01	252.63	47.36	533.37	2012-13	1969.86	108.56	1814.53
5	2001-02	267.93	67.64	396.08	2013-14	2279.33	120.65	1889.14

Source: Audited Annual Reports of TDCB from 1997-98 to 2013-15

The Credit to Owned fund Ratio is decreasing before computerization periods. It shows an increasing trend after computerisation periods. So bank efficiently converting the owned fund to the credit after computerisation.

Figure 5.8: Average of Credit to Owned fund Ratio



Source: Audited Annual Reports of TDCB from 1997-98 to 2013-15

5.2.4 Efficiency in operation

57

Even though co-operatives are service motive, surplus is much needed to them for their existence and growth. Hence profitability is the most simple and commonly used indicator of operational efficiency.

5.2.4.1 Net profit to Working capital Ratio

The ratio of net profit to working capital represents the banks efficiency in making higher returns out of working capital. The net profit should be adequate enough to provide optimum returns on the working capital. Higher ratio shows the efficiency in deploying working capital to make profit during the period.

The Net profit to Working capital Ratio is calculated by using the formula:

$$\text{The Net profit to Working capital Ratio} = \frac{\text{Net profit}}{\text{Working capital}} \times 100$$

Table 5.9: Net profit to Working capital Ratio (in cores)

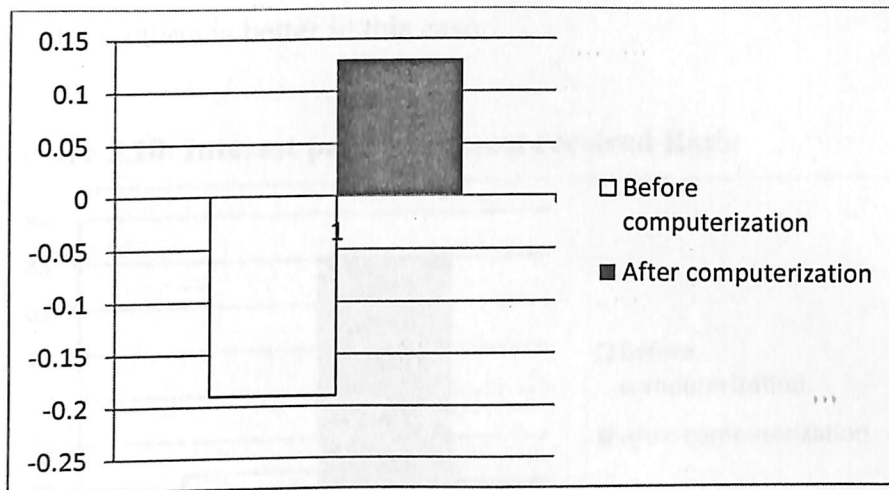
Sl. No.	Before computerization				After computerization			
	Year	Net profit	Working capital	Ratio	Year	Net profit	Working capital	Ratio
1	1997-98	0.482	297.36	0.16	2009-10	2.39	1927.54	0.12
2	1998-99	0.152	404.08	0.03	2010-11	4.24	2207.16	0.19
3	1999-00	0.827	549.73	0.15	2011-12	0.88	2653.78	0.03
4	2000-01	1.788	601.81	0.29	2012-13	4.75	2703.66	0.17
5	2001-02	-11.969	717.99	-1.6	2013-14	6.88	3903.8	0.17

Source: Audited Annual Reports of TDCB from 1997-98 to 2013-15

From the table it can be understood that before computerization the ratio is fluctuating and there is a loss in the year 2001-02. After computerization shows an increase in the ratios even though it is 0.03 in the year 2011-13. So it shows the efficiency in deploying working capital to make profit after computerization. On an average, after computerization has a ratio of 0.13 percent which is greater than -0.19 percent before computerization

Figure 5.9 Average Net profit to Working capital Ratio

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Source: Audited Annual Reports of TDCB from 1997-98 to 2013-15

5.2.4.2 Interest paid to Interest received Ratio

The bank makes profit mainly on account from the difference in interest paid on deposits and borrowings and received on loans and advances and investments. This shows the extent of operational income of the bank. An increased ratio over a number of years indicates decrease in profitability. The ratio is calculated by using:

$$\text{The Interest paid to Interest received Ratio} = \frac{\text{Interest paid}}{\text{Interest received}} \times 100$$

Table 5.10: The Interest paid to Interest received Ratio

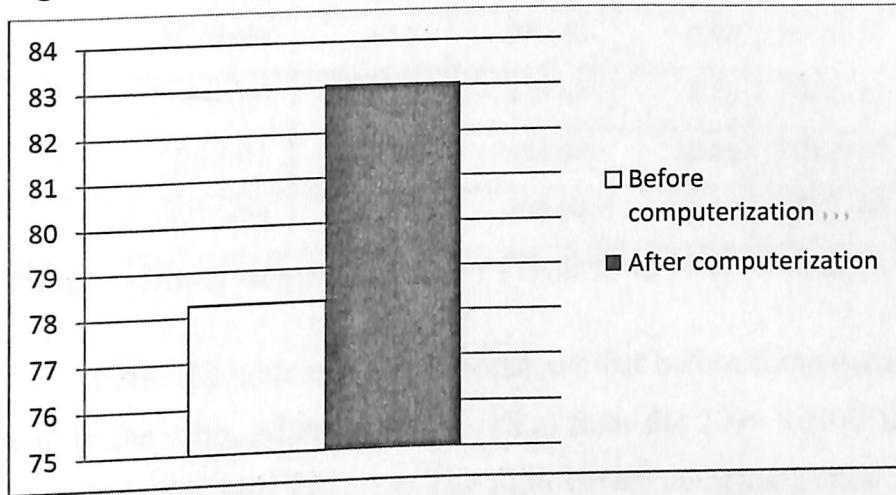
Sl. No.	Before computerization				After computerization			
	Year	Interest paid	Interest received ratio	Ratio	Year	Interest paid	Interest received ratio	Ratio
1	1997-98	25.96	35.04	74.08	2009-10	156.13	197.32	79.12
2	1998-99	37.14	44.86	82.78	2010-11	193.82	242.26	80.00
3	1999-00	49.68	63.62	78.08	2011-12	250.09	301.06	83.07
4	2000-01	55.91	75.44	74.12	2012-13	307.52	357.10	86.11
5	2001-02	65.15	79.19	82.27	2013-14	292.76	336.32	87.04

Source: Audited Annual Reports of TDCB from 1997-98 to 2013-15

Table shows an increased ratio in both periods. An increased ratio over a number of years indicates decrease in profitability. Compared after computerization before computerization is better in this case.

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Figure 5.10 Interest paid to Interest received Ratio



Source: Audited Annual Reports of TDCB from 1997-98 to 2013-15

5.2.4.3 Interest paid to Borrowed fund Ratio

One of the main expenditure of a bank is the interest paid on deposit and borrowings. The relation between interest paid and profitability is inverse. That is when the interest paid increase the profitability decrease and vice-versa. But to attract the depositors the bank has to pay reasonable rate of interest on deposits. The ratio reveals the cost of funds.

The Interest paid to Borrowed fund Ratio is calculate by using the formula:

$$\text{The Interest paid to Borrowed fund Ratio} = \frac{\text{Interest paid}}{\text{Borrowe fund}} \times 100$$

Table 5.11: Interest paid to Borrowed fund Ratio

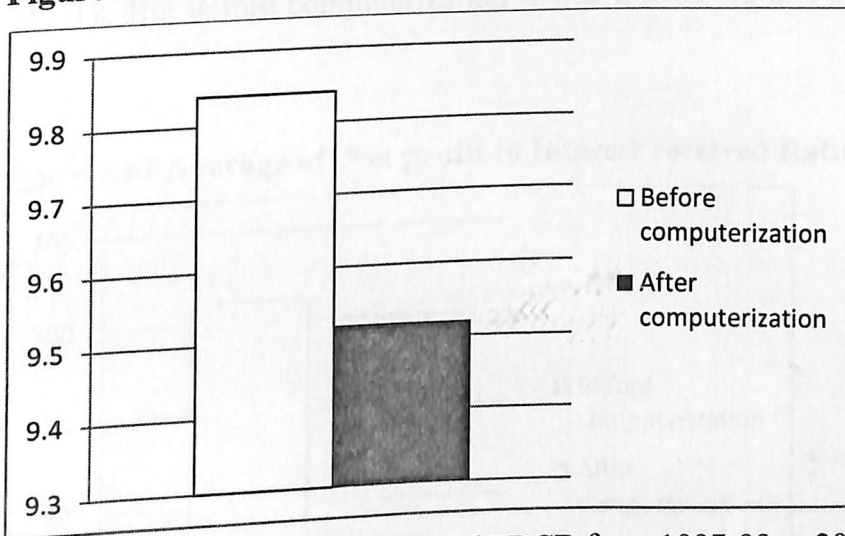
60

Sl. No.	Before computerization				After computerization			
	Year	Interest paid	Borrowed fund	Ratio	Year	Interest paid	Borrowed fund	Ratio
1	1997-98	25.96	271.33	9.56	2009-10	156.13	1752.23	8.91
2	1998-99	37.14	375.10	9.90	2010-11	193.82	1916.02	9.51
3	1999-00	49.68	513.67	9.67	2011-12	250.09	2477.75	10.12
4	2000-01	55.91	554.44	10.08	2012-13	307.52	2718.19	11.31
5	2001-02	65.15	650.34	10.01	2013-14	292.76	3772.20	7.76

Source: Audited Annual Reports of TDCB from 1997-98 to 2013-15

From the table it can be understood that before computerization there is an increasing trend in the ratio. After computerization from the 2009 to 2013 there was an increase but it decrease in the year 2013-14. The ratio before computerization has registered a increasing ratio than after computerization. The ratio shows an increasing trend but it decreased in 2013-14. It is assuming that there will be an increase in profitability compared to before computerization period.

Figure 5.11 Average of Interest paid to Borrowed fund Ratio



Source: Audited Annual Reports of TDCB from 1997-98 to 2013-15

5.2.4.4 Net profit to Interest received Ratio

Net profit and interest received by the bank are always directly related. If there is an increase in the interest received by the bank, profitability also increases and vice-versa.

The interest received on loans and advances and investments are the major sources of income of the bank. The Net profit to Interest received Ratio can be calculate by using the formula: 61

$$\text{The Net profit to Interest received Ratio} = \frac{\text{Net profit}}{\text{Interest received}} \times 100$$

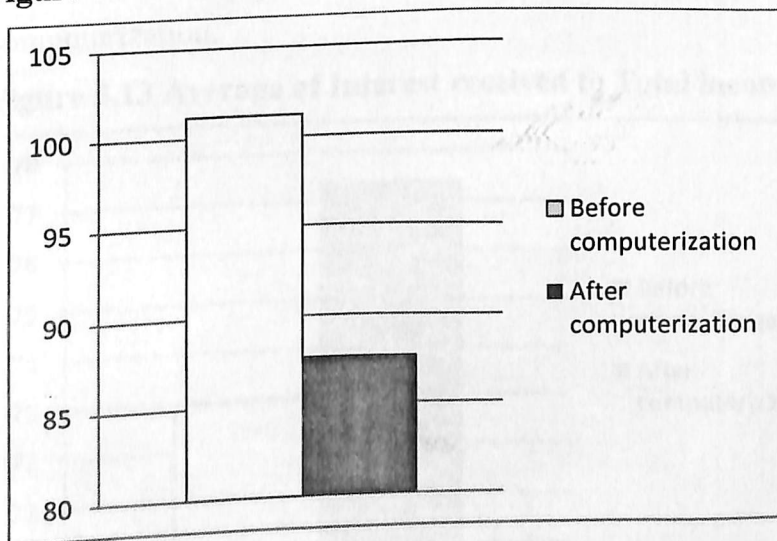
Table 5.12: The Net profit to Interest received Ratio

Sl. No.	Before computerization				After computerization			
	Year	Net profit	Interest received	Ratio	Year	Net profit	Interest received	Ratio
1	1997-98	0.48	35.04	1.37	2009-10	2.39	197.32	1.21
2	1998-99	0.15	44.86	0.33	2010-11	4.24	242.26	1.75
3	1999-00	0.82	63.62	1.30	2011-12	0.88	301.06	0.29
4	2000-01	1.78	75.44	2.37	2012-13	4.75	357.10	1.33
5	2001-02	-11.96	79.19	-15.11	2013-14	6.88	336.32	2.04

Source: Audited Annual Reports of TDCB from 1997-98 to 2013-15

Net profit and interest received has increased compared to before computerization. After computerization the ratio shows an increasing trend even the ratio was 0.29 in the year 2011-12. But before computerization it was fluctuating and there is a loss in the year 2001-02.

Figure 5.12 Average of Net profit to Interest received Ratio



Source: Audited Annual Reports of TDCB from 1997-98 to 2013-15

5.2.4.5 Interest received to Total income Ratio

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This ratio shows the portion of interest received on investments and loans in the total income of the bank. The interest received to total income ratio is calculate by using the formula:

$$\text{The Interest received to Total income Ratio} = \frac{\text{Interest received}}{\text{Total income}} \times 100$$

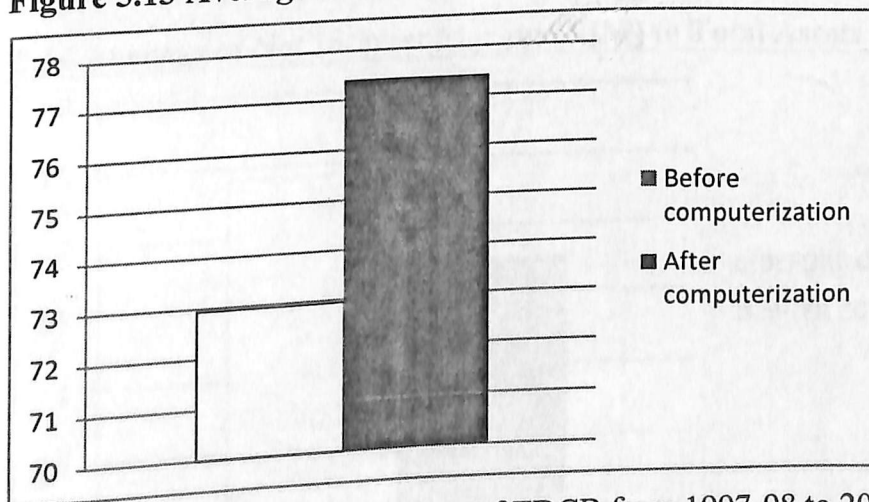
Table 5.13: Interest received to Total income Ratio

Sl. No.	Before computerization				After computerization			
	Year	Interest received	Total income	Ratio	Year	Interest received	Total income	Ratio
1	1997-98	35.04	46.71	75.01	2009-10	292.48	197.32	67.46
2	1998-99	44.86	62.15	72.18	2010-11	354.95	242.26	68.25
3	1999-00	63.62	84.91	74.92	2011-12	374.97	301.06	80.28
4	2000-01	75.44	101.41	74.39	2012-13	356.10	357.10	100.28
5	2001-02	79.19	115.98	68.28	2013-14	474.95	336.32	70.81

Source: Audited Annual Reports of TDCB from 1997-98 to 2013-15

Interest received to total income ratio is decreasing over the years before computerization. But after computerization ratios shows increasing trend. In the year 2012-13, 100 percent of the total income are from the interest received. However, after computerization has an average of 77.4 percent against 72.9 percent in after computerization which implies that interest received contribute more to the total income of the TDCB after computerization.

Figure 5.13 Average of Interest received to Total income Ratio.



Source: Audited Annual Reports of TDCB from 1997-98 to 2013-15

5.2.5 Profitability analysis

5.2.5.1 Net interest margin (NM) to Total assets Ratio

63

It is one of the most important measures of the bank's profitability arising from its ordinary business operations. NIM is the difference between total interest earned and the interest paid and is expressed as a percentage of total assets. NIM ratio of more than one percent indicates higher bank profitability.

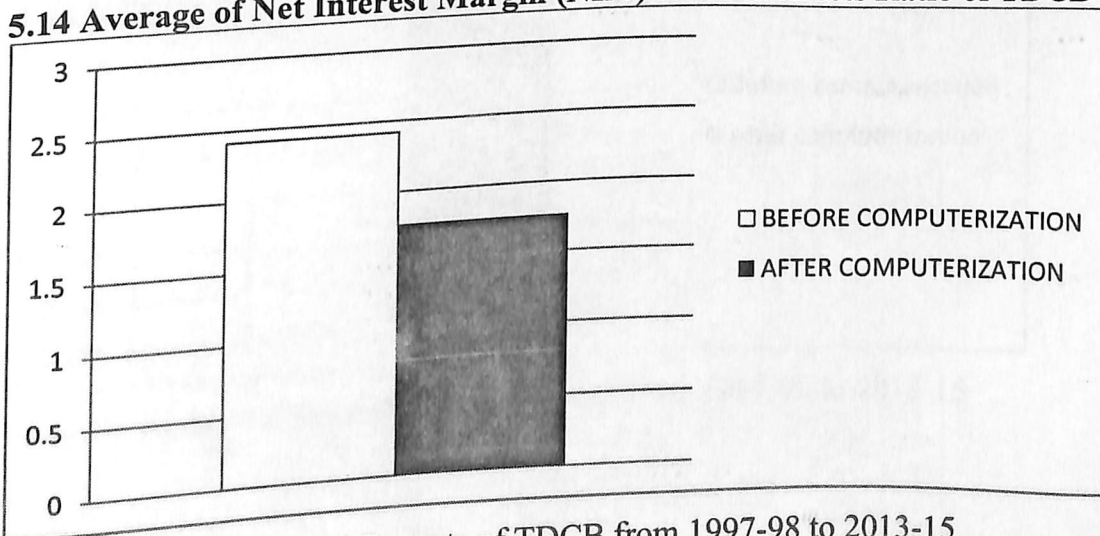
Table 5.14 Net Interest Margin (NIM) to Total Assets Ratio

Sl.No.	Before computerization				After computerization			
	Year	NIM	Total Asset	Ratio	Year	NIM	Total Asset	Ratio
1	1997-98	9.08	315.56	2.87	2009-10	41.19	1956.6	2.10
2	1998-99	7.72	426.33	1.81	2010-11	48.38	2279.85	2.12
3	1999-00	13.94	573.21	2.43	2011-12	50.97	2728.09	1.86
4	2000-01	19.53	628.59	3.10	2012-13	49.58	2963.76	1.67
5	2001-02	14.04	731.57	1.91	2013-14	43.56	4086.29	1.06

Source: Audited Annual Reports of TDCB from 1997-98 to 2013-15

The table shows moderate fluctuations in NIM in both periods. Amount of NIM and Total asset after computerization has increased compared to before computerization. The average ratio is 2.42 percent before computerization while it is 1.76 percent after computerization. After computerization the profitability of the firm do not increased. **Figure**

5.14 Average of Net Interest Margin (NIM) to Total Assets Ratio of TDCB



Source: Audited Annual Reports of TDCB from 1997-98 to 2013-15

5.2.5.2 Return on assets

ROA is calculated by dividing net profit by total asset, expressed as percentage. ROA measures a bank's productivity, by using its assets to generate profit. The higher the ratio, the more productive and profitable is the bank.

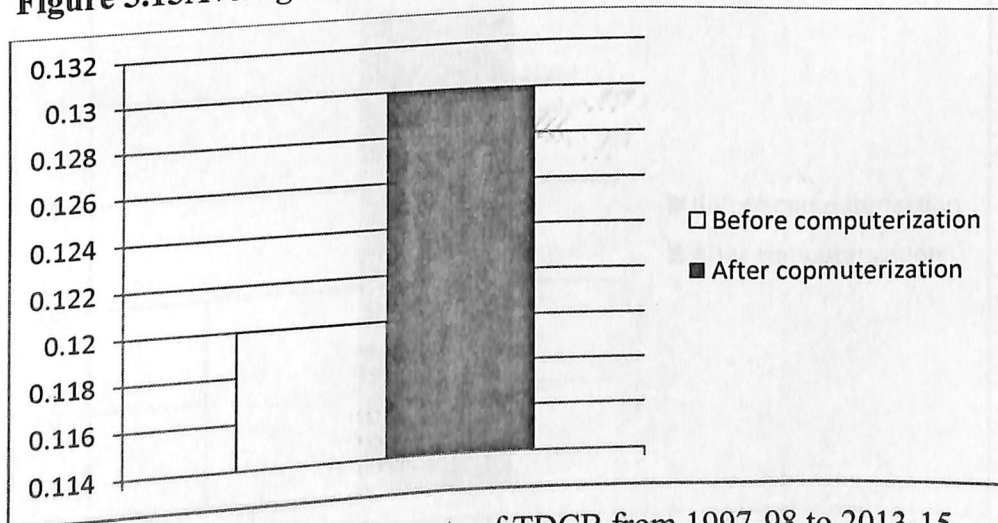
Table 5.15 Return on asset of TDCB

Sl.No.	Before computerization				After computerization			
	Year	Net profit	Total Asset	Ratio	Year	Net profit	Total Asset	Ratio
1	1997-98	0.48	315.56	0.15	2009-10	2.39	1956.6	0.12
2	1998-99	0.15	426.33	0.03	2010-11	4.24	2279.85	0.18
3	1999-00	0.82	573.21	0.14	2011-12	0.88	2728.09	0.03
4	2000-01	1.78	628.59	0.28	2012-13	4.75	2963.76	0.16
5	2001-02	0	731.57	0	2013-14	6.88	4086.29	0.16

Source: Audited Annual Reports of TDCB from 1997-98 to 2013-15

The table shows fluctuations in the ratios in both periods and in 2000-2001 it was 0.28 percent. ROA is below one percent in both study periods. Average increases to 0.13 after computerization, while it is 0.12 before computerization. There is a difference of one percent only.

Figure 5.15 Average Return on asset of TDCB



Source: Audited Annual Reports of TDCB from 1997-98 to 2013-15

5.2.5.3 Return on equity

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The ratio intended to measure the bank's efficiency in using its capital to generate profit. Higher the ratio better is the productivity of capital.

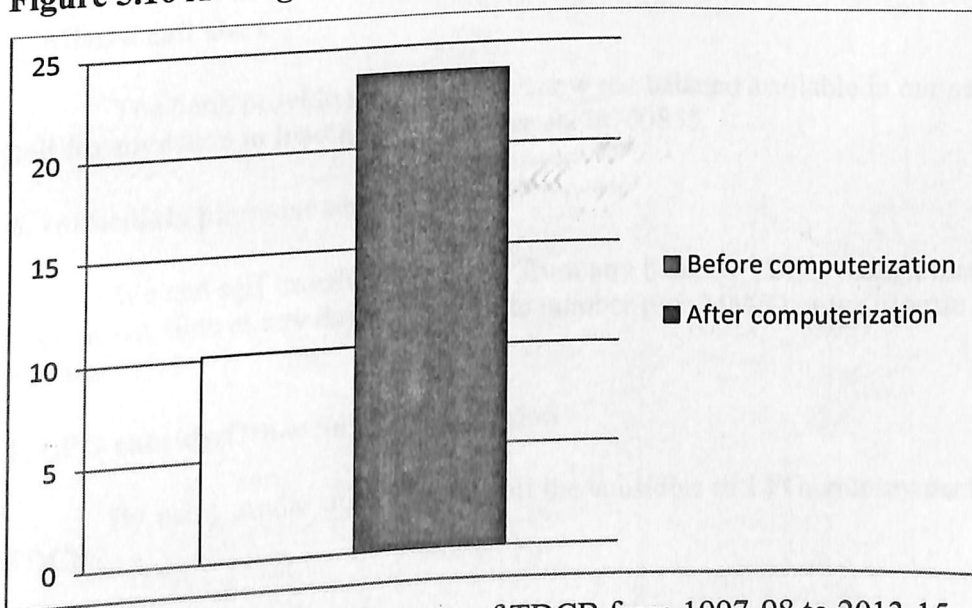
Table 5.16 Return on Equity of TDCB

Sl.No.	Before computerization				After computerization			
	Year	Net profit	Equity capital	Ratio	Year	Net profit	Equity capital	Ratio
1	1997-98	0.48	5.6	8.57	2009-10	2.39	8.12	29.43
2	1998-99	0.15	6.267	2.39	2010-11	4.24	10.95	38.72
3	1999-00	0.82	6.465	12.68	2011-12	0.88	18.8	4.68
4	2000-01	1.78	6.53	27.25	2012-13	4.75	18.77	25.30
5	2001-02	0	6.539	0	2013-14	6.88	34.12	20.16

Source: Audited Annual Reports of TDCB from 1997-98 to 2013-15

As per the table net profit has been increasing, however the ratio is 10.18 percent before computerization and 23.66 percent after computerization. As higher ratio indicates better performance, it can be seen that productivity of capital is much better after computerization than before computerization.

Figure 5.16 Average of Return on Equity of TDCB



Source: Audited Annual Reports of TDCB from 1997-98 to 2013-15

5.3 RECENT TECHNOLOGY BASED SERVICES PROVIDED BY THE TDCB.

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1. RUPAY ATM debit card

RUPAY ATM debit card helps the commoners to make money transactions through about two lakh. It's a free service. This service include on line room booking in hotels. Booking Travelling tickets and any utility bill etc.. Through this programme one needs not carry money throughout the journey.

2. Point of scale (PoS)

Point of scale (PoS) allows again provides a condition where we need not carry money with him. According to this program we can buy anything from any shop with a single ATM card of Rupay of district bank. Supermarkets, restaurants....etc works out this program. The price of commodities and services will be transferred from the account of retail shops to the account of customer

3. E Commerce [e-com]

We can get the benefits of Ecommerce through Rupay card. We can have all that online services like railway ticket booking , electricity bill payment , mobile recharging and all other online purchases at flick of finger. For making on line,purchases we have to register the ATM card through one- time registration. We can register it through the Websit of TDCB or at the time of first purchasing. We have to remember ATM card number, PIN number the image at time of registration for the oncoming online registration.

4. SMS alert

All the details of purchasing will be sent to the mobile through SMS. In order to get this service we can link our phone number to the account.

5. Missed call alert

The bank provide the facility to know the balance available in our account by giving a missed call fro anywhere in Inadia to the number 9278700855.

6. Immediate payment service

We can self transfer the money from any bank to TDCB though this scheme IMPS. It can be done at any time at any day using mobile number plus MMID or we can use account number plus IFS number.

7. LPG subsidy/Other Subsidies/ Pension

By using Aadar number we avail the subsidies of LPG, employment schemes, pensions from TDCB

8. CTS – Cheque Truncation System

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This is proposed by the government of India by using modern technological safeguard, through this system even personalised cheque book are received within hours. By this system we can clear whole cheque of all the banks of South India.

9. Internet Banking

Through internet banking we can make money transaction at any time anywhere.

10. Mobile Banking(app)

In order to get app service we should down load TDCB mobile banking app from the google playstore in an androids phone and register to it.

11. e-KYC

TDCB makes it easy for the people to create an account in the bank with the Aadar card and finger print. As TDCB make use of the details of the Aadar card the account takes a universal nature thus it easily facilitate subsidies and pensions. It also provides micro ATM to withdraw money.

12. E-lobby

Why e-lobby the customers will be free from the business and time restrictions of the branches in the bank. It is for the first time in the history of District bank of India, TDCB creates e lobby for executing all those banking process

13. ECS/ National Clearing House (NACH)

The auto mobile loans of other banks, home loans, telephone bill payment. And all other payments are made on time in accordance with the bank from TDCB account.

14. RTGS/NEFT

In order to avoid the delays in sending the demand draft, checks, TDCB introduces RTGS\NEFT services. We can transfer money to any other bank accounts at the expense of 25 Rupee.

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Chapter - 6

Findings and conclusion

Chapter-6
FINDINGS AND CONCLUSION

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6.1 Findings

6.1.1 Asset quality

1. The average gross NPS to Total Advances Ratio after computerization is 3.77 percent which is lower than 6.79 percent before computerization. So that after computerization the amount of gross NPA is less than before computerization. Hence after computerization TDCB has better asset quality ...
2. The Average Provisioning to Total Asset Ratio of TDCB before and after computerization is 4.46 percent against 1.38 percent for after computerization, which implies that there is a better performance by TDCB after computerization.

6.1.2 Efficiency in fund mobilization

1. Borrowed fund to Working capital Ratio shows an average of 93 percent after computerization, It is 92.04 percent before computerization. So borrowed fund in the working capital is high in both period, and in the year 2012-13 utilized 100 percent of borrowed fund.
2. Borrowings to Borrowed fund Ratio shows the share of apex institutions in the borrowed fund of TDCB. The ratio is not high this means that the deposits are more compared to borrowings of the bank. The ratio declined over the reference period. After computerization the average ratio is 0.008 compared to 3.06 before computerization. After computerization, the bank has less share of apex institution in its borrowed fund compared to before computerization of the bank.
3. Deposit to Working capital Ratio shows the proportion of deposits out of total working capital of the bank. The ratio shows an average of 89.2 percent before computerization and 90 percent after computerization. That is about 90 percent of the deposits of the bank has mobilized through deposits.

6.1.3 Efficiency in fund deployment

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1. Credit to Deposit Ratio after computerization of TDCB has registered a fluctuating trend. Before computerization the bank has an average ratio of 46.33 percent against 72.9 percent for after computerization. After computerization, TDCB has higher liquidity compared to before computerization.
2. Credit to Working capital Ratio indicates the efficiency in managing funds of the bank. The ratio shows the amount of credit given for every 100 rupee. The ratio shows a decreasing trend. On an average the bank has 41.18 percent before computerization and 65.41 percent after computerization.
3. Credit to Owned fund Ratio shows the capacity of the bank to convert owned fund to credit. A higher ratio is a positive indication of efficiency. On an average credit to deposit ratio before computerization is 552 percent and after computerization it is 1771 percent. So bank efficiently converting the owned fund to the credit after computerisation.

6.1.4 Efficiency in operation

1. The Net profit to Working capital Ratio is fluctuating before computerization, and there is a loss in the year 2001-02. So compared to before computerization period, TDCB improved in deploying working capital to make profit after computerization.
2. Interest paid to Interest received Ratio over a number of years indicate decrease in profitability. The average ratio is 78.2 percent before computerization. It is 83.07 percent after computerization. The ratio shows fluctuating trend even though before computerization shows better profitability.
3. Interest paid to Borrowed fund Ratio before computerization has registered a increasing ratio than after computerization. The ratio shows an increasing trend but it decreased in 2013-14. It is assuming that there will be an increase in profitability compared to before computerization period.

4. Net profit to Interest received Ratio shows an fluctuating trend the ratio increased after computerization. The average ratio is -1.9 percent , it may be of loss the year 2001-02. After computerization the average ratio is 1.32 percent. In this ratio also have a sudden increase in the year 2013-14.
5. Interest received to Total income Ratio of the bank has a fluctuating trend after computerization while it shows an increasing trend after computerization. However, after computerization has an average of 77.4 percent against 72.9 percent in after computerization which implies that interest received contribute more to the total income of the TDCB after computerization.

6.1.5 Profitability ratio analysis

1. NIM to Total Asset Ratio of the bank has an average of 2.42 percent before computerization while it is 1.76 percent after computerization which suggests that before computerization has profitability than after computerization.
2. Return On Asset (ROA) is below one percent in both study period. Average increases to 0.13 after computerization, while it is 0.12 before computerization. There is difference of one percent only.
3. Return on Equity, the net profit in absolute terms has been increased. Before computerization has an average ROE of 10.18 compared to 23.66 percent after computerization after computerization has an increasing ROE compared to before computerization.

6.1.6 Technology based services by TDCB

- RUPAY ATM debit card, Point of scale (PoS), E Commerce [e-com], SMS alert, Missed call alert, Immediate payment service , LPG subsidy/Other Subsidies/ Pension, CTS – Cheque Truncation System, INTERNET Banking, Mobile Banking(app), e-KYC, E-lobby, ECS/ National Clearing House (NACH), RTGS/NEFT are main technology based services provided by the TDCB.

6.2 Conclusion

The study set out to comparatively examine the financial performance of Thrissur District Co-Operative Bank before and after computerization of the bank. Financial performance of the bank is analysed through, specifically, the asset quality, efficiency in fund mobilization, efficiency in fund deployment, efficiency in operation and profitability. The data for before and after computerization were obtained from the bank's audited annual reports and their own published sources and analysed with ratio analysis.

The performance of TDCB after computerization has been found better than before computerization of the bank. Asset quality indicators show that after computerization the bank's asset quality is better than before computerization periods. In mobilization, the bank mostly depends on borrowed fund for working capital, in which the portion of borrowings is very less and borrowed fund consists most of the deposits of the bank. Considering to the deployment of funds, bank has improve its efficiency in fund deployment after computerization. After computerization, shows an improved performance in deploying their borrowed and owned fund into credit. In case of operating efficiency and profitability bank generally has a better performance even though there is a loss in the year 2011-02. But compared to the financial performance of the bank before computerization, return on asset, return on equity, EPS etc... Of the bank shows better in after computerization periods.

It can be conclude that the financial performance of the bank has improved after computerization. It is not only because of the increase in the volume of the business, also because of reduction in cost of service proving to the customers and the improved and efficient adoption of modern technology based services. The result of ratio analysis lead to a conclusion that TDCB has a better financial performance after computerization and the benefits of the computerization is getting from the year 2013-14. Because this year shows a 48 percent decrease in the cost and about 55 percent increase in the income of the bank which is higher, compared to other financial year.

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