



## Saurashtra University

Re – Accredited Grade 'B' by NAAC  
(CGPA 2.93)

Desai, Suresh V., 2006, *Performance appraisal of urban Co-operative banks in North Gujarat*, thesis PhD, Saurashtra University

<http://etheses.saurashtrauniversity.edu/id/eprint/47>

Copyright and moral rights for this thesis are retained by the author

A copy can be downloaded for personal non-commercial research or study, without prior permission or charge.

This thesis cannot be reproduced or quoted extensively from without first obtaining permission in writing from the Author.

The content must not be changed in any way or sold commercially in any format or medium without the formal permission of the Author

When referring to this work, full bibliographic details including the author, title, awarding institution and date of the thesis must be given.

Saurashtra University Theses Service  
<http://etheses.saurashtrauniversity.edu>  
repository@sauuni.ernet.in

**PERFORMANCE APPRAISAL OF URBAN  
CO-OPERATIVE BANKS IN NORTH GUJARAT**

A Thesis Submitted to  
**SAURASHTRA UNIVERSITY**  
For the degree of

**Doctor of Philosophy**

In  
**Commerce**

By  
**MR. SURESH V. DESAI**  
( Lecturer in commerce )  
H.K.M. Arts & P. N. Patel Commerce College Idar(S.K.)

Under the Guidance of  
**DR. SHAILESH J. PARMAR**  
( Associate Professor )  
Department of Commerce & Business Administration  
Saurashtra University  
Rajkot.

Regi: No. 2919  
Regi. Date: 9-4-2003

05/01/2006

**DEPARTMENT OF COMMERCE & BUSINESS ADMINISTRATION  
SAURASHTRA UNIVERSITY  
RAJKOT**

**C E R T I F I C A T E**

This is certify that Mr. Suresh V. Desai has carried out the Research work in this thesis on " **PERFORMANCE APPRAISAL OF URBAN CO-OPERATIVE BANKS IN NORTH GUJARAT**" under my guidance and supervision.

I also certify that this is original work completed by Suresh. V. Desai.

**Date:** 5 /01 /2007

**Place:** Rajkot

Dr. Shailesh J. Parmar  
(Associate Professor)  
Department of Commerce &  
Business Administration  
Saurashtra University  
Rajkot

## **DECLARATION**

I, the undersigned hereby declare that the Research Work presented in this thesis on "**PERFORMANCE APPRAISAL OF URBAN CO-OPERATIVE BANKS IN NORTH GUJARAT**" is my original work and being prepared as per the guidance given by my guide.

I declared that the Research Work has not been previously submitted to this or any other university for any Degree or Award.

**Date:** 5/ 01/ 2007

**Place:** Rajkot

Mr. Suresh V. Desai

Research Scholar

## ***INDEX***

| Chapter | Content  | Page no |
|---------|--|---------|
|         | Preface  | V       |
|         | List of Abbreviations                          | X       |
|         | List of Tables                                 | XII     |
|         | List of Graphs and Figures.                    | XVI     |
| I       | History and Growth of Urban Co-operative Banks | 1       |
| II      | Research Methodology and Conceptual Frame Work | 39      |
| III     | Analysis of Common Size Income Statements      | 71      |
| IV      | Analysis of Profitability                      | 155     |
| V       | Financial Analysis                             | 227     |
| VI      | Summary, Findings and suggestions.             | 302     |
|         | Bibliography                                   | 324     |
|         | Appendix                                       | 328     |

## **PREFACE**

The co-operative movement came into existence in England in the late 1700s. Robert Owen is known as the 'Father of the Co-operative Movement'. The modern co-operative movement began in 1844 near Manchester, England. But the idea of co-operative took concrete shape in India for the first time in 1904, when 'Co-operative Credit Societies Act 1904' was passed to encourage thrift, eradicate rural indebtedness and provide easy and cheap credit to the needy and weaker sections of the society in rural areas. This Act was later amended in 1912 and 1919, which has widened the scope of the co-operative movement in India.

The co-operative banking sector in the Indian Economy holds a distinct identity, as it is the only institution of micro credit dispersion. The phenomenal growth of co-operative enterprise in recent years is a positive proof of the fact that among various financial institution agencies, they have been recognized as the best for supplying unexploitative, cheap, sound and dynamic credit to small borrowers, professionals, artisans and the weaker sections of society.

In today's world of uncertainty, people have become conscious about their saving and investment in the safest way. They are also in search for an institution from where in case of need they can get easy and cheap credit, which is near to their residence and where they can be treated as a family member. The co-operative banking sector is the only one where people can find all these qualities and get good return on their investment as well.

Due to certain changes in the banking sector and new economic policies, the co-operative sector in general and Urban Co-operative Banks (UCBs) in particular, have undergone a crisis. At the same time the failure of some good Schedule Banks and Urban Banks has also attracted the attention of the people and raised the question of security of their funds. So that need to the find actual financial stability of the UCBs and assure investors about the operational as well as financial efficiency of the UCBs has been felt.

Distinctive feature of the UCBs as compared to other banks have motivated the researcher to under taken research on the financial position of the UCBs. In fact that no research has been under taken in relation to financial aspects of Urban Co-operative Banks which are operating in North Gujarat. Therefore, the researcher has under taken the research study entitled, "PERFORMANCE APPRAISAL OF URBAN CO-OPERATIVE BANKS IN NORTH GUJARAT".

The present study which is based on the secondary data has been initiated to examine profitability, financial efficiency of selected UCBs. It also suggests measures to make their role more effective in their services to people and also managing their stability. For analyzing the performance of banks of North Gujarat, the data related to all the twenty Urban Co-operative Banks for the past seven years viz. 1997-98 to 2003-2004 have been collected and various techniques of measuring performance like, Common Size Statement, Ratio Analysis and several statistical techniques have been applied to analyze and draw conclusions. During the course of study various hypothesis has been tested and correlation and multiple comparisons have been discussed.

The present study has been divided in six chapters. The first chapter describes the history and growth of UCBs. The chapter also includes the history and development problems, prospects and regulatory measures of UCBs in India, co-operative credit structure, concept of UCBs and its objectives has been discussed. The second chapter focuses on the research methodology of the study and conceptual frame work. The third chapter explores comparative study with common size income statements. The fourth chapter gives an analysis of profitability and its measurement of profitability. The fifth chapter describes the concept of profitability and financial efficiency through the ratio analysis and measuring performance of selected banks through various statistical techniques. Finally, the sixth chapter contains summary, findings and conclusions drawn as also suggestions offered during the courses of the study for improving the profitability of the selected Urban Co-operative Banks.

I express deep sense of indebtedness to my guide Dr. Shailesh J. Parmar, Associate Professor, Department of Commerce & Business Administration, Saurashtra University Rajkot taken interest to complete my Research Work. This thesis could not have been completed without excellent supervision extended by my guide. I never forgot his blessing.

I firmly believe that my journey for Ph.D. Degree begun with the blessing of my parents, teachers, and family members and ended up with the grace of God. I would like to acknowledge sincere thanks to my loving wife Kailas,(M.A.BED) who has taken care of my requirements and inspired me constantly to precede my research work, Dhaval and Brijesh my sons helped me by providing love and wimpths during the



course of my research work could not have been completed in time if I did not get the support of my beloved children. I am also thankful to my two younger brothers and two cousin brother and my nephew Digvesh.

I am thankful to my teacher shri H. P.Pandya at Arts and Commerce College Idar and A. P. Doshi Arts and Commerce College Himatnagar and all faculty members of the Himatnagar college and Idar College. I am thankful to the teaching and non-teaching staff of my present college and Himmatnagar Arts and Commerce College.

I wish to express a special thanks to Pri Dr. G. G. Makwan, Arts and Commerce College Idar, Ex. principal S. K. Trivedi and Principal Dr. V.N. Raval Arts and Commerce College Himatnagar.

I acknowledge to Dr. Pratapsing Chauhan, Head of MBA Department, Saurashtra University, Rajkot and Daxaben Gohil, Head of Commerce Department, Saurashtra University, Rajkot for motivating me during this Research Work. I am also thankful to the office staff of the Commerce Department Saurashtra University, Rajkot.

My sincere thanks are also to Shri G. J. Parmar, (Head librarian) and other staff of library of my college for extending help to get material for study.

I am thankful to all the officers, executives of the different banks for providing required information for Research Work and for their kind co-operation and hospitality during the field work.

I am also thankful to my best friend Pankajbhai( Himmatnagar college) Nilesh Joshi, Makarand, Sanjay, Jayantibhai L. Patel(Idar College) for their support and encouragement.

Last, but not the least, I obliged to venerable father( Mr. Virsingbhai Desai) and my mother(Desai Ambaben), without whose blessing these Research Work could not have been shaped in the present form.

DATE: / Jan / 2007  
PLACE: Rajkot

Suresh. V. Desai  
(Research Scholar)

## **LIST OF ABBREVIATIONS**

|        |  |
|--------|--|
| AMCB   | Adarsh Mahila Co-operative Bank            |
| ATM    | Automatic Tailor Machine                   |
| BMCB   | Banaskantha Mercantile Co-operative Bank   |
| BNSB   | Bayad Nagarik Sahakari Bank                |
| CAR    | Capital Adequacy Ratio                     |
| CDR    | Credit Deposits Ratio                      |
| CEFR   | Cost of External Fund Ratio                |
| CLNWR  | Current liabilities to Net Worth Ratio     |
| CRR    | Cash Reserve Ratio                         |
| DER    | Debt Equity Ratio                          |
| DNSB   | Deesa Nagarik Sahakari Bank                |
| EPS    | Earning Per Share                          |
| GUCBF  | Gujarat Urban Co-operative Bank federation |
| HINSB  | Himatnagar Nagarik Sahkari Bank            |
| HNSB   | Harij Nagarik Sahakari Bank                |
| HPC    | High Power Committee                       |
| ICICI  | Industrial Credit Corporation              |
| IDBI   | Industrial Development Bank of India       |
| IETFR  | Interest Earned to Total Fund Ratio        |
| INSB   | Idar Nagarik Sahakari Bank                 |
| IPTFR  | Interest Paid to Total Fund Ratio          |
| KHNSB  | Khedbrahma Nagarik Sahakari Bank           |
| KNSB   | Kadi Nagarik Sahakari Bank                 |
| LTDTDR | Long Term Deposits to Total Deposits Ratio |
| MCB    | Market yard Commercial Bank                |
| MMCB   | Madhupura Mercantile Co- operative Bank    |
| MNSB   | Mehsana Nagarik Sahakari Bank              |

|         |   |
|---------|---|
| MONSB   | Modasa Nagarik Sahakari Bank                      |
| MUCB    | Mehsana Urban Commercial Bank                     |
| NABARD  | National Bank of Rural Development                |
| NDTL    | Net Demand and Time Liabilities                   |
| NG      | North Gujarat                                     |
| NPA     | Non Performing Assets                             |
| NPTFR   | Net Profit to Total Fund Ratio                    |
| NWR     | Net Worth Ratio                                   |
| ODAR    | Overdue to Advances Ratio                         |
| OPMR    | Operating profit Margin Ratio                     |
| PCB     | Pragati Co-operative bank                         |
| PPCB    | Palanpur people Co-operative Bank Ratio           |
| RBI     | Reserve Bank of India                             |
| RCER    | Return on Capital Employed Ratio                  |
| RNSB    | Ranuj Nagarik Sahakari Bank                       |
| RTFR    | Return on Total Fund Ratio                        |
| SCCB    | Sarvoday Commercial Co-operative Bank             |
| SLR     | Statutory Liquidity Ratio                         |
| SWOT    | Strengths, Weakness, Opportunities and Threats    |
| TA      | Total Assets                                      |
| TITATFR | Total investment and total advances to Total Fund |
| TL      | Total Liabilities                                 |
| TNSB    | Talod Nagarik Sahakari Bank                       |
| TOI     | Total Operating Income                            |
| UCB     | Urban Co-operative Bank                           |
| UNSB    | Unja Nagarik Sahakari Bank                        |
| VNSB    | Vijapur Nagarik Sahakari Bank                     |

## LIST OF TABLE

| <b>Table NO<br/>No</b> | <b>Title</b>   | <b>Page</b> |
|------------------------|--|-------------|
| 1.1                    | Operation of the UCBs in India from 1948-49 to 1959-60                           | 13          |
| 1.2                    | Statement Showing the UCBs as on 01-03-1966                                      | 15          |
| 1.3                    | Performance of the UCBs from 1966-67 to 1993                                     | 16          |
| 1.4                    | Progress of the UCBs from 1997-98 to 2002-2003                                   | 19          |
| 1.5                    | State-wise Financial Indicators of UCBs as on 31-3-2002                          | 20          |
| 1.6                    | Progress of the UCBs in Gujarat 31-3-2004  | 22          |
| 1.7                    | Disrict wise statistical data of UCBs as on 31-3-04                              | 24          |
| 1.8                    | Position of UCBs as on 31-3-2004   | 25          |
| 3.1                    | Abridged & Common size income statement of MCB Ltd<br>from 1997-98 to 2003-2004  | 79          |
| 3.2                    | Abridged & Common size income statement of MUCB Ltd<br>from 1997-98 to 2003-2004 | 83          |
| 3.3                    | Abridged & Common size income statement of SCB Ltd<br>from 1997-98 to 2003-2004  | 87          |
| 3.4                    | Abridged & Common size income statement of KNSB Ltd<br>from 1997-98 to 2003-2004 | 90          |
| 3.5                    | Abridged & Common size income statement of MNSB Ltd<br>from 1997-98 to 2003-2004 | 93          |
| 3.6                    | Abridged & Common size income statement of RNSB Ltd<br>from 1997-98 to 2003-2004 | 96          |
| 3.7                    | Abridged & Common size income statement of HNSB Ltd<br>from 1997-98 to 2003-2004 | 99          |
| 3.8                    | Abridged & Common size income statement of AMCB Ltd<br>from 1997-98 to 2003-2004 | 102         |
| 3.9                    | Abridged & Common size income statement of UNSB Ltd                              |             |

|      |   |     |
|------|---|-----|
|      | from 1997-98 to2003-2004  | 106 |
| 3.10 | Abridged & Common size income statement of VNSB Ltd<br>from 1997-98 to2003-2004                                     | 109 |
| 3.11 | Abridged & Common size income statement of BNSB Ltd<br>from 1997-98 to2003-200                                      | 112 |
| 3.12 | Abridged & Common size income statement of KHNSB Ltd<br>from 1997-98 to2003-200                                     | 115 |
| 3.13 | Abridged & Common size income statement of MONSB Ltd<br>from 1997-98 to2003-2004                                    | 118 |
| 3.14 | Abridged & Common size income statement of TNSB Ltd<br>from 1997-98 to2003-2004                                     | 121 |
| 3.15 | Abridged & Common size income statement of INSB Ltd<br>from 1997-98 to2003-2004                                     | 124 |
| 3.16 | Abridged & Common size income statement of HINSB Ltd<br>from 1997-98 to2003-2004                                    | 127 |
| 3.17 | Abridged & Common size income statement of BMCB Ltd<br>from 1997-98 to2003-2004                                     | 130 |
| 3.18 | Abridged & Common size income statement of DNSB Ltd<br>from 1997-98 to2003-2004                                     | 133 |
| 3.19 | Abridged & Common size income statement of PPCB Ltd<br>from 1997-98 to2003-2004                                     | 136 |
| 3.20 | Abridged & Common size income statement of PCB Ltd<br>from 1997-98 to2003-2004                                      | 139 |
| 3.21 | Consolidated Common size Income Statement of the selected<br>UCBs of Mehsana District from 1997-98 to 2003-2004.    | 144 |
| 3.22 | Consolidated Common size Income Statement of the selected<br>UCBs of Sabarkantha District from 1997-98 to 2003-2004 | 147 |
| 3.23 | Consolidated Common size Income Statement of the selected<br>UCBs of Banaskantha District from 1997-98 to 2003-2004 | 150 |

|      |   |     |
|------|---|-----|
| 3.24 | Comparison Table of Selected UCBs of North Gujarat<br>from 1997-98 to 2003-2004 | 153 |
| 4.1  | Operating Profit Margin Ratio of the Banks Under Study                          | 167 |
| 4.2  | " F" TEST of Operating Profit Margin Ratio                                      | 173 |
| 4.3  | Interest Earned to Total Fund Ratio of Banks Under Study                        | 175 |
| 4.4  | " F" TEST OF Interest Earned to Total Fund Ratio                                | 181 |
| 4.5  | Interest Paid to Total Fund Ratio of Banks Under Study                          | 183 |
| 4.6  | " F" TEST OF Interest Paid to Total Fund Ratio                                  | 189 |
| 4.7  | Return on Total Fund Ratio of the Banks Under Study                             | 191 |
| 4.8  | " F" TEST of RTFR   | 198 |
| 4.9  | Return on Capital Employed Ratio of the Banks Under Study.                      | 200 |
| 4.10 | " F" TEST of RCER   | 200 |
| 4.11 | Cost of External Fund Ratio of the Banks Under Study                            | 208 |
| 4.12 | " F" TEST of CEFR   | 215 |
| 4.13 | Net Profit to Total Assets Ratio of the banks Under Study                       | 217 |
| 4.14 | " F" TEST of NPTAR  | 224 |
| 5.1  | Net Worth Ratio of the banks Under Study  | 232 |
| 5.2  | " F" TEST of NWR  | 238 |
| 5.3  | Debt Equity Ratio of the banks Under Study                                      | 241 |
| 5.4  | " F" TEST of DER  | 247 |
| 5.5  | Credit Deposits Ratio of the Banks Under Study                                  | 249 |
| 5.6  | " F" TEST of CDR  | 256 |
| 5.7  | Current Liabilities to Net Worth Ratio of the Banks Under Study                 | 258 |
| 5.8  | " F" TEST of CLNWR  | 265 |
| 5.9  | Total Investment and Advance to Total Fund Ratio of the<br>Banks Under Study    | 267 |
| 5.10 | " F" TEST of TIATFR   | 274 |
| 5.11 | Long Term Deposits to Total Deposits Ratio of the Banks<br>Under Study          | 277 |

|      |   |     |
|------|---|-----|
| 5.12 | " F" TEST of LTDTDR                                     | 284 |
| 5.13 | Overdue to Total Advance Ratio of the Banks Under Study | 286 |
| 5.14 | " F" TEST of ODTAR                                      | 292 |
| 5.15 | Consolidated correlation of UCBs Under Study            | 295 |
| 5.16 | Correlation- Mehsana District of UCBs Under Study       | 297 |
| 5.17 | Correlation- Sabarkantha District of UCBs Under Study   | 298 |
| 5.18 | Correlation- Banaskantha District of UCBs Under Study   | 299 |



## **LIST OF GRAPHS**

| <b>Figures</b> | <b>Title</b>                                  |
|----------------|---|
| 1.1            | Structure of Indian Co-op Credit Institution  |
| 1.2            | Position of UCBs as on 31-3-2004              |
| 1.3            | Financial Graphs                              |
| 4.1            | Histogram showing OPMR of banks under study   |
| 4.2            | Histogram showing IETFR of banks under study  |
| 4.3            | Histogram showing IPTFR of banks under study  |
| 4.4            | Histogram showing RTFR of banks under study   |
| 4.5            | Histogram showing RCER of banks under study   |
| 4.6            | Histogram showing CEFER of banks under study  |
| 4.7            | Histogram showing NPTAR of banks under study  |
| 5.1            | Histogram showing NWR of banks under study    |
| 5.2            | Histogram showing DER of banks under study    |
| 5.3            | Histogram showing CDR of banks under study    |
| 5.4            | Histogram showing CLNWR of banks under study  |
| 5.5            | Histogram showing TIATFR of banks under study |
| 5.6            | Histogram showing LTDTDP of banks under study |
| 5.7            | Histogram showing ODTAD of banks under study  |

## **Chapter –1**

### **HISTORY AND GROWTH OF URBAN CO- OPERATIVE BANKS**

1.1 Introduction

1.2 The Growth and Structure of the Indian Co-operative

1.3 Urban Co-operative Banks - The Concept

1.4 Growth and Development of the UCBs in India

1.5 Growth and Development of the UCBs in Gujarat

1.6 Development of UCBs in the North Gujarat

1.7 Role of the UCBs in Indian Banking System

1.8 Evaluation of the Role of UCBs

1.9 UCBs – Problems and Prospects

1.10 UCBS – Recent Regulatory Measures

1.11 Future of UCBs

## **1.1 Introduction: -**

UCBs Originated and developed as a result of the Co-operative movement to provide self help to need, sections of society. The co-operative movement came in to existence in the late 1700s in England where “Robert Owen” a great philosopher advocated the establishment of Co-operative Communities to mitigate the suffering of the exploited class in the wake of industrial revolution and charics Fourier(1772 – 1837) of France to think of an alternative system of economy. But the modern or actual co-operative movement began in 1844 near Manchesterr,England, when 28 flannel weavers established “The Rochdale Society of Equitable Pioneer ” to increase their wages.( on 24<sup>th</sup> October ,1844)

In India the co-operative movement was introduced as a remedy for the proverbial poverty of the small agriculturist. It was the Government of Madras who grasped the possibilities of a co-operative movement in India. During the past 100 years, the movement has entered several sectors like Credit, Banking, Processing, Housing, Warehousing, Irrigation, Transport and even Industries. It is because of the credit co-operatives that it was possible to weaken the strong hold of money lenders on thousands of poor families and free them from their bondage. The co-operative movement has made remarkable progress in several societies in India can be traced to the close of 19<sup>th</sup> century. Inspired by the Urban Co-Operative Credit Institutions organized in Germany by Mr.Herman Schuke (1860) and in Italy by Prof. Luigi Luzzatti (1866).The first Urban Co-operative Credit Society named “ANYONA SAHAKARI MANDALI” was established in Baroda on Feb. 5 1889, under the guidance of Shri V.L. Kavthekar. But the co-operative credit societies which received legal sanctity in the year 1904 when the

Government of India passed the first Co-operative Credit Societies Act 1904 with a view to encourage thrift, eradicate, rural indebtedness and provide credit to the needy and weaker families of the societies in rural areas. This act has widened the scope of Co-operative enterprises in India.

## **1.2 The Growth and Structure of Indian Co- Operative: -**

The co-operative movement which received legal sanctity in the year 1904 and has completed recently in 2004 its century, could play a dynamic role in achieving our objectives. During the past 100 years, the movement has entered several sectors like, Credit, Banking, Processing, Housing, Warehousing, Irrigation, Transport and even Industries. The co-operative movement has made remarkable progress in several areas; certain glaring defects have also developed in the movement which has been defeating the very objectives of these institutions.

A co- operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. This is a board definition and not intended as a description of the perfect co-operative. It is intentionally wide in scope, recognizing that members must have some freedom in how they organize their affairs. Hopefully, this definition will be useful in drafting, legislation, educating members and preparing text books. The basic principles of co- operatives must be:

1. Voluntary and Open Membership;
2. Democratic Member Control;
3. Member's Economic Participation;

4. Autonomy and Independence;
5. Education, Training and Information;
6. Co- Operative amongst Co- Operative: and
7. Concern for Community.

The co- operative movement in India must be consistent with this basic principle and must operate with the parameters laid down by the International co- operative norms.

In short co- operation is a form of organization wherein persons voluntarily associate together for a common end. It is voluntary association of persons for doing business, the basis of association being equality and the object, the satisfaction of a common need viz; the economic improvement of themselves. The essence of Co- Operation is the Co- Operative spirit “Each for all and all for each” shall work for all and all shall work for each in the attainment of their common goal. The people who had suffered due to such economic inequalities, came together and voluntarily joined hands for mutual helps. This was the beginning of Co- operation. Different form of co- operation started in different countries is mentioned below. Consumers Co- Operative Movement in England - 1817, Credit Co- Operation in Germany – 1850, Dairy and Farm Co- Operative in Denmark – 1882, Wheat Pools in Canada – 1906 and Agricultural Co- Operatives in United States – 1856.

The Co- Operative movement was introduced in India by Sir William Wederbun but not accepted by government Some thoughtful public minded persons also strove to establish an agriculture bank in the Purandhar Taluka of Poona but they could not succeed. The co- operative society was started in Punjab as early as in 1891 for controlling

the common land of the village for the benefit of the Co- Shares and functioned until 1922, when the land was partitioned. Another co-operative society started in that province in 1895, covered 22 village and hamlets. The Agriculture Banks were introduced in Mysore in 1894, each to be an association of land holders on strictly co- operative principles not for the purpose of earning any profit divisible among its members. During 1899 to 1903, the number of 200 – co- operative societies and Nidhis in Uttarpradesh and Madras had already come to existence. Meanwhile the Co- Operative Societies Act 1904 was introduced on the principles of simplicity and elasticity.

The urban co-operative credit movement originated in Germany when Herman schultza started such societies for the benefit of the artisans in cities. He founded the first urban credit society in 1950.

### **The Co- Operative Credit Structure**

The co- operative credit institution, occupy an important position in the financial system of the economy in terms of their reach, volume of operation and the purpose they serve. They were the first over attempt at micro credit dispersion in rural, semi urban, and urban areas in India and are voluntary organized in a democratic setup by people having common interest and high moral values with the aim of Thrift and “Self Help ” through mutual help.

The credit needs of rural economy are met by institutional as well as non- institutional agencies. The institutional agencies are<sup>1</sup>

1. Co- operative Credit Institutions
2. Commercial Banks

3. Regional Rural Banks
4. RBI/NABARD/IDBI/ICICI
5. State Government

The non-institutional agencies consist of money lenders, rich landlord, traders, commission agents, relatives etc. The co-operative credit institutions are foremost and play a unique role in the rural and urban credit supply in our country.

The co-operative credit structure is based on a three tier system consisting of apex body at the state –state co-operative bank an intermediary layer of District central Bank at district level and primaries co-operative Societies at base level.

The primaries are further divided into Primary Agriculture Societies and non-agriculture societies. Agricultural credit societies play a pivotal role in the rural credit delivery system dispensing short term, medium-term and long term credit to rural weaker sections of society. Generally short term and medium term agricultural credit needs are satisfied by the state co-operative banks, the central co-operative banks and the primary agricultural societies constituted at apex level, district level and village, town or city level. Respectively, while long term agricultural credit needs are satisfied by state co-operative agricultural and Rural Development banks and primary co-operative Agricultural and Rural Development Banks set up at the apex level and at the base level respectively. On the other hand non agricultural credit institutions serve the urban areas and provide credit other than agricultural having three tiers federal structure. In a three tier federal structure of co-operative credit system, UCBs come at the grass root level but occupy an important place. They have got a

unitary structure and advance short term medium term and long term loans to urban areas against personal security as well as against gold silver and other commodities and so on.

The second wing of non-agriculture co- operative institutions consists of State Industrial Co- Operative Banks and Central Industrial Co- Operative Banks who's main Purpose is to provide credit for development of industries. The Co- operative credit structure is explained by figure 1.1





### **1. 3 Urban Co- Operative Bank Concept:-**

As the name suggests, a bank operating in urban areas on the basis of co- operative principles is known as an Urban Co- Operative Bank. There was not clearly defined concept of an urban co- operative bank before 1939. Initially UCBs were organized as credit societies in India and later converted into urban banks. It was the Mehta Bhansali Committee (1939) which made the first attempt to define an Urban Co- operative Bank. Subsequently in 1966, when banking laws were made applicable to co- operative banks, Provision of section 5(CCV) of Banking Regulation Act 1949 defined an Urban Co- operative Bank as a primary Agricultural Credit Society. " Urban Co- operative Bank means a society registered under act and doing the business of banking, as defined in clause(b) of section 5 of the Banking Regulation Act "<sup>2</sup> From the above definition the characteristics are as under.

- ( i ) The primary object or principal business of which is the transaction of banking business
- (ii) The paid up share capital and reserves of which are not less than one lack Rupees;
- (iii) The bye laws of which do not permit admission of any other Co- Operative society as a member.

Provided that this sub- clause shall not apply to the admission of a co- operative bank as a members by reason of such a co- operative bank subscribing to the share capital of such co- operative Society out of funds provided by the State Government for the purpose <sup>3</sup>

In short UCBs are Primary Co- Operative Banks organized on co-operative basis, operating in metropolitan urban and semi urban areas to cater the need of specific types or groups of members pertaining to certain class of community, small scale industrial unit trade, professions etc. They are of two types (a) unit banking type and (b) branch banking type. Besides providing main banking services, they also provide various other banking and subsidiary services to their customer, and have developed a niche market for them to survive and thrive.

### **1.3 (1) Objectives of the Urban Co- Operative Bank**

The UCBs are generally considered as “Small People Bank” because they are organized for Promoting thrift and Co- Operation among the lower and middle strata of the society. The Objectives of the UCBs are divided in two parts, which are as follows.

#### **( a ) Principal Objectives:-**

- ( i ) To promote thrift, self help and mutual co- operation among the members.
- ( ii ) To mobilize resources i.e. to borrow funds from members and non – members to utilize for giving loans to their members.
- (iii) To provide credit to the members at a reasonable rate for productive or trading purpose.
- (iv) To undertake collection of bills drawn, cheques, draft etc. accepted or endorsed by members and approved constituents; to remit funds and to discount cheques and bills of approved members subject to rules and bye laws on their behalf.
- (v) To arrange for safe custody of valuables and documents of members and constituents and
- (vi) To provide other banking and subsidiary services.

(vii) To give vehicles loans to members of the bank.

**(b) Subsidiary Objectives:-**

- (i) To give possible help and necessary guidance to traders, artisans etc. who are members of the bank.
- (ii) To do every kind of trust and agency business and particularly do the work of investment of funds, sale of properties and of recovery or acceptance of money.
- (iii) To undertake every kind of banking and Sharaffi business and also give bank guarantee and letters of credit on behalf of members.

**1.4 Growth & Development of the UCBs in India:-**

Growth and development of the UCBs may be classified under the following heads with respects to their time duration

- (a) Growth and development prior to independence period
- (b) Growth and development during the year 1948 to 1966
- (c) Growth and development during year the 1966 to 1993
- (d) Growth and development after the year 1993

**(A) Growth and Development Prior to Independence Period:**

The first experiment in urban credit in India was made in the Baroda state by Prof. V.L.Alias Bhausahab Kavathekar. The Madras Presidency developed indigenous societies known as Nidhi while Western India preferred mutual aid societies.

The enactment of co-operative credit societies act 1904 conferred a legal status on credit society and the first urban co-operative credit society was registered in october 1904 at Coneejccvaram in Madras

Province, Subsequently the Betegiri co- operative credit society in Dharwar district in the undivided Bombay Province and Bangalore city co- operative credit society in the erstwhile Mysore state were registered in October 1905 and December 1905 respectively<sup>4</sup>. However the real beginning was after the amendment in 1912 enhancing its scope to the formation societies other than credit societies. Hence the Government of India amended Act in 1912 and in 1919 of non-agricultural credit societies. But little attention was paid to the development of urban movement till 1914. In 1915, Maclagan committee expressed its opinion that Urban credit Societies might serve a useful purpose in training the upper and middle, upper classes to understand ordinary banking Principles<sup>5</sup>. This created a favorable climate and the Government realized the importance of the UCBs as most suitable agencies for catering to the needs of small classes of people collecting local saving and providing relief to those who were in the clutches of moneylenders. The economic depression of 1930, severely affected the agricultural credit societies more than urban credit societies, but the progress of urban societies was steady. In the year 1938 all the list of non- agricultural credit societies, there was no difference between an urban society and urban bank. An Urban Co- Operative Society having Rs.20, 000.00 as working capital and if it maintains fluid resources according to a standard fixed by the Registrar, was designated as an urban bank in Madras. In Bombay an Urban Co- Operative Credit Society could be styled as an urban bank up to 1938, if it had Rs.50, 000.00 as working capital. However the real growth of urban bank was only after the extension of provisions of RBI Act 1934.

This created a favorable climate and the Government realized the importance of the UCBs as most suitable agencies for catering to the needs of Small classes of people, collecting local saving and providing relief to those who were in the clutches of money lenders.

### **(B) Growth and Development During the Year 1948-49 to 1959-60**

The Banking Regulation Act 1949 to Co- Operative Banks in our country showed the right path of development to urban co- operative banks has a steady growth. The UCBs have carried on their onward march alone, without any financial participation or help from the Government. The most important development in Urban Co- Operative Banking was the survey undertaken by the RBI in 1958-59 for assessing the financial pattern of the UCBs and the role in financing small scale industries. The survey revealed that not withstanding absence of state support the urban co- operative banking sector as a whole registered a fairly high rate of progress as shown in table 1. 1

**Table 1.1**

#### **Operation of the UCBs in India from 1948-49 to 1959-60 (Rs.in cores)**

| <b>Indicators of Progress</b> | <b>48-49</b> | <b>49-50</b> | <b>51-52</b> | <b>53-54</b> | <b>55-56</b> | <b>57-58</b> | <b>59-60</b> | <b>% of increases<br/>(8) over (2)</b> |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--|
| <b>1</b>                      | <b>2</b>     | <b>3</b>     | <b>4</b>     | <b>'</b>     | <b>6</b>     | <b>7</b>     | <b>8</b>     | <b>9</b>                               |
| No of the UCBs                | 815          | 776          | 930          | 716          | 1585         | 826          | 1242         | 52.39                                  |
| Membership in(000)            | 535          | 580          | 674          | 873          | 1139         | 1181         | 1797         | 235.89                                 |
| Owned Funds                   | 4            | 5            | 6            | 7            | 9            | 8            | 17           | 325.00                                 |
| Deposits                      | 17           | 18           | 20           | 24           | 32           | 27           | 61           | 258.82                                 |
| Working Capital               | 22           | 24           | 27           | 33           | 44           | 57           | 82           | 272.72                                 |
| Advances                      | 19           | 20           | 24           | 27           | 32           | 33           | 65           | 242.11                                 |
| Advances o/s                  | 12           | 13           | 15           | 20           | 23           | 24           | 58           | 383.33                                 |
| Overdues                      | 1            | 2            | 2            | 3            | 3            | 3            | 4            | 300.00                                 |

Source:- Review of the co-operative movement in India published by the RBI Mumbai

It is apparent from the table 1.1 that there was a sizeable growth both in the number of the UCBs and their operations during 1948-49 to 1959-60. Both membership and working capital increased nearby four fold during the period while increase in deposits and advances was 258.82% and 242.11% respectively that shows a high growth rate. But at the same time the proportion of outstanding advances and overdue showed an increasing trend.

**(C) Growth and Development During March 1<sup>st</sup> 1966 to March 1993:**

On 1<sup>st</sup> March 1966, the Urban Co- Operative Banks were brought under the purview of the Banking Regulation Act 1949 i.e. some provisions of Banking Regulation Act were made applicable to the UCBs in 1966. This was a landmark in the evolution of urban banking movement in India and the UCBs came under duality of control of the RBI and state Government.

1<sup>st</sup> March 1966 there were 1091 Primary Urban Co- Operative Banks in the Country out of them, 403 were urban banks and 688 were salary Earners Societies Classified as Primary Co- Operative Banks. Their deposits and advances aggregated to Rs.153 crores and Rs.167 crores respectively. The state wise position of the UCBs as on March 1<sup>st</sup> 1966 is presented in table 1.2

**Table 1.2**  
**Statement Showing the UCBs as on 01-03-1966**

| Sr. No.  | State Union Territories       | Total       | UCBs ( a)  | SEs<br>Classified a<br>USBs |
|----------|-------------------------------|-------------|------------|-----------------------------|
| 1        | Maharashtra                   | 382         | 84         | 298                         |
| 2        | Gujarat                       | 154         | 62         | 192                         |
| 3        | Tamil Nadu                    | 146         | 87         | 59                          |
| 4        | West Bengal                   | 123         | 21         | 102                         |
| 5        | Karnataka                     | 98          | 64         | 34                          |
| 6        | Andra Pradesh                 | 50          | 34         | 16                          |
| 7        | Rajasthan                     | 9           | P          | 5                           |
| 8 to 12  | Bihar,Kerala,MP,Orissa,Punjab | 74          | 37         | 37                          |
| 13 to 15 | Assam,Himachal Pradesh,UP     | 28          | NIL        | 28                          |
| 16 to 17 | Dehli,Pondichery              | 27          | 10         | 17                          |
| 18 to 21 | Haryana,Manipur,Meghalaya     |             |            |                             |
|          | Goa,Daman Div                 | NIL         | NIL        | NIL                         |
|          | <b>Total</b>                  | <b>1091</b> | <b>403</b> | <b>688</b>                  |

**Source:-** Madhava Das Committee Report PP 16,17 and P.P. Rao P.57

(a) Note: (a) UCBs \* Salary Earners Societies.

From the table 1.2 it is apparent that 82.77% of the total numbers of banks as on 01-03-66. Were concentrated in the state of Gujarat, Karnataka, Maharastra, Tamilnadu and West Bengal. This indicates the regional imbalances in the development of UCBs in the country.

In the year 1966 Salary Earners Banks were advised go out of the purview of the Banking Regulation Act. As a result, 599 Salary Earner's banks went outside the purview of the banking Regulation Act during the period March 1<sup>st</sup> 1966 to june 30 1977, by converting themselves in to co-operative credit Societies. In September 1977 the Government of the RBI,



constituted the Madhav Das committee to study various aspects of the working of the UCBs and to make recommendations. The committee submitted its report in 1978 and provided a well documented study of urban banking sector in India and set standards of viability for sustained growth of the urban banks.

The performance of the urban banks during the period 1966-67 to March 1993 is shown in table 1. 3.

**Table 1.3**  
**Performance of the UCBs From 1966-67 to March 1993 (Rs in Corers)**

| <b>Co- Operative Year Ended</b> | <b>Total No.of the UCBs</b> | <b>Owned Funds</b> | <b>Deposits</b> | <b>Loans &amp; Advances</b> | <b>Working Capital</b> |
|---------------------------------|-----------------------------|--------------------|-----------------|-----------------------------|------------------------|
| 1966-67                         |                             |                    |                 |                             |                        |
| July,June                       | 1106                        | 58                 | 153             | 167                         | 222                    |
| Index                           | 100                         | 100                | 100             | 100                         | 100                    |
| 1976-77                         | 1105                        | 117                | 519             | 407                         | 722                    |
| Index                           | 99.91                       | 201.72             | 339.22          | 243.71                      | 325.22                 |
| June 87                         | 1359                        | 693.35             | 4883.08         | 3638.65                     | 6502.80                |
| Index                           | 122.88                      | 1195.43            | 3191.56         | 2178.83                     | 2929.19                |
| March - 93                      | 1399                        | 2223.93            | 13530.68        | 10132.14                    | 18006.7                |
| Index                           | 126.49                      | 3834.36            | 8843.58         | 6067.15                     | 8111.15                |

Source:-Statistical statements relating to the Co-Operative movement in India, various year RBI/NABARD, Bombay N.B.:- Base year 1966-67

A deep study of the table reveals the growth of urban co-operative credit movement in India not only in terms of number but also in terms of owned funds, deposits, loans and advances and working capital over the

years. The average growth of deposits and advances was found to be quite impressive.

The period between 1966 and 1993 can be termed as an over regulated regime. The Marathe committee was appointed in 1982-83. The licensing policy of the RBI was too restrictive and UCBs were also not allowed to expand beyond municipal limits. There were also restrictions on deployment of the UCBs surplus resources outside the Co- Operative fold.

In 1991 Narsihman committee is appointed for Banking sector to analysis of working capacity and improves efficiency of the banking sector. The non-performance assets concept was suggested by this committee which important for co-operative banking system.

#### **(D) Growth and Development After the Year 1993.**

The RBI appointed the Marathe committee in 1991 Recommendations of this committee were quite for reaching particularly in the realm of new bank licensing, branch licensing and area of operation, etc. The Marathe committee suggested to dispense with the “One district one bank” licensing policy and recommended, organization of banks based on the need for an institution and potential for a bank to mobile deposits and purvey of credit. The RBI accepted these recommendations and came out with its new policy approach in May 1993. Effective from November 1996 the UCBs have given freedom to finance direct agricultural operations. The interest rates on deposits of the UCBs have been deregulated from October, 21 1997.

Further in May 1999 a High Power Committee under chairmanship of Shri K.Madhava Rao, former chief secretary, Government of Andhra Pradesh was constituted by the Governor, RBI to review of the performance of the UCBs and suggested necessary measures to strengthen them.

The committee submitted its report on November 30th 1999 in which very useful recommendations have been made with regards to revision of licensing policy for new UCBs, branch licensing policy extension of areas of operation, dealing with unlicensed and weak UCBs application of capital adequacy norms, conversion of co-operative societies in to the UCBs and reforms in State Co-operative Societies Act, Multi State Co-Operative Societies Act and Banks Regulation Act These recommendations are under active consideration of the RBI

According to the RBI the number of the UCBs stood at 2084 and 2090 at the end of March 2001 and March 2002 respectively. But total number of reporting banks stood at 1826 and 1863 at the end of March 2001 and 2002. The reporting UCBs stood at 2105 at end of 2004. The detailed information about the progress of the UCBs during the period 1997-98 to March 2003 is presented by table 1. 4

**Table 1.4**  
**Progress of the UCBs from 1997-98 to 2002-2003 (Rs. in crores)**

| Sr.No. | Particular          | 97-98 | 98-99  | 99-00  | 00-01  | 01-02  | 02-03 |
|--------|---------------------|-------|--------|--------|--------|--------|-------|
| O      | No.of Reporting UCB | 1502  | 1590   | 1763   | 1826   | 1863   | N.A.  |
|        | Index               | 100   | 105.86 | 117.38 | 121.57 | 124    |       |
| J      | Owned Funds         | 5985  | 7322   | 9755   | 10425  | 13651  | N.A.  |
|        | Index               | 100   | 122.34 | 163    | 174.19 | 228.09 |       |
| \      | Deposits            | 40692 | 52681  | 71703  | 80009  | 94069  | N.A.  |
|        | Index               | 100   | 129.46 | 176.02 | 196.62 | 231.18 |       |
| P      | Borrowings          | 886   | 1041   | 1457   | 1589   | 1617   | N.A.  |
|        | Index               | 100   | 117.49 | 164.45 | 179.35 | 182.51 |       |
| '      | Working Capital     | 52229 | 67074  | 91458  | 100802 | 115615 | N.A.  |
|        | Index               | 100   | 128.42 | 175.11 | 193.0  | 221.36 |       |
| 6      | Loans               | 27807 | 34214  | 45857  | 51680  | 62070  | N.A.  |
|        | Outstanding         | 100   | 123.04 | 164.91 | 185.85 | 223.22 |       |
| Ü      | Credit Deposit      | 68.30 | 64.90  | 63.95  | 64.59  | 65.98  | N.A.  |
|        | Ratio (%)           |       |        |        |        |        |       |

**Source:-** (a.) *Report on trend and progress of banking in India RBI 2000-2001 P.211*

(b.) Statistical hand book published by GUCBF 2000-2004

N.B. Base year 1997-98

N.A. Not available

A detailed study of the table 1.4 indicates that UCBs continued to register a steady increase not only in numbers but also in respect of owned funds, deposits, borrowings, working capital and loans, i.e. in all respect, which reveals the progress of the UCBs . For a deeper study a statement showing state-wise position of the number of the UCBs along with their owned funds, deposits, Loans and advances as on March 31, 2002 is presented in table 1.5

**Table 1.5**  
**State Wise Financial Indications of Urban Co-Operative Banks as on**  
**31st March 2002 (Rs.in crores)**

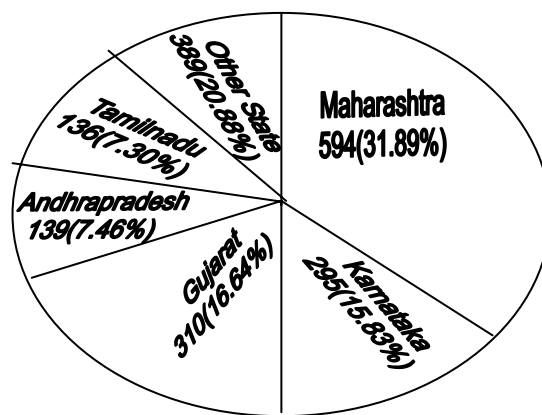
| Sr. No. | State            | No. of Reporting bank | Share Capital | Reserves | Owened Funds | Deposits | Loans & Advances | Working Funds |
|---------|------------------|-----------------------|---------------|----------|--------------|----------|------------------|---------------|
| Oo      | 02               | 3                     | 4             | 5        | 6            | 7        | 8                | 9             |
| 01      | Andhra Pradesh   | 139                   | 125.34        | 266.09   | 391.43       | 3541.50  | 2681.31          | 4781.96       |
| 02      | Assam            | 10                    | 1.82          | 19.48    | 21.30        | 135.17   | 56.14            | 152.27        |
| 03      | Bihar            | 3                     | 1.30          | 2.99     | 4.29         | 20.22    | 10.71            | 25.41         |
| 04      | Chhatisgarth     | 14                    | 7.24          | 4.91     | 12.15        | 177.67   | 92.81            | 1740.42       |
| 05      | Delhi            | 16                    | 31.82         | 43.85    | 75.67        | 734.49   | 293.09           | 920.31        |
| 06      | Goa              | 7                     | 19.25         | 84.48    | 103.73       | 859.63   | 479.79           | 1027.61       |
| 07      | Gijarat          | 310                   | 471.47        | 4785.51  | 5256.98      | 16667.91 | 12401.59         | 23886.83      |
| 08      | Haryana          | 8                     | 7.36          | 12.75    | 20.11        | 121.35   | 75.70            | 166.62        |
| 09      | Himachal Pradesh | 5                     | 2.32          | 6.30     | 8.62         | 95.10    | 55.89            | 106.06        |
| 10      | Jammu & Kashmir  | 4                     | 3.20          | 7.35     | 10.55        | 172.17   | 86.46            | 183.61        |
| 11      | Jharkhand        | 2                     | 1.22          | 0.01     | 1.23         | 3.26     | 2.85             | 2.54          |
| 12      | Karnataka        | 295                   | 313.17        | 685.66   | 998.83       | 7796.86  | 5148.78          | 9288.33       |
| 13      | Kerala           | 60                    | 54.63         | 167.20   | 221.83       | 1915.42  | 1244.78          | 2339.09       |
| 14      | Madhya Pradesh   | 69                    | 88.79         | 45.02    | 133.81       | 882.10   | 493.17           | 1089.74       |
| 15      | Maharashtra      | 594                   | 1142.04       | 4550.15  | 5492.19      | 53866.31 | 34331.11         | 60990.66      |
| 16      | Manipur          | 2                     | 1.65          | 7.68     | 9.33         | 42.19    | 27.37            | 57.96         |
| 17      | Meghalaya        | 3                     | 0.69          | 1.08     | 1.77         | 15.08    | 3.51             | 15.72         |
| 18      | Mizoram          | 10                    | 0.73          | 0.20     | 0.93         | 9.19     | 10.31            | 13.81         |
| 19      | Nagaland         | 1                     | 0.14          | 0        | 0.14         | 1.66     | 0.96             | 3.45          |
| 20      | Orissa           | 12                    | 17.83         | 35.60    | 53.43        | 492.17   | 276.66           | 660.51        |
| 21      | Pondicherry      | 1                     | 2.50          | 3.40     | 5.90         | 4.7      | 4.10             | 5.90          |
| 22      | Panjab           | 5                     | 9.59          | 20.06    | 29.65        | 239.30   | 143.95           | 285.25        |
| 23      | Rajasthan        | 38                    | 36.85         | 74.36    | 111.21       | 807.80   | 447.07           | 1031.46       |
| 24      | Tamilnadu        | 136                   | 131.91        | 283.16   | 415.07       | 3275.50  | 2096.84          | 4147.05       |
| 25      | Tripura          | 1                     | 0.43          | 0.88     | 1.31         | 9.90     | 13.37            | 10.91         |
| 26      | Uttar Pradesh    | 68                    | 35.80         | 49.70    | 85.50        | 729.40   | 392.30           | 855.70        |
| 27      | Uttarachal       | 7                     | 6.00          | 32.20    | 38.20        | 330.60   | 120.00           | 372.10        |
| 28      | West Bengal      | 43                    | 39.12         | 106.41   | 145.53       | 1122.09  | 1079.64          | 1454.25       |
|         | Total            | 1863                  | 2554.21       | 11296.48 | 13650.69     | 94068.74 | 62070.26         | 115615.5      |

*Source:-Reading materials published by Gujarat state co-operative federation 12, Dec. 2003*

It will be seen from table 1.5 that out of total 1863 reporting UCBs as on March 31 2002 as many as 1474 UCBs (i.e. 79.12%)UCBs are located in five states only. i.e. Maharashtra, Gujarat, Karmataka, Tamil Nadu and Andhra pradesh. The rest of the states have only 389 UCBs (i.e.

20.88%) This reveals the regional imbalance in the growth of the UCBs in India. The comparative position of the UCBs in major states of India on March 31<sup>st</sup> 2002 is also presented by pie chart in figures 1.2. There were 51 scheduled UCBs as on 31<sup>st</sup> March, 2002. However there 53 scheduled UCBs as on 31/3/04

Comparative Position of the UCBs in Major States of India on March 31<sup>st</sup> 2002



From the figure 1.2 it is apparent that. Maharashtra stood first in development of the UCBs as it consists of 31.89 % of the total UCBs , followed by Gujarat (16.64 %) , Karnataka ( 15.83 %), Tamil Nadu ( 07.30 % ) and Andhrapradesh ( 07.46 % ) and other stood in development of the UCBs as it consists of the 20.88% It is seen that from above figures 1.2, there was a regional imbalance of UCBs development in the country.

### 1.5 Growth And Development Of the UCB in Gujarat.

Gujarat holds second position in the development of the UCBs in India and is known as the “Mother Land” of the co-operative as the first co-operative body of India was formed in 1889 in Baroda named

“ANYONYA SAHKARI MANDLI ” Similarly the first registered UCBs of India named “THE SURAT PEOPLE’S CO-OPERATIVE BANK LTD.” was established in Surat city of Gujarat on March 1922. That was the dawn of Co-operative banking. Inspired by the success of this bank, similar UCBs developed very fast in other parts of Gujarat state By the year Ended 31<sup>st</sup> March 2004, out of 2105 UCBs of India 351 UCBs alone provided service in Gujarat having network of about 736 branches spread over 18 district of the state. The progress of the UCBs in Gujarat is shown by the

**Table 1.6**  
**Progress of the UCBs in Gujarat (Rs in Crores)**

|    |                      | 30/06/1998 | 31/03/1999 | 31/03/2000 | 31/03/2001 | 31/03/2002 | 31/03/2003 | 31/03/2004 |
|----|----------------------|------------|------------|------------|------------|------------|------------|------------|
| 1  | No of Banks          | 321        | 330        | 341        | 350        | 351        | 351        | 351        |
|    | Index                | 100        | 103        | 107        | 109        | 110        | 110        | 110        |
| 2  | No. of Branches      | 15         | 708        | 728        | 800        | 762        | 779        | 736        |
|    | Index                | 100        | 115        | 118        | 130        | 124        | 127        | 120        |
| 3  | Deposits             | 9948       | 13276      | 16703      | 17791      | 16506      | 16345      | 15894      |
|    | Index                | 100        | 133        | 168        | 179        | 166        | 164        | 160        |
| 4  | Share Capital        | 251        | 304        | 363        | 418        | 436        | 451        | 425        |
|    | Index                | 100        | 121        | 145        | 167        | 174        | 180        | 169        |
| 5  | Reserves             | 1486       | 1832       | 2271       | 2487       | 2968       | 3332       | 5053       |
|    | Index                | 100        | 123        | 153        | 167        | 200        | 224        | 340        |
| 6  | Working Capital      | 13179      | 17218      | 21110      | 23520      | 21633      | 22833      | 22087      |
|    | Index                | 100        | 131        | 160        | 178        | 164        | 173        | 168        |
| 7  | Advances             | 6623       | 8446       | 10468      | 11864      | 11004      | 11304      | 9825       |
|    | Index                | 100        | 128        | 158        | 179        | 166        | 171        | 148        |
| 8  | Profit               | 221        | 238        | 294        | 273        | 241        | 213        | 201        |
|    | Index                | 100        | 108        | 133        | 124        | 109        | 96         | 91         |
| 9  | No. of Members       | 2812687    | 2998011    | 3242829    | 3303662    | 3245699    | 3321357    | 3251276    |
|    | Index                | 100        | 107        | 115        | 117        | 115        | 118        | 116        |
| 10 | No.of Depositors     | N.A        | 9746161    | 11009558   | 11634435   | 10998814   | 10641234   | 10287650   |
| 11 | No. oforrowers       | N.A        | 926804     | 997619     | 1091005    | 100603     | 935198     | 804860     |
| 12 | No. of Staff Members | N.A        | 16457      | 17393      | 17473      | 17190      | 16692      | 15538      |

**Source :-**

- 1 Gujarat-Operative Banks Federation (Seminar Books).
2. Base year 1998

It is apparent from the table 1.6 that UCBs in Gujarat have recorded commendable achievement in the banking sectors. There are 51 Schedule UCBs by the end of March 2003, 11 of them were registered in Gujarat itself having deposits of more than 100 crores.

In addition 18 Mahila UCBs were worked in the year ended 31<sup>st</sup> March 2000 and 19 Mahila UCBs are working in the year ended 31<sup>st</sup> March 2004 by only women.

But at the same time the development of the UCBs also marked regional imbalance in Gujarat out of 351 UCBs about 195 UCBs are located in four district and 92 UCBs are located in five district while only 64 UCBs are located in remaining district further more 245 UCBs are located in only 6 district. These are Ahmedabad, Kheda, Baroda, Mehsana, Surat and Panchmahal. Details are shown in the table 1.7 and figure 1.3



**Table 1.7**  
**District -wise Statistical Data of Urban Co-operative Banks as on 31-3-04 (rs. In lakhs )**

| Sr. No. | District      | Total Banks | Paid-up Share Capital | Deposits          | Reserve & Others Funds | Advances         | Investments      | Working Capital   | Profits        | No.of Members  | No.of Depositors | No.of Borrowers | No.of Staff  | No.of Branches | Reporting Banks |
|---------|---------------|-------------|-----------------------|-------------------|------------------------|------------------|------------------|-------------------|----------------|----------------|------------------|-----------------|--------------|----------------|-----------------|
| 1       | Ahmedabad     | 74          | 11123.5               | 498354.39         | 280636.93              | 377942.11        | 231582.12        | 742458.15         | 5059.21        | 583421         | 2447335          | 173112          | 4201         | 245            | 63              |
| 2       | Kheda         | 48          | 2464.65               | 98323.77          | 29851.95               | 61168.6          | 52871.52         | 146100.18         | 601.07         | 310679         | 821657           | 68781           | 1062         | 24             | 43              |
| 3       | Baroda        | 38          | 3688.59               | 115188.68         | 23269.92               | 74931.3          | 54124.81         | 138743.9          | 1454.73        | 340653         | 970257           | 85602           | 1437         | 79             | 33              |
| 4       | Mehsana       | 35          | 5129.2                | 147623.92         | 24880.46               | 87270.05         | 85765.21         | 199455.33         | 1683.03        | 302864         | 1138317          | 64092           | 1268         | 79             | 33              |
| 5       | Surat         | 30          | 6429.90               | 232327.79         | 44982.71               | 115365.53        | 146223.24        | 307250.58         | 4514.72        | 323027         | 1263208          | 70091           | 2276         | 95             | 28              |
| 6       | Panchmahal    | 20          | 1836.64               | 47245.21          | 8265.88                | 25470.44         | 28893.12         | 66562.33          | 430.85         | 147255         | 424260           | 45203           | 487          | 12             | 18              |
| 7       | Sabarkantha   | 16          | 802.7                 | 33746.04          | 6329.43                | 18160.75         | 20577.97         | 44908.77          | 535.26         | 115165         | 382317           | 33692           | 419          | 9              | 15              |
| 8       | Bhavnagar     | 13          | 1488.51               | 42593.14          | 10040.46               | 24178.35         | 19079.58         | 65656.99          | 523.78         | 118493         | 428646           | 44956           | 511          | 14             | 11              |
| 9       | Rajkot        | 13          | 2935.34               | 177656.83         | 38962.21               | 96101.84         | 92084.7          | 233353.97         | 2212.23        | 392841         | 979400           | 68866           | 1181         | 60             | 13              |
| 10      | Junagadh      | 10          | 701.11                | 18020.28          | 2831.58                | 9981.11          | 10510.98         | 22444.67          | 177.1          | 114725         | 147579           | 18875           | 332          | 8              | 10              |
| 11      | Bharuch       | 10          | 757.81                | 25505.73          | 4737.61                | 14495.08         | 8653.04          | 36025.09          | 241.8          | 80188          | 181475           | 19108           | 414          | 25             | 8               |
| 12      | Banaskantha   | 9           | 428.87                | 15893.86          | 2493.33                | 9688.73          | 8797.71          | 22319.87          | 110.88         | 42823          | 185767           | 18418           | 297          | 17             | 9               |
| 13      | Amreli        | 7           | 379.61                | 7208.92           | 1452.32                | 4563.13          | 4487.65          | 10108.58          | 116.03         | 25748          | 52295            | 20010           | 124          | 0              | 7               |
| 14      | Surendranagar | 6           | 793.41                | 24578.55          | 4376.21                | 13593.16         | 10514.89         | 31809.54          | 134.19         | 128783         | 204135           | 20890           | 410          | 14             | 6               |
| 15      | Jamnagar      | 6           | 599.78                | 27602.66          | 6734.8                 | 10799.43         | 17711.63         | 37563.76          | 680.49         | 36376          | 156848           | 10826           | 328          | 17             | 6               |
| 16      | Kutch         | 6           | 1239.76               | 31747.48          | 5798.12                | 15344.8          | 19736.9          | 41569.14          | 1037.56        | 30459          | 133820           | 12415           | 235          | 10             | 6               |
| 17      | Valsad        | 5           | 1203.58               | 37501.43          | 7778.36                | 19202.08         | 17565.35         | 50342.77          | 437.05         | 109330         | 278429           | 25525           | 411          | 23             | 5               |
| 18      | Gandhinagar   | 5           | 485.92                | 8256.69           | 1817.54                | 4280.87          | 6596.17          | 12020.82          | 145.92         | 48446          | 91905            | 4398            | 145          | 5              | 5               |
|         | <b>Total</b>  | <b>351</b>  | <b>42488.88</b>       | <b>1589375.37</b> | <b>505239.82</b>       | <b>982537.36</b> | <b>835776.59</b> | <b>2208694.44</b> | <b>20095.9</b> | <b>3251276</b> | <b>10287650</b>  | <b>804860</b>   | <b>15538</b> | <b>736</b>     | <b>319</b>      |

**Source:-** Statistitcal hand book- 2004 No.10 and 11.

## 1.6 Development Of The UCBs in North Gujarat.

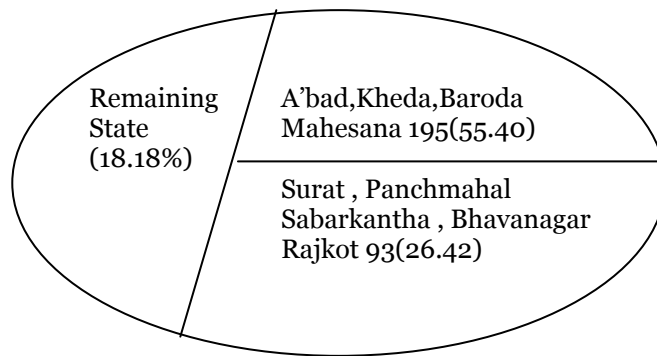
Kalol is known as the birth place of the UCBs of North Gujarat first registered UCBs Named. The Kalyan Co-operative Bank LTD. was established in 1949 at Kalol. However large number of Banks established after the year 1960

The Progress of the UCBs in North Gujarat took place slowly and steady no any bank was registered in north Gujarat before 1947. While during the 1949 to 1962 only ten UCBs were established in north Gujarat. But majority of UCBs were registered during the 1963 to 1990 i.e. around 42 new UCBs . were established in 25 years and after 1990, seven UCBs were established during last 10 years. By the year ended 31<sup>st</sup> March 2004, 60 UCBs having 105 branches having Rs.473crores owned fund, Rs.1372 crores deposits Rs.1151 advances and Rs.2273crores working capital. These UCBs having 2197 staff-members. The comparative position of the UCBs in India, Gujarat, North Gujarat on March 31<sup>st</sup> 2004 is shown in table 1.8

**Table- 1.8**  
**Position of UCBs as on 31st March 2003 (Rs. In Crores)**

| <b>Particulars</b>   | <b>India *</b> | <b>Gujarat *</b> | <b>North Gujarat* *</b> | <b>Gujarat : N.Gujrat</b> |
|----------------------|----------------|------------------|-------------------------|---------------------------|
| No. of Reprobly UCBs | 2104           | 352              | 60                      | 17%                       |
| Owned Funds          | 18236          | 5478             | 473                     | 8.63%                     |
| Deposits             | 100000         | 15894            | 1372                    | 8.60%                     |
| Advances             | 65000          | 9825             | 1151                    | 11.71%                    |
| Working Capital      | 121556         | 22087            | 2273                    | 10.29%                    |

**Source:-** \*Statistical handbook of 2004 GUCBs Federation A'bad  
\*\*Calculation based on annual Report of 60 UCBs



### 1.7 Role of the UCBs in the Indian Banking System:-

The performance of the co-operative banking sector as a whole has attracted attention in recent year. Today they have become an important constituent of the Indian financial system and cover a large segment of society because of their prompt and personalized service. They take the responsibility of covering the unmonitored sector neglected by commercial banks and most priority is given by UCBS to small and medium enterprise UCBs provide service with no bars of caste religion etc. and thus spread the feeling of “Unity of diversity”. Some UCBs operate beyond their state of registration and are governed by the Multi state Co-operative Act 1984. They are not responsible only to employees and societies. The UCBs bears some responsibility in the following ways.

#### A. Service on Behalf of Customers:-

1. Provide facility regarding opening current, saving and fixed deposit accounts and collect deposits.
2. Issue draft, letter of credit and discount bill on a low rate of commission.
3. Provide services of automatic teller machine mobile banking and depository participants and do immediate transfer of money.
4. Computerized bank passbook issued to customers.

5. Received complaint of customers and solve it as early as possible
6. Provide self deposit vault facilities
7. Advances are given to small scale and medium enterprise and cottage industries.
8. Advances against properties, jewelry, govt. securities, life policy and new or old vehicles.

**B. Service on Behalf of Employees:-**

1. Provide medical facilities and educational facilities.
2. Provide various types of allowances.
3. Maintain various types of funds like staff provident fund bonus fund etc.
4. Conduct training programs for new employees and refresher programs for old employees and organize a seminar and the conferences to update their knowledge.
5. Special education reward is given to employees children for highest percentage.

**C. On Behalf of Society:-**

1. Provide donation to educational institutions charitable institutions and hospitals etc.
2. Advances to the weaker sections of the societies to be self -sufficient.
3. Helping to the people at the time of natural calamity like earthquake, flood, drought.
4. Sustain and generate gainful employment.
5. Equal distribution of credit structure by branch expansion particularly in areas which are not covered by the banking system.

## **1.8 Evaluation Of The Role Of The UCBS:-**

It can be said that because of their noble objectives; functions and philanthropic attitude towards clients and society, the UCBS in spite of being a small segment of the co-operative banking sector, have proved themselves a vital role of the Indian banking system. The committee on co-operative movement appointed by the Government of Tamil Nadu in February, 1968, under the chairmanship of Shri K. Santhanam –has made the following observation:

“The non agricultural credit societies have been significantly successful in attracting deposits and promoting thrift.....This sector of the movement has grown voluntarily without special encouragement from the state. The urban banks in the state have recorded a steady progress over the years. As observed by the co-operative planning committee (1946), urban banks have proved to be the best suited agencies for which joint stock banks are not generally interested <sup>6</sup>.”

Thus it can be stated that though organized on a small scale primarily to meet the need of the poor or weaker sections of society, the urban banks have proved that they occupy a key position in semi-urban and urban areas so far as the national banking structure is concerned.

## **1.9 Problems & Prospects Of UCBS :-**

UCBS were setup with the objective of promoting saving habits amongst the middle-income group of the urban population 2004 is golden jubilee of urban co-operative banks celebrated by govt. of Gujarat. During the 100 years of their inception they have attracted considerable

attention and large number of them has shown creditable performance but fair number of them have simultaneously shown discernible signs of weakness too because of the problems they could not overcome some important factors,

Which are barriers to the progress of the UCBs are as given below.

- 1. Dual Control:-** A major problem faced by UCBs is the duality of control by the State Government and the RBI. The UCBs are supervised by RBI and also issued for license while regarding administrations like, registration, administration constitution and administration and selection etc. This had negative impact on the functioning of the UCBs. Duality in command hampers effective supervision. The Narsimhan committee suggests removing dual control system which is affected to UCBs. High power Committee also.
- 2. Limited Area of Operations:-** The UCBs have to function within restricted framework in the context of mobilization of deposits. The need for heavy industrial advances and trade finance for industrial units as well as for commercial enterprises is here but the UCBs are not able to meet with it is they have to serve as per the RBI directives. But to survive in the competitive world the UCBs should enhance their area of operation and start providing loans as per local needs.
- 3. Violation of Prudential Financial Norms:-** It is found that many UCBs Violate norms governing advances. Top officials of the banks receive loans without documents. The failure of Visangar Co-operative Bank (Mehsana) and Madhavpura Mercantile Co-operative Bank (A'bad) are the example of violation of prudential norms. The

UCBs must adopt a system of internal audit and inspection of branches and department, the RBI should follow strict supervision and to stop such malpractices.

- 4. Poor Management:** - The necessity of the financial institution has a good corporate financial management and articles. The Madhavray committee insisted to appoint two directors who are professional or experience persons. But in UCBs directors are politician or illiterate. Due to this reasons management of the UCBs are poor. The RBI advise to directors about it by letter dated 05-04-2002
- 5. Poor Quality Services:** -The services of the UCBs are not significant enough in terms of quality and have failed to attract deposits from individuals and institutions other than the co-operative sectors. Hence they should try to improve the quality of services by providing required facilities like waiting space; customer information counter, complain box, banking information chart, easy accessibility to higher officials at the banking promises ect. At the same time they should maintain good customer relations and keep positive attitude towards customer. Besides this; they should start providing door to door services.
- 6. Lack of Modernization:** - In today's world of technological advancement, still manual form of work followed in some of the UCBs which cause delay and increase operational cost. Most of the UCBs failed to provide service through use of modern technology except some UCBs. It has become inevitable now on part of the UCBs to have computerized system of banking and adopt latest banking

technique like ATM, Credit Card, Internet Banking, Branch Banking, Tele Banking etc.

**7. Increasing Overdoes:** - The UCBs suffer from dangerously. Low or weak quality of loans assets and highly unsatisfactory recovery of loans, which enhance the proportion of overdue. Due to this situation, UCBs must have to develop a separate recovery department for quick recoveries.

**8. Political Interference:** - Political interference in affairs of the UCBs leads to faulty lending and poor recovery. It compels, to pressure on the banks to provide loan to parties whose repaying capacity is doubtful. Visanagar co-operative bank is a example of this situation. Though banks take to legal action against the defaulter it often interferes by putting an end or postponing such an action. Hence political interferes is damage to UCBs administration.

**9. Staff Problems and prospects:** -The UCBs have not trained and professional staff. The UCBs do not select staff on professional basis. External pressures are a cause of untrained and low standard staff which directly affect on quality work. At least appointment of chief executive officer ( like Manager or Managing director) should be made on professional lines and provide training to untrained or fresh staff members or employees.

**10. Some Other Problems of UCBs are as under: -**

- I. Low capital adequacy ratio etc.
- II. Lack of transparency in financial statement.



- III. The Balance sheet of most of UCBs are not finalized in time due to non-completion of audit purpose.
- IV. Lack of planning and co-ordination.
- V. Lack of standardization in data reported by ratio etc.

#### **1.10. UCBS – Recent Regulatory Measures: -**

The schedule and other similar UCBs have increased the need for a greater role of the RBI as a regulator of the UCBs. Hence, the RBI has announced a series of measures for the UCBs by day to day relating to monetary and credit policy statement. The salient feature of these measures of this regulation of UCBs is as under.

##### **I. Lending Stock Market: -**

The RBI had put restriction on lending by the UCBs against security of stocks. The UCBs have been advised to unwind existing lending to stockbrokers or direct investment in shares on contracted dates.

##### **II. Inter UCBs Term Deposits: -**

The UCBSs were advised not to increase their deposits with other UCBs and ordered to unwind the outstanding deposits with other UCBs as on 14<sup>th</sup> April 2001 before ended of june 2002. However shri Anant Giti committee the schedule UCB accepts deposit from non schedule UCBs. The RBI imposed some condition regarding it by circular date 17<sup>th</sup> 2003.

### **III. Gold Loans and Small Loans: -**

Gold loans and small loans up to Rs. 100000.00 given by primary Urban Co-operative Banks will no more be exempted from the 90 day NPA norms. The RBI recently issued a notification for chief executive officers (CEOS) of all primary UCBs stating that it has been decided that 90 day loan impairment norm will be applicable even in case of gold loans and small loans up to Rs.100000.00 In May 2003 RBI said to CEOs of all primary UCBs to classify an assets as non-performing if the interest and/or of installment of principal amounts remain overdue for period of more than 90 days, with effect from March 31, 2004.

### **IV. Maintenance of Statutory Liquidity Ratio (SLR) :-**

The UCBs are required to maintain their statutory liquidity ratio equivalent to 25% of net Demand and Time Liabilities. (NDTL) They can maintain it in the form of investments in government and other approved securities or as deposits with State Co-operative or Central Co-operative Banks. But with effect from April 01,2003 all scheduled UCBs would need to maintain their entire SLR investment of 25% of NDTL only in government and other approved securities and that compliance with cash Reserve Ratio (CRR) requirements on par with scheduled commercial Banks would be prescribed in due course.

### **V. Capital Adequacy Norms: -**

The concept of capital to risk assets ratio (CRA) or capital adequacy ratio (CAR) has been made applicable on urban co-operative banks wide effect from 31-03-2002. The RBI accepted the recommendation made by

High power Committee (HPC) in this regard and decided to implement (CAR) norms to urban co-operative banks in a phased manner wide effect from 31<sup>st</sup> March, 2002 over a period of three years as indicated below.

| <b>As on</b> | <b>Scheduled with Co-operative banks</b> | <b>Non – Scheduled Urban Co-op. Bank</b> |
|--------------|--|--|
| 31-03-02     | 8%                                       | 6%                                       |
| 31-03-03     | 9%                                       | 7%                                       |
| 31.03-04     | As applicable to commercial banks        | 9%                                       |
| 31-03-05     | As applicable to commercial banks        | As applicable to commercial banks        |

## **VI. New Grades System:-**

The Reserve Bank of India vide its circular dated 5<sup>th</sup> April, 2003 introduced new system of awarding grade to UCBs i.e. Grade I,II,III,& IV and dispensed with earlier nomenclature of classifying UCBs a weak and sick bank. These grades are to be awarded by RBI based on the review carried through statutory returns/ statements submitted by urban co-operative banks or statutory inspections scrutiny of books of accounts of UCBs conduct

### **1.11 Future Of The UCBSs :-**

Looking at the progress of the UCBs it can be said that they have expended by leaps and Bounds and increased their business over the last few decades. A walk down the streets of Mumbai, Ahmedabad, Hyderabad, Surat etc. reveals how widely they have spread their tentacle across the nation. Every nook and corner displays the hoarding of the office of one or the other UCB . But an increasing number of failures of the UCBs have spoiled the image of the UCBs and shaken the faith of

their depositors and investors. The scam of Madhapura Mercantile Co-operative Bank (MMCB) of Ahmedabad, Krushi Co-operative Bank of Hyderabad and Visanagar Nagrik Sahkari Bank (Mehsana Dist.) have brought into the fact that loopholes exist within the banking system itself and the RBI failed to perform its duties as a banking regulators. In the case of Krushi bank ,it was found that the Chairman and the Vice Chairman got loans from the bank without any collateral and the funds were siphoned off for other purposes. Similarly in MNCB lending norms were violated and crores of rupees were given to Mr. Ketan Parekh violating norms of the bank. In case of Visangar Sahakari Bank, it was found that the chairman and his relatives got loans from bank without any proper documents and guarantors. Free entry of private financial institutions has also led to a threat to their existence. In spite of these problems, with regard to the future of these banks it can be said that the UCBs will continue to be promoters of mass banking as distinguished from class banking usually practiced by commercial banks. The future of UCBs is much better due to their numerous distinctive such as-

- (a) Close familiarity with the members
- (b) Local feel
- (c) Democratic management
- (d) Personalized service
- (e) Compactness in the area of operation
- (f) Close supervision over the end use of credit
- (g) Prompt recovery of dues from member borrowers.

But both the RBI and the UCBs should try to maintain this distinctive identity of the UCBs and take care to waive scandals or scams. In order to achieve this goal, the RBI should take measures to strengthen the regulatory frame work for the co-operative sector, lay down clear cut

guidelines for their management structure and should enforce further prudential standards in respect of access to uncollateralized funds and lending against volatile assets. Simultaneously, the UCBs should try to compete with private financial institutions and commercial banks within their limits. Their main inclination should be towards customer's satisfaction. They should introduce a "Customer Day" on which customer's can meet and discuss with the Board of Directors their problems. They should also try to reach to the customers by providing door-to-door services. They should open a separate wing for publicity and advertisement of existing well as new schemes of deposits loans and other services provided by them. Simultaneously they should try to enhance their deposits and advances by providing quality services. For enhancing deposits, they should introduce children savings and youth savings centers in schools and colleges respectively and provide knowledge about the benefit of savings. All UCBs should introduce mobile vans for handicapped and illiterate people. Similarly for enhancing advances, they should do market research and start loaning according to the local needs; keep less margin of profit on advances; provide a guideline about the procedure of advances to the general public so that they would not procedure of advancing loans; etc.. Such comprehensive attempts will help the UCBs in enhancing the banking business in limited areas only.

In short, the UCBs must come into their own to take the future head on. It's time for them to think strategically and focus on the opportunities in terms of market, products and customers. It requires a vision about which their future customers are going to be what they will need; who their competitors will be and what their disadvantages mean for the UCBs; etc. They should be ready to make changes in their policy as per

the demands and competition. They should consider diversification of business product and must upgrade their skills and technology to provide efficient and affordable services. At evolve a systematic approach towards human resource development in many areas like manpower planning, recruitment, placement and leadership development for motivating staff and increasing productivity. In short UCBs should pay attention to human resources development and evolve a systematic approach toward human resource development in many areas. They should focus on the opportunities in terms of market, products and customers. They also focus on need of customers should be removed disadvantages of management and administration.

## **(A) References**

1. Prassanna G. Deshmukh, Working of Co-operative Banks in India, Ed.2002 page no. 1 (Kanishka Publishers, New Delhi)
2. By K.V. Lakum: Reading Materials-National Institute of Co-operative Management Edi.2002 page no. 21
3. D'silva, John (Chief Editor) Co-operative Banks Dairy 2000 Mumbai, 23<sup>rd</sup> Edition. P1
4. Report of Madhavadas Committee (1979) RBI Mumbai p.7
5. Report of the Committee on co-operation in India (1915) p. 11
6. Report of the Committee on Co-operation part -I published by the GOVT. of Tamilnadu Madras. pp.73

## **Chapter – II**

### **RESEARCH METHODOLOGY AND CONCEPTUAL FRAMEWORK**

- 2.1 Concept of Performance Appraisal.
- 2.2 Concept of Financial Statement.
  - 2.2.1 Balance sheet.
  - 2.2.2 Income Statement.
  - 2.2.3 Statement of Retained Earning.
  - 2.2.4 Statement of Source and Uses of Funds.
- 2.3 Financial Analysis – The concept.
- 2.4 Significance of Financial Analysis.
  - 2.4.1 Management.
  - 2.4.2 Investors.
  - 2.4.3 Financial Institution.
  - 2.4.4 Trade Creditors.
  - 2.4.5 Government and their Agency.
  - 2.4.6 Employees.
  - 2.4.7 Customers.
  - 2.4.8 Society in general.
- 2.5 Tools and Techniques of Financial Analysis.
  - 2.5.1 Accounting Techniques.
  - 2.5.2 Statistical Techniques.
  - 2.5.3 Diagrammatic and Graphic Presentation Data.
- 2.6 Relevance of Financial Management to Banking.
- 2.7 Methodology the Present Study.
- 2.8 Limitation of the Study.
- 2.9 Outline of Chapter Plann.
- 2.10 Hypothesis.



## **2.1 Concept of Performance Appraisal: -**

Business enterprise are created for achieving one or more objectives profit motive being the most dominant among all objectives for accomplishing its objectives efficiently and effectively, the firm needs resources which must be optimally utilized. The firm faces the question of the use and allocation of resources at two levels first at the macro level, the firm has to compete for purposes with other firms in the capital market. The Criterion used by the capital market to allocate resources is efficiency, which is conventionally measured in terms of profit. A firm would thus succeed to obtain funds from the capital market if it has been profitable in the past or has a profit making potential in the future. The capital market consists of investors individuals and institutional who decided about the allocation of funds to the firm on the basis of information regarding the financial performance of the firm. Accounting through its financial reports furnishes this information to investor's financial reports or statement in the form of balance sheet and profit and loss account inform investors how the firm has performed.

The firm has been able to gather resources from the capital market at the Micro level if its internal operations, it has to decide allocation of resources to its various projects; activities and assets. The firm needs relevant information for making decisions of internal use of resources. Financial information is needed by investor's creditors, management, Govt., and society. Financial information is required to predict, compare, and evaluate the firm earnings obviate.

The financial information includes the financial statement, Balance sheet, profit and loss account income statement etc. From the financial

information which have been received from the financial statement and tested the profitability and efficiency of firm or enterprises which is called performance appraisal. The accounting system identifies and gathers relevant data from the financial statement. The process of data accumulation involves recording and analysis of economic events financial statement also performs the measurement function. The firm performs appraised from the financial statement financial statement is a basic of the enterprise which is used for investors and outsiders to take decision and value it. Thus performance appraisal of the firm can be done by the financial statement.

## **2.2 Concept of Financial Statements: -**

The term financial statements have a very ancient historical background. It is as old as the term Accountancy. But it did not enjoy any significance during the last few decades because the scope of business was limited as ownership and management consisted of the self same group of business who was responsible for the fruits of their business. With liberalization and globalization in the world today, financial statements are increasingly studied and used by various classes of people who are directly or indirectly related and interested primarily in the short term liquidity of the firms and its ability to meet the debts as and when they fall due, long term lenders are concerned about the ability of the firm to service its debts over the next three to ten years; while shareholders and potential investors are interested in the yield and safety of their funds. Importance of financial statement has also increased due to government regulations, awareness about. The American Institute of Certified Public Chartered Accountant states that "Financial statement reflect a combination of recorded facts, accounting conventions and

personal judgments and the judgments and conventions applied affect them materially the social rights among consumers and labor union, increasing insecurity of investors funds etc." However now it is obligatory for every organization to prepare financial statements as per the annual report.

The financial statements as used by a layman (common) man refer to only two statements.

- (1) Balance sheet: -Studying only the assets liabilities and capital of a business entity at a particular point of date.
- (2) Profit and Loss Account: -Profit and Loss account showing the result of business operations during the given period.

But in the modern accounting system "The statement of retained earnings, "Earning Per Shares" (EPS) and statement of change in financial position" are also considered as important financial statements. It is very well known that the financial statements basically refer to balance sheet and profit and loss account or income statement, of course these two basic statements are supported by a number of schedules, annexure supplement statements explanatory notes, footnotes etc. Therefore all these financial statements are having good amount of their importance in the annual accounts of an organization. These statements are prepared on the basis of the transactions that have taken place during the accounting period.

As financial statements are the final products of accounting work, done during the financial period, they can be termed as summarized reports of accounting transactions. They are prepared for the purpose of

presenting a periodic review of the progress made by the enterprise or management. "The Financial Statement reflects a combination of recorded facts, accounting conventions and personal judgments, and the judgments and conventions applied affect them materially." <sup>1</sup>

Thus financial statements are the supported statements are a mirror image of the position of an enterprise regarding earning, profit ability to operate in future, change in it's owns goals and attain at targeted level. Thus they portray a picture of success or failure of the business that reflects the effectiveness and efficiency of management. In short financial statements are the pillars of accounting systems.

### **2.2.1. Balance sheet:-**

The concept of Balance sheet is an old as the concept of accounting. The first balance sheet was prepared in 1340 (2). Balance sheet is one of the most significant financial statements the It indicates the financial condition or the state of affairs of a business at a Particular moment of time Balance sheet contains information about resources and obligations of a business entity and about its owners interest in the business at a particular point of time. <sup>2</sup>

Assets and Liabilities are shown in the balance sheet. It also indicates the properties and obligations of a business entity. It is based on the equation.

$$\text{Net Assets} = \text{Total Assets} - \text{Total Liabilities}$$

It provides a snapshot of the financial position of the firm at the close of the firm's accounting period. In joint stock companies, the balance sheet is prepared as per section 211 of companies act 1956, In banking

sector however it is prepared as prescribed in the third schedule under section 29 of Banking Regulation Act 1949 but in Co-Operative banking sector there is no any format is prescribed by the Banking Regulations act 1949.

According to **I.M. Pandey** following are three important functions of balance sheet <sup>3</sup>

- (a) It gives a summary of the firm's assets and liabilities.
- (b) It is a measure of the firm's liquidity.
- (c) It is a measure of the firm's solvency.

A balance sheet contains information about the assets liabilities and owner's interest in the business at a particular point of time. Suppose a balance sheet of a firm prepared as on 31<sup>st</sup> March 2003 reveals the financial position on this specific date "The balance sheet is a statement which reports the values of properties owned by the enterprise and claims of creditors and owners against these properties." <sup>4</sup>

Thus balance sheet is a statement of assets, liabilities and owner's equities at their respective book values of a business firm as on a specific date. In short it can be said that a balance sheet is a "Status Report" indicating the financial condition of an enterprise. It can be prepared in horizontal vertical or step format.

### **2.2.2. Income Statement: -**

Income statement termed as a profit and loss Account is a financial statement. A balance sheet as discussed above indicates firm's financial position at a specific date. Hence it is considered as a very significant

statement by bankers and lenders. But it fails to indicate whether firm is making profit or losing money. Therefore creditors and financial analysts have recently started paying more attention to earning capacity of the firm which is reflected by profit and loss account or income statement. It is a scoreboard of the firm's performance during a period of time. It is a flow statement.

According to **Guthman H.G.** "The statement of profit and loss is the condensed and classified record of the gains and losses causing change in the owner's interest for a period of time"<sup>5</sup>

Income statement indicates the result of business operations during two balance sheet dates. This net result of may be favorable or unfavorable. If favorable the result, is net profit and if unfavorable the result, is net loss. In other words it is a summary report of income and expenses incurred in the regular course of business during a particular accounting period. The income statement shows the incomes and expenses of a business enterprise over a period of time and then gives final figures representing the amount of profit or loss for the accounting period. It is the performance report of an enterprise indicating change in income and expenses due to business operations conducted during a particular accounting period and suggest a long range view of a business and shows where it is leading to. The income statement can also be presented in a vertical or horizontal form.

### **2.2.3. Statement of Retained Earning: -**

Statement of retained earning indicates the cause and magnitude of changes in the retained earning of the concur during the year. It begins

with the amount of accumulated profits and concludes with the amount of undistributed earnings. It is prepared to show the amount of profits transferred to reserves, payment of interim dividend, proposed dividend and appropriations. It follows the income statement and provides a link between the income statement and the balance sheet.

#### **2.2.4. Statement of Sources and Uses of Funds: -**

It is a statement summarizing the financing and investing activities of an enterprise indicating where the financial resources have come from and where they have gone. It measures the changes that occur in assets, liabilities and other accounting aspects of business operations and trace the reasons for such changes.

#### **2.3 Financial Analysis - The Concept: -**

Financial statements are only the means of providing general information regarding operational results and financial position of a business. These statements merely contain financial data about business events which do not reveal any significant conclusions such as efficiency of the management, strength and weakness of the firm, index of future progress etc. The analysis is done by properly establishing the relationship between the items of balance sheet and profit and loss account. The first task of financial analysis to determine the information contained in the financial statement. The second step is to arrange information in a way to highlights significant relationship. The final step is interpretation and drawing of inferences and conclusions. Thus financial analysis is the process of selection, reviewing and evaluation of the accounting information.

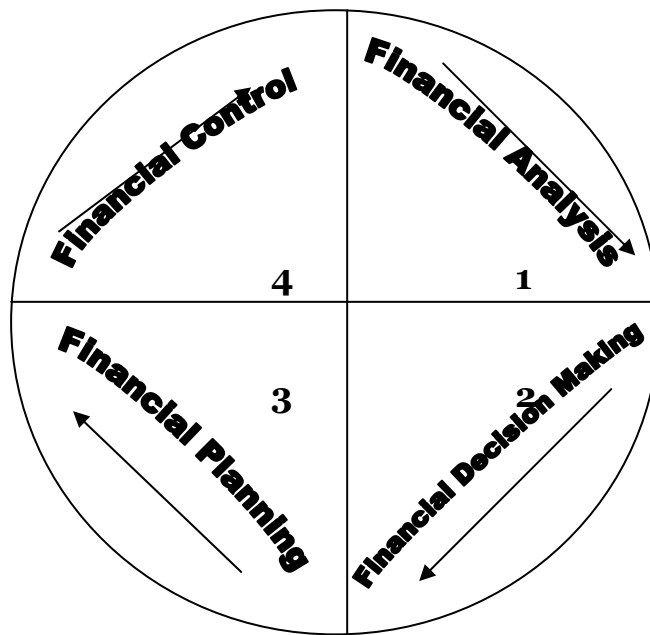
Financial analysis is a multipurpose and multidimensional technique which involves a systematic and careful examination of information contained in financial statements for a certain period. The use of this technique is an art which requires pertinent knowledge experience and intuition for its development. That is why it has been said that the science of financial analysis is assuming an increasingly important role worth of a going concern. It helps in drawing out the implications which are contained in the statement themselves.

The analysis of such statements provides valuable information. Analysis of financial statement is the systematic numerical calculation of the relationship between one fact with the other to measure the profitability, operational efficiency and the growth potential of the business. Thus the analysis of financial statement is basically a study of the relationship among various financial facts and figures as given in the set of statement in the words of “**Metcaff and Titard**” “Analyzing financial statement is a process of evaluating the relationships between component parts of financial statements to obtain a better understanding of a firms position and performance”<sup>6</sup>

Financial analysis is the evaluation of a firm’s past present and anticipated future financial performance and financial condition.

A model of the financial management process is presented by **Jim Mcmenamin** tutor of oxford, primary given important to financial analysis which is showing by figure 1.1





*Source: Jim Mcmenamin "Financial Management an introduction (Oxford University Press Edi.2000 page 15*

This is the preliminarily, diagnostic, stage and will include a financial analysis and review to determine the current financial performance and condition of business; an identification of any particular financial problems, risks, contains or limitations and an assessment of financial strength, weakness opportunities and threats called SWOT analysis.

**Robert. H. Wessel** has defined analysis and interpretation of financial state meant as “a technique of x-raying the financial position as well as the progress of a company”.<sup>7</sup> In short financial analysis is a systematic and specialized treatment of information obtain in financial statements in order to measures the liquidity, profitability, solvency, operational efficiency and growth potential of an enterprise. It is an important tool for

the analyst to identify the financial and operational strength and weakness of the concern.

#### **2.4 Significance of Financial Analysis: -**

The Basic limitations of the traditional financial statements comprising the balance sheet and the profit and loss account is that they do not give all the information related to the financial operations of a firm. Nevertheless they provide some extremely useful information to the extent that the balance sheet is a mirror of the financial position on a particular date in terms of the structure of assets, liabilities and owner's equity and so on and the profit and loss account shows the result of operations during the year. Thus the financial statements provide a summarized view of the financial position and operations of a firm. Therefore; much can be learnt about a firm from a careful examination of its financial statements as invaluable documents performance report. The analysis of financial statement is, thus an important aid to financial analysis. The focus of financial analysis is on key figures in the financial statements and the significant relationship that exist between them.

According to **Baruch Lev** "Financial statements is an information processing system designed to provide data for decision making models, such as the portfolio selection model, bank lending decision models and corporate financial management models.<sup>8</sup> This statement clarifies the important of financial analysis. Use of financial statement analysis is to measure liquidity, profitability, solvency and overall performance of the enterprise. The users may be the management of the concern profits it self over owners, creditors, investors, government, bankers, employees, economists, researchers etc. but the nature and purpose of analysis will differ with each of these analyses **N.L.Gole** says that "The analysis of

financial statement spotlights on the significant facts and relationship concerning managerial performance, corporate efficiency, financial strength, weakness and also credit worthiness that would have otherwise been buried in heap of detail”<sup>9</sup>

The significance of financial analysis varies with varied users' of financial statement. Following parties interested in financial statement and their utility.

#### **2.4.1. Management**

Financial statements are used by those persons who direct and control the business called management. These persons desire such information from these statement by which the efficiency and earning power of the firm can be measured and rational decisions for its efficient operation can be taken. These financial statements will serve to Management to analyze.

The analysis and interpretation of financial data highlights the significant facts and relationships concerning various aspects of financial life of business entity. So every person who has interest in the business entity likes to take decisions based on analyzed and factor have also enhanced the significance of the analysis of financial statements.

1. Disclosure of Facts
2. Effective Decision Making
3. Effective Planning and Control
4. Measures Operational Efficiency
5. Comparative Study
6. Serving the Need of Interested Parties

#### **2.4.2. Investors: -**

Shareholders and debenture holder fall in the category of investors. They need information to aid their decisions of buying selling or holding shares or debenture of reporting entity share holders have permanent interest in the company. Their main objective is the safety of capital and to receive adequate income thereon. Therefore, they need information regarding capital structure and future plans of the firm, to know the financial position, earning power, present value of shares and safety of their investments. Such information's are available to them through financial statements. Debenture holders want to be assured that debentures will be redeemed by the company on due date. Thus, they are only interested in the long term solvency of the company, which they know from financial statements. Financial statements provide much important information to perspective investors.

#### **2.4.3. Financial Institutions: -**

Before sanctioning credit, financial institution like to be assured about the liquidity solvency, financial strength and profitability of the borrowing concern which can be judged only through the analysis of financial statement.

#### **2.4.4. Trade Creditors: -**

Creditors are the persons who supply goods on credit. They are interested to know the financial soundness before granting credit and up to what extent.

#### **2.4.5. Government and their Agencies: -**

Due to separation of management and ownership in enterprises; the government has enacted some laws for the protection of owners. Financial analysis helps the government to take proper decision. Financial Analysis also helps the government to determine tax liability, subsidy, price fixing, cost control and other regulation desirable in socio-economic.

#### **2.4.6. Employees: -**

Employees and their representative bodies are interested in the financial statement to ascertain the ability of the enterprise to maintain existing staff and serve them through appropriate remuneration and retirement benefit. Financial analysis helps them in knowing the profitability, liability and earning capacity of the concern provides assurance about their employment.

#### **2.4.7. Customers: -**

Customers have an interest in information about the continuance of an enterprise, especially whether they have a long term involvement with or without dependent on the enterprise.

#### **2.4.8. Society in General: -**

The society is also interested in the performance of an enterprise as it results in the increase of employment and standard of living. It is also concerned about the contribution of an enterprise towards social welfare.

A study of financial statements enables them to gain knowledge about the matters.

## **2.5 Tools and Techniques of Financial Analysis: -**

Financial statements are only the means of providing general information regarding operational results and financial position of business enterprise. Financial statements convey only information about the financial position and profitability of the business in absolute figures. But figures in their original form do not convey any meaningful information and are not useful in financial analysis. Financial analysis is a multipurpose and multidimensional technique which involves a systematic and careful examination of information contained in the financial statement for a certain period. To make financial analysis more meaningful the following accounting techniques are used by the analyst,:

### **2.5.1 Accounting techniques**

a Comparative Financial Statement Analysis

b Common Size Statement Analysis.

c Trend Analysis

d Ratio Analysis

e Fund Flow Analysis

f Cash Flow Analysis

g Break Even Analysis

## **1. Comparative Financial Statement Analysis: -**

Comparative financial statements are statements of financial position of a concern so designed as to facilitate comparison of different accounting variables and thereby draw useful conclusions. According to the **M.R. Agrawal** “Comparative financial statements are those statements which summarize and present related accounting data for a number of years incorporating therein the changes (absolute or relative or both) in individual item.<sup>10</sup> In these statements, the financial data for two or more years are placed and presented in adjacent columns. So that it may provide a true perspective in order to facilitate period comparison. It is also comparative financial statements are usually prepared with special columns indicating absolute data for each of the period and changes in it terms of rupees as well as in terms of percentages. The comparative financial statements is to ascertain the changes accruing year by year in each item of assets, liabilities and net worth shown in the financial statements of a business firm and whether such changes are favorable or adverse.

Thus it focuses on the trends and direction of changes in different items of financial statements.

## **2. Common Size Statement Analysis: -**

Financial statements that depict financial data in the shape of vertical percentages are known as common size statements. A common size statement is used as an important by converting absolute figures into percentage. Thus expressing each monetary item of the financial statement as a percentage of some total of which that item is a part,

transforms a financial statement, what is referred as, "Common size statement include common size balance sheet and common size profit and loss account. In short common size statements are those in which figures reported in financial statement are converted in to percentage to some common base, which equals to 100. On the basis of common size statement, common size analysis can be done which facilitates comparison between amounts in the same statement and also between similar expenses in successive statement and further, enables the analyst to measure the relationship of each item within the statement. The ratio that each item bears to the total is ascertained by dividing the individual money amount by the total amount as contained in the statement and multiplying the quotient by 100. In vertical analysis, the common size statement are used for inter firm comparison of firms and relevant industry, while in horizontal analysis financial statement of different years are converted into common size statements and trend is analyzed. Comparison of common size statement over a number of years would highlight the relative changes in each group of expenses, assets and liabilities; while comparison of common size statement of two or more enterprises will assist in corporate evaluation and ranking.

### **3. Trend Analysis: -**

A study based on trend percentage is known as trend analysis. Trend analysis indicates the trend of progress during past several years. Trend percentages are helpful in making a comparative study of financial statements for several years as it indicates increase or decrease in an item along with the magnitude of change in percentage. According to **R. A. Kennedy and S. Y. Mc Mullen** "For the purpose of financial appraisal, an effective use of financial ratios can be made by observing the



behavior of ratios over period of time”.<sup>11</sup> As one of the management tools, the importance of looking into tendency of events between financial statements prepared at different period can not be lost sight of where the business was? Where the business is ? And where the business will be? All these uses being clearly revealed through trend analysis. According to **M.R. Agrawal** “The trend analysis is the method of analyzing financial position of a business on the basis of changes in the items of financial statement of successive years in comparison a specific date or period commencement of study.

Thus trend analysis, facilitates an effective comparative study of the financial performance of a concern. This method involves the calculation of percentage relationship that each statement bears to the same item in the base year. All items in the base year are assumed to be 100. By looking at the trend of ratios one may have insight into the past, present and future of the business enterprise. Thus trend analysis facilitates a long run view but does not express the cause of change in the item. Trend analysis can also be defined as “Index Analysis” or “Dynamic Analysis”

#### **4. Ratio Analysis: -**

Analysis of financial statement based on ratios is known as ratio analysis. Ratio analysis is a technique of presenting internal and external events affecting the business transaction relating to its operations, operating results and attainment of pre-determined goals and objectives of a business in brief and summary form.

According to **Belverd-E-Needless** “Ratio guides or short cuts that are useful in evaluating the financial position and operations of a company

and in comparing them with previous years or with other companies. The primary purpose of ratio is to point out areas for further investigations. They should be used in connection with a general understanding of the company and its environment”<sup>12</sup>

In short ratio analysis is the process of determining and presenting is the relationship of items or group of items in the financial statement. It is an expression of one number in relation to other while ratio analysis is the method by which the relationship of items or groups of items in the financial statements are computed, determined and presented through accounting ratios. Ratio analysis is used as a technique for evaluating financial position and performance of a firm. It points out areas of weakness and strength. But the analysis will be useful only when ratios are compared with past or future ratios or with ratio of another company, engaged in a similar business with the help of these ratios, the liquidity position, long term solvency, operating efficiency, or profitability and efficiency of a concern can be evaluated.

## **5. Funds Flow Analysis: -**

In financial statements, balance sheet shows assets, liabilities and equity of the firm at a certain moment of time. Profit and loss account depicts operating results over a period of time. Fund Flow analysis is an analysis of sources and uses of funds. It highlights the changes in the financial composition of an undertaking between two dates.

As per Accounting Standard Board of ICAI “A statement which summaries for the period covered by it the changes in financial position

including the sources from which the funds were obtained by the enterprise and the specific uses to which the funds were applied.

Thus funds flow statement is not a statement of financial position at a particular date, but it is a report of financial operations, changes, flows and movement of funds. It is an important financial technique widely used by financial analysis, investors and bankers for judging.

- (i) The financial strength of an enterprise.
- (ii) The effectiveness of its financial policies
- (iii) An understanding regarding the ability of a concern to use funds effectively in its best interest

According to techniques such as Ratio Analysis Trend analysis, comparative statement analysis and common size Analysis have been used for the purpose of study.

### **2.5.2 Statistical Techniques :**

Use of statistical techniques has become a normal phenomenon in any type of analysis. The statistical techniques are proposed to be used in financial statement analysis of UCBs. The brief descriptions of the various statistical techniques have been used for the present study are as follow.

- (A) Mean ( $\bar{x}$ ):
- (B) Standard Deviation ( $\sigma$ ):
- (C) Co-efficient of Variation (C.V.)
- (D) Co-efficient of Correlation ( $r$ )
- (E) Co-efficient of Determination ( $r^2$ )
- (F) Two-way Classification of 'F' test

(G) Index Numbers:

(H) Correlation:

The correlation is a statistical device which helps us in analyzing the co-variation of two or more variables. Correlation analysis helps us in determining the degree of relationship between two or more variables.

### **2.5.3 Diagrammatic and Graphic Presentation Data :-**

Diagram and graphs exhibit the data in samples comprehensible and intelligible form. A reader can easily understand the financial position of any bank by it. Some Balance sheet and profit and loss account items are presented through graphs

### **2.6 Relevance of Financial Management to Banking: -**

Every tool of financial management has its application and relevance to the banking sector, commercial or co-operative as the banking sector also centers on finance and has to take the following three important decisions regarding financial management in day-to-day working of funds:

- (i) Investment decisions
- (ii) Financing decisions and
- (iii) Dividend policy decisions

At the time of taking capital investment decisions in respect to employing Information Technology (like Tele Banking Mobile Banking, Internet, etc.), employing physical assets in banking premises (such as safety lockers, computers, attractive furniture and fixtures), opening new

branches or constructing a large building for banking operations, bank does investment evaluation using capital budgeting tools of financial management. Similarly a bank also to capable financial decisions for obtaining working funds partly from depositors, partly from other banks and partly from capital market. Hence management of current liabilities is extremely significant for the banks. In this respect the banks have much to learn from financial management discipline.

The RBI has forced banks to employ tools of financial analysis in the area of current assets management. The concept of Non Performing Assets (NPA), asset classification and provisioning, income recognition only in respect to standard assets, etc. is based on inventory management practices of the industry as advocated, by financial management discipline. The concept of Capital Adequacy Ratio (CAR) is the same as the concept of Risk-Return Management in financial management discipline. As self-appraisal is inevitable for banks, they have to use financial management tools for their internal analysis and performance evaluations. It may be mentioned that those banks which seek fund from capital market, are invariably required to get their stocks listed with stock exchange. One of them conditions for listing is that listed companies (including banks) have to compulsorily publish statement of changes in financial position on cash basis in their annual report. This no doubt is an application of financial management tool to the banking industry.

## **2.7 Methodology of the Present Study: -**

### **Objectives of the Study**

To examine the profitability and operating efficiency regarding saving and advances of the Urban Co-operative Banks (UCBs) of North Gujarat viz. Mehsana, Sabarkantha and Banaskantha.

- 1 A comparative study of the assets efficiency and cost of capital on the basis of financial statement and find out the ratios of Urban Co-op Banks of North Gujarat.
- 2 To analysis the financial statement and examine the source of Funds and its efficiency.
- 3 To examine whether the funds of the banks have been vitalized in an efficient and profitable manner.
- 4 To study the advancing patterns in the UCBs.
- 5 To suggest ways the Banks in relation to increase profitability and find out the areas which are reduced expenses.
- 6 To suggest to improve efficiency of Urban Co-operative Banks of North Gujarat.
- 7 To make suggestions for improving profitability.
- 8 To examine the financial problems faced by the UCBs.

### **Scope of the Study: -**

The scope of the present study is limited to the analysis of profitability, liquidity, short term financial strength, long term financial strength, capital structure analysis and sources and uses of funds analysis. The study covers only those UCBs which are registered in North Gujarat, of district Mehsana, Sabarkantha and Banaskantha.

## Selection of Sample: -

The sample of present study is restricted only to those UCBs which are registered in Mehsana, Patan, Sabarkantha and Banaskantha district of Gujarat up to March 31<sup>st</sup> 2004, 60 UCBs have been registered in North Gujarat out of these, and the data of 57 UCBs are available. Keeping in view paid up share capital of these 57 UCBs as on 31-3-04, they are classified into three groups as under.

**As on 31-03-2004**  
**The classification is as follows**

| Paid up share capital                 | No of the UCBs |          |      |
|---------------------------------------|----------------|----------|------|
|                                       | Available      | Selected | %    |
| Less than Rs. 50 lakhs                | 26             | 06       | 23%  |
| Between Rs. 50 lakhs to Rs. 500 lakhs | 30             | 13       | 43%  |
| Above Rs. 500 lakhs                   | 01             | 01       | 100% |
| Total                                 | 57             | 20       |      |

*Source :- Based on Annual Reports of 57 UCBs.*

Out of these three groups total 20 UCBs, six, thirteen and one bank from the above three groups have been selected respectively, selected randomly for this study. the selected banks are as under:

### 1. MEHSANA / PATAN DIST: :-

1. Market yard commercial Bank Unja.( MCB)
2. Mehsana Urban Co-op Bank.( MUB)
3. Sarvoday commercial co-op Bank Mehsana. (SCB)
4. Kadi Nagrik Sahkari Bank. (KNSB)
5. Mehsana Nagrik Sahkari Bank Ltd. (MNSB)
6. Ranuj Nargik Sahkari Bank. (RNSB)

7. Harij Nagrik Sahkari Bank. (HNSB)
8. Adarsh Mahila Co-op Bank Mehsana. (AMCB)
9. Vijapur Nagrik Sahkari Bank. (VNSB)
10. Unja Nagrik Sahkari Bank. (UNSB)

**2. SABARKANTHA DIST: -**

1. Bayad Nagrik Sahkari Bank Ltd. (BNSB)
2. Khedbrahma Nagrik Sahkari Bank. (KHNSB)
3. Modasa Nagrik Sahkari Bank. (MONSB)
4. Talod Nagrik Sahkari Bank. (TNSB)
5. Himatnagar Nagrik Sahkari Bank.(HINSB)
6. Idar Nagrik Sahkari Bank. (INSB)

**BANASKANTHA DIST:-**

1. Banaskantha Mercantile Co-Operative Bank Ltd Palanpur.(BMCB)
2. Deesa Nagrik Bank Ltd. (DNB)
3. Pragati Co-Opretive Banl Ltd. Thara.( PCB)
4. Palanpur Peoples Co-Operative Bank Ltd. (PPCB)

Percentage of paid up share capital, deposits and advances of 20 selected UCBs to total of 57 UCBs registered in North Gujarat as on 31-3-04 are as follows.

| <b>Particular</b>            | <b>31-3-2004(Rs. in lakhs)</b>  |  |   |
|------------------------------|---------------------------------|--|---|
|                              | <b>57 UCBs<br/>Rs. In lakhs</b> | <b>Selected 20<br/>UCBs Rs.<br/>In lakhs</b> | <b>% of selected 20<br/>UCBs to Total 57<br/>UCBs</b> |
| <b>Paid up share capital</b> | 6360.77                         | 3500.25                                      | 55.13%  |
| <b>Deposits</b>              | 197263.82                       | 126685.03                                    | 64.22%  |
| <b>Advances</b>              | 115119.53                       | 72725.78                                     | 63.17%  |

*Source:-Based on Annual Reports of 57 UCBs.*



Sample classification has been done to find out whether paid up share capital deposits and advances of the selected 20 UCBs do represent all the 57 UCBs. It is clear that selected banks represent 55.13% paid up share capital, 64.22% deposits and 63.17% advances of the whole group of study.

**Period of Study: -**

The present study covers the span of seven years i.e. from 1997-98 to 2003-2004. This period of selected for study because the complete data for the entire period is available. This period is considered adequate to study trends and conclusions.

**Source of Data: -**

Information regarding the historical background, growth and development of the UCBs progress made during the period; role played by the UCBs, problems and prospects, and RBI regulator measures have been obtained from books, various journals of co-operative details, RBI bulletins circulars of RBI, various committee reports based on the UCBs seminar held by Gujarat state co-operative federation due to golden jubilee years, from GUCBF and leading daily newspaper. For the purpose of performance appraisal study, annual financial statements of the selected UCBs were required and have been obtained directly from the respective UCBs under study. An attempt has also been made to collect data through various meeting with the managerial personal and executives of the selected UCBs.

### **Tools and Techniques of Analysis Data:**

For the performance appraisal of the selected UCBs on the basis of analysis of financial statement, profit and loss account and balance sheet have been recast and presented in concludes from the figures have been rounded off to two decimal points in lakhs of rupees. The following are tools and techniques used for the purpose of analysis.

#### **1. Accounting Techniques:-**

Accounting techniques such as Ratio Analysis, Trend Analysis, Comparative Statements Analysis and Common Size Analysis have been used for the purpose of study.

#### **2. Statistical Techniques:-**

A brief description of the various statistical techniques being used for the present study is as follows:

- (A) Mean(x)
- (B) Standard Deviation ( $\sigma$ )
- (C) Co- efficient of Variation
- (D) Co-efficient of Correlation (r)
- (F) Two- way Classification of "F" Test
- (G) Index Numbers

#### **3. Diagrammatic and Graphic Presentation Data:**

Diagram and graphs exhibit the data in sample comprehensible and intelligible form. A reader can easily understand the financial position of any bank by it. Keeping in view the importance of the charts, line charts and pie charts have also been used for better presentation of importance information.

## **2.8 Limitation of the Study**

The following are the major limitations of the present study.

- (1) This study is based on secondary data taken from published annual reports accounts of selected urban co-operative banks and such as it findings depends entirely on the accuracy of such data.
- (2) There are different methods to measures the profitability of the banks. In this connection views of experts differ from one another.
- (3) The present study is based on the selected twenty UCBs. As the size of the sample selected is very small, the limitations of a small sample applicable to this study.
- (4) The measurement profitability confronts many practical difficulties.
- (5) The analyst could not get some information otherwise useful for a deeper study, due to the RBI restrictions on disclosure of data.

## **2.9 Outline of Chapter Plan: -**

The present study “Performance Appraisal of Urban Co-operative Banks in North Gujarat” is divided into six chapters as follows:

### **CHAPTER-I**

#### **1. History and Growth of Urban Co-Operative Banks: -**

It contains information regarding the historical background of the UCBs in India since inception; Indian co-operative credit structure concept of UCBs and its objectives, growth and development of the UCBs in India, in Gujarat and North Gujarat the role played by the UCBs

in India Banking system; problems, prospects and the future of the UCBs,etc.

## **CHAPTER-II**

### **2 Research Methodologies: -**

This chapter is divided in two parts. The first parts of this chapter deals with the conceptual framework includes concept of performance appraisal, concept of financial statement and financial analysis, significance of financial analysis, tools and techniques of financial analysis and relevance of financial management to banking.

The second parts of this chapter deals with the statement of the problems, data collection, methods, period of study, scope of the study, objective of the study, survey of existing literature, hypothesis, tools of analysis and limitation of the study.

## **CHAPTER-III**

### **3. Analysis of Common-size Income statements: -**

In this chapter the concept of common-size statements, condensed and common-size profit and loss account of selected Banks have been prepared and analysis, inter Bank comparison and findings have also been included.

## **CHAPTER-IV**

### **4. Analysis of Profitability: -**

This chapter includes point-wise analysis of concept of profitability, meaning of profitability, profit and profitability, efficiency and profitability, factors affecting profitability, Measurement of profitability

concept of profit margins, various concept of profit margins and operating ratio etc.

## **CHAPTER-V**

### **5. Financial Analysis:-**

This Chapter in the two parts. First is to analysis the liquidity position and short term financial strength of the UCBs throught different liquidity ratios, statistical tools and techniques, graphs and charts, etc. Second part is the analysis and interpretation of the capital structure and long term financial strength of the UCBs. The long term financial strength of the UCBs has been judged by the analysis of capital structure through various accounting and statistical tools and techniques. -

## **CHAPTER-VI**

### **6. Summary Findings and Suggestions: -**

It contains conclusions about the financial condition of the UCBs. An attempt has also been made to offer various suggestions and recommendations for the betterment of the financial standing of the UCBs.

### **2.10 Hypothesis:**

In this source of the present study two hypotheses (i) Null hypotheses (i) Alternative hypotheses have been taken and they have been tested with the help of 'F' test. The F-test is named in honor of the great statistician R. A. Fishar. The object of the F-test is to find out whether the two independent estimates of population variances differ significantly, or whether the two samples may be regarded as drawn from normal

population having the same variance. A null hypothesis is taken that the variance appeared is not significant while alternative hypothesis is also taken that the variance appeared is significant. Thereafter, the calculated values of 'F' test are compared with the table value of F- test is higher than the table value at pre-assigned level of 5% significance, the null hypothesis is rejected, otherwise accepted.

## **References: -**

1. J.Madegowda:-Management Accounting (Himalaya publishing house)Ed.2001.pag45
2. Edward Paragallo :Original evaluation of double entry bookkeeping (New york)Ed.1938page-16
3. I. M. Panday: Financial management (Vikas publishers house, New Delhi) Ed.1995.Page-40
4. M.R. Agrawal :-financial Management(RBSA Publishers) Ed.2003 page-31
5. M.R. Agrawal :-financial Management(RBSA Publishers) Ed.2003 page-38
6. Metcalt R.W.and P.L. Titard : Principal of Accounting (W.B.Saunders philadelphia) Ed.1976 page-157
7. Wessel, Robert H: Principle of financial management (Mcmillan New York) Ed. 1961 page-29
8. Baruch Lev: Financial statement analysis -A new approach (prentice hall) Ed.1974.page-5
9. N.L.Gole: Analysis and interpretation of financial statements (Butter worth's) Ed.1966 page-2
10. M.R. Agrawal :-financial Management(RBSA Publishers) Ed.2003 page-32
11. Kennedy R.D. and Mc Mullen S.Y.: Financial statements form analysis and interpretation (Richard D. Irwin Inc.Linois) Ed.1968 344-345
12. Belverd E. Needless: Financial and Management accounting (Houghton Mittin Co.) Ed.1988 page-1081

## **CHAPTER – III**

### **COMMON SIZE INCOME STATEMENT**

1. Introduction
  - 1.1 Definitions
  - 1.2 Advantages
  - 1.3 Limitations
2. Frame Work of Analysis
3. Analysis of Common Size Income Statement of Selected UCBs under study
4. Inter Firm Comparison and Findings of Common Size Statement
5. District Wise Analysis of Common Size Income Statement of the Selected UCBs.
6. Analysis of Common Size Income Statement of the UCBs Taken Together.
7. References



## **1. Introduction :-**

In today's world the healthy competition is prevailing where all business units and large industries are trying to survive in the market. The banking sector can not be aloof from competition in market As liberalization and globalization have opened the door for free entry in any business, the co-operative sector of banking has to face competition from not only nationalized or commercial banks but also from private financial institutions and foreign banks. Indian Finance Minister P.Chidamberg said that Indian banks must have faced the competition to with world market. Two or three decades back, profit had a back seat they never consciously planned their business of banking from the profit point of view but today profit is an important indicator of the banking business. Profit is a parameter of survival, success and growth. It is also a sign of efficiency and performance.

Ratio analysis apart another useful way of analyzing financial statement is to convert them into common size statement by expressing absolute rupee amounts in to percentages. When this method is pursued, the income statement exhibits each expenses items or groups of expenses items as a percentage of Gross Income and Gross Income: 100 percent statement prepared in this way is referred to as common size statements.

Common size comparative statements prepared for one firm over the years which would highlight the relative changes in each group of Income, expenses assets and liabilities. These statements can be equally useful for inter-firm comparisons given the fact that absolute figures of two firms of the same industry.

## 1.1 Definitions :

Common size statements are financial analysis technique. It compares the two firms or industry over the historical years.

“Common size statement supplemented by additional analytical financial data is the effective tools of a historical financial study of a business or industry”<sup>1</sup>

In the worlds of **S.N.Maheshwari** “Common size financial statements are those in which figures reported are converted into percentage to some common base”<sup>2</sup>

According to the **M. R. Agrawal** "Financial statements that depict financial data in the shape of vertical percentages are known as common size statement"<sup>3</sup>.

"Financial statements when read with absolute figures are not easily understandable, sometimes they are even misleading. It is therefore, necessary that figures reported in these statements should be converted into some base. In profit and loss account sales figures is assumed to be equal to 100 and all figures are expressed as percentage of sales."<sup>4</sup>

Thus the common size statements show the relative significance of the items contained in the financial statements and facilitate comparison. This method of analysis may be used in making a historical study of particular business, because major changes in the distribution of individual items revealed common size. Financial statement as a income statement is a very useful tool and technique for analyzing the financial position of the

business. "This comparative profit and loss account or income statement shows the operational result of the business for a number of accounting periods so that changes in absolute figures from one period to another may be started in terms of money value and percentage".<sup>5</sup>

Common size statement is useful in comparing two or more periods or two or more business units. It enables comparison of income of different period of a business entity. The technique of analysis is useful when some one wish to compare one or more unit having difference in the organization's size but to make such comparison really meaning full it is necessary that the financial statement i.e. income statement of all such companies should be prepared on the same pattern. The common size statements are used for inter firm comparison of firms and relevant units, while in horizontal analysis, financial statement of different years are converted into common size statements and trend is analyzed.

The common size profit and loss account or income statement is useful in studying the trend in the items of profit and loss account or income statement. If the trend in internal items of income statement of different years or different firms is to be studied, then; these are converted into common size percentages assuming total income of each profit and loss account equal to 100. In this way percentages of each item to total income are calculated. These percentages may be compared with similar percentages of other firms and significant conclusions can be drawn. The percentages of each item of expenses to operating may also be compared with standard. "When common size income statement is read horizontally do not give information about the trend of individual items but the trend of their relationship of the total."<sup>6</sup>

## **1.2 Advantages :**

1. Common size statement is useful in comparing two or more periods or two or more business units when the total business is not the same.
2. It also provides common size comparison of two or more units.
3. Components of income and expenses can be analyzed with the help of common size statement.
4. It enables comparison of income of different period of a unit within the other unit.
5. It also compared the total cost of a unit in different period and within the unit.
6. The technique of analysis is useful when some one wish to compare one or more companies or units having differences in the organization's size. But it is necessary that the financial statement i.e. income statement of all such unit or companies should be prepared on the same pattern.

The profit and loss account which shows the operating income and operating expenses and net difference between them called profit or loss revealing the operating performance of the organization. The operating incomes are the revenues which derived from day to day transaction such as interest on advances commission and other revenue income. The operating expenses are incurred to keep the operational processes running and to maintain assets.

### **1.3 Limitations :-**

The common size statement has some limitations, which are as under:

1. It shows the percentages of each item to the total period but not variation in respective terms from period to period.
2. In calculating percentages, if the figure is negative, the percentages cannot be calculated and likewise, if the change is from or a zero balance in account, it is not possible to calculate the percentage, presenting the difficulties in common size analysis.

**John N. Myer** has rightly noted, "It is doubtful whether the observation of trend of these relationships is of any value of the analyst because the total is affected by variation in all its components and therefore, the trends of the relationships are too complex for interpretation."<sup>7</sup>

3. It provides information about the trend of individual item's relationship to total but observations of this trend are not very useful because they are not definite norms for proportion of each item to total.

### **2. Frame Work of Analysis:-**

For preparation of the Common Size Income Statement of bank unit under study, the following procedure has been adopted.

1. The figures of various items in the profit and loss account have been regrouped under various heads viz, interest and discount, it

includes interest on loans and advances second is commission, exchange and brokerage and other revenue income. The third one is operating expenses under two heads, viz, interest on deposits and borrowings and other general expenses.

2. The other expenses consist of salaries, staff PF, director's fees, legal fees, post & telegram, audit fee, stationery and printing, repair & maintain depreciation, electricity and other revenue expenses.
3. The total of each items has been rounded off in lakes of rupees up to two decimal point for sake of convenience and simplicity.
4. Each items of operating income and operating expenses as a percentages of total operating incomes and total operating incomes are taken as a 100 and percentage of each group of item viz. interest and deposit, commission, exchange and brokerage other revenue incomes, interest on deposits and borrowing, other revenue expenses, total operating expenses, profit before provision, provision and net profit have been calculated
5. The common size income statement for each individual bank unit has been prepared separately for the period from 1997-98 to 2003-2004.

The entire picture of the income statement in the form of the profit and loss account of the selected UCBs under study have been presented in the actual form of common size statement for the period from 1997-98 to 2003-2004. Here the figures of operating income have been taken as equal to 100 and the percentage of individual items of operating income

has been calculated. The common size profit and loss account has been presented in the table 3.1 to 3.20.

3. Analysis of Common size income statement of individual Selected UCBs under study:

**Table 3.1**  
**Common Size Income Statement of the Unja Marketyard Commercial Co-operative Bank Ltd.**  
**(1997-98 to 2003-2004)** (Rs. In lakhs)

| <b>Operating Income</b>             | <b>97-98</b>  | <b>98-99</b>  | <b>99-00</b>   | <b>00-01</b>   | <b>01-02</b>   | <b>02-03</b>   | <b>03-04</b>   |
|-------------------------------------|---------------|---------------|----------------|----------------|----------------|----------------|----------------|
| Interest & Discount                 | 773.46        | 929.76        | 1077.9         | 1183.4         | 1104.84        | 1227.25        | 1039.46        |
| % of TOI                            | 99.48         | 99.46         | 95.95          | 96.66          | 93.02          | 96.48          | 91.77          |
| Commission                          | 1.06          | 1.2           | 1.73           | 1.04           | 0.95           | 1.24           | 1.47           |
| % of TOI                            | 0.14          | 0.13          | 0.15           | 0.08           | 0.08           | 0.10           | 0.13           |
| Other Income                        | 2.96          | 3.83          | 43.8           | 39.9           | 81.92          | 43.6           | 91.77          |
| % of TOI                            | 0.38          | 0.41          | 3.90           | 3.26           | 6.90           | 3.42           | 8.10           |
| <b>Total operating Income(A)</b>    | <b>777.48</b> | <b>934.79</b> | <b>1123.43</b> | <b>1224.34</b> | <b>1187.71</b> | <b>1272.09</b> | <b>1132.7</b>  |
|                                     | 100.00        | 100.00        | 100.00         | 100.00         | 100.00         | 100.00         | 100.00         |
| Interest On Deposit & Borrowings    | 632.96        | 788.18        | 963.99         | 1087.12        | 973.5          | 1049.27        | 890.97         |
| % of TOI                            | 81.41         | 84.32         | 85.81          | 88.79          | 81.96          | 82.48          | 78.66          |
| Other Exps.                         | 87.78         | 83.87         | 118.14         | 99.79          | 105.66         | 107.02         | 119.26         |
| % of TOI                            | 11.29         | 8.97          | 10.52          | 8.15           | 8.90           | 8.41           | 10.53          |
| <b>Total Operative Expenses (B)</b> | <b>720.74</b> | <b>872.05</b> | <b>1082.13</b> | <b>1186.91</b> | <b>1079.16</b> | <b>1156.29</b> | <b>1010.23</b> |
| % of TOI                            | 92.70         | 93.29         | 96.32          | 96.94          | 90.86          | 90.90          | 89.19          |
| Operating Profit (A-B)              | 56.74         | 62.74         | 41.3           | 37.43          | 108.55         | 115.80         | 122.47         |
| % of TOI                            | 7.30          | 6.71          | 3.68           | 3.06           | 9.14           | 9.11           | 10.81          |
| Non Operating Income                | -             | -             | -              | -              | -              | -              | -              |
| % of TOI                            | -             | -             | -              | -              | -              | -              | -              |
| Net Profit Before Provision         | 56.74         | 62.74         | 41.3           | 37.43          | 108.55         | 115.8          | 122.47         |
| % TOI                               | 7.30          | 6.71          | 3.68           | 3.06           | 9.14           | 9.10           | 10.81          |
| Provision                           | 20.74         | 6.00          | 16.04          | 15.9           | 68.72          | 45.46          | 82.83          |
| % of TOI                            | 2.67          | 0.64          | 1.43           | 1.30           | 5.79           | 3.57           | 7.31           |
| <b>Net Profit</b>                   | <b>36.00</b>  | <b>56.74</b>  | <b>25.26</b>   | <b>21.53</b>   | <b>39.83</b>   | <b>70.34</b>   | <b>39.64</b>   |
| % of TOI                            | 4.63          | 6.07          | 2.25           | 1.76           | 3.35           | 5.53           | 3.50           |
| Trend Ratio of Operating Income     | 100.00        | 120.23        | 144.50         | 157.48         | 152.76         | 163.62         | 145.69         |
| Trend Ratio Of Operating Exps.      | 100.00        | 120.99        | 150.14         | 164.68         | 149.73         | 160.43         | 140.17         |
| Trend Ratio of Net Profit           | 100.00        | 157.61        | 70.17          | 59.81          | 110.64         | 195.39         | 110.11         |

Source: Computed from Published Annual Report of MCB

Note: 1997-98 is base year for Trend Ratio.



## **MARKET YARD COMMERCIAL CO-OPERATIVE BANK LTD. (MCB)**

The common size income statement (P&L A/C) of the Market Yard Commercial Co-operative Bank Limited has been presented in table 3.1 during the period under study. The table clearly shows the trend ratio of operating income, operating expenses and net profit of the MCB during the period under study.

It is evident that during the period under study the total operating income registered an increasing trend during the first four years and decreasing trend during the next year, again an increasing trend during the sixth years and decreasing trend in seventh year. It is increased from Rs. 777.48 lakhs in 1997-98 to Rs. 1224.34 lakhs in 2000-2001. But it was Rs. 1187.71 lakhs in 2001-2002 which went up to 1272.09 lakhs in 2002-2003 and which come down to 1132.70 lakhs in 2003-2004. The overall total operating income increased 145.69 percent during the study period as shown by the trend ratio.

The major portion of total operating income consists of interest and discount earned on deposits and advances rendered. The interest and discount registered a mixed trend during the study period. It ranged between 99.66 percent in 2000-2001 and 91.77 percent in 2003-2004. The remaining two sources of income viz. commission and other income have much not impact on the total operating income. However commission income registered an increasing trend during the first three years and a declining trend during the next two years and again an increasing trend during the last three years of the study period. The other income registered an increasing trend during the study period. It

fluctuated between 0.38 percent in 1997-98 to 8.1 percent in 2003-2004 during the period of the study.

It can be observed from the table that the total operating expenses registered an increasing trend during the first four years and a declining trend during the last three years. It ranged between 89.19 percent in 2003-2004 and 96.94 percent in 2000-2001. It increased from 92.70 Percent in 1997-98 to 96.94 percent in 2000-2001. But it was 90.86 percent in 2001-2002 and 90.90 percent in 2002-2003. The operating expenses are made up of interest on deposits and borrowing and general expenses. The main reason of increase in operating expenses was the increased in interest which indicates heavy dependence on long -term deposits. The amount paid to depositors and borrowers in the form of interest registered an increasing trend during the first four years and a decreasing trend during the fifth years and increasing trend during the sixth year, again a decreasing trend during the last year of the period of study. It was the highest in 88.79 in 2000-2001 and it was the lowest in 78.66 percent in 2003-2004. The other expenses registered a mixed trend during period of the study. It was the highest level in 1997-98 as it was 11.29 percent and lowest level in 2000-2001 as it was 8.15 percent.

The bank provided a large amount for the provisions during the first and last years of study period. MCB provided more than 3 percent amount of the total operating income during the last three years of study period. The net profit registered an increasing trend during the first two years, a declining trend during next two years and again an increasing trend during the fifth and sixth year and decreasing trend during the last year of the study period. It was the highest in 1998-99 which was 6.07

percent and the lowest in 2000-2001 as it was 1.76 percent of the total operating income.

The trend value of the net profit of the MCB failed to increase with operating income because of heavy dependence of on high cost bearing source of fund which have accelerated the operating expense. It affected the unfavorable to the MCB bank. It can be analyzed that out of 100 operating income only 1.76 percent to 6.07 percent profit is made by MCB, it means 94 to 98.50 percent portion is expenses of the MCB.

**Table 3.2**  
**Common Size Income Statement of the Urban Co-Operative Bank**  
**Ltd Mehsana (1997-98 to 2003-2004)**  
(Rs. In Lakhs)

| <b>Operating Income</b>             | <b>97-98</b> | <b>98-99</b> | <b>99-00</b> | <b>00-01</b> | <b>01-02</b> | <b>02-03</b> | <b>03-04</b> |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Operating Income                    |              |              |              |              |              |              |              |
| Interest & Discount                 | 3511.75      | 6267.09      | 8843.16      | 13132.1      | 8539         | 8171.43      | 6477.78      |
| % of TOI                            | 99.34        | 99.06        | 99.28        | 99.24        | 98.55        | 98.12        | 97.06        |
| Commission                          | 20.05        | 52.66        | 55.47        | 90.1         | 115.57       | 137.51       | 177.79       |
| % of TOI                            | 0.57         | 0.83         | 0.62         | 0.68         | 1.33         | 1.65         | 2.66         |
| Other Income                        | 3.34         | 7.07         | 9.02         | 9.88         | 10.44        | 19.05        | 18.38        |
| % of TOI                            | 0.09         | 0.11         | 0.10         | 6.08         | 0.12         | 0.23         | 0.28         |
| <b>Total operating Income (A)</b>   | 3535.14      | 6326.82      | 8905.65      | 13232.08     | 8665.01      | 8387.99      | 6673.95      |
| % of TOI                            | 100.00       | 100.00       | 100.00       | 100.00       | 100.00       | 100.00       | 100.00       |
| Interest On Deposit & Borrowings    | 2883.22      | 5396.39      | 7708.31      | 11798.59     | 6762.02      | 5686.48      | 4498.88      |
| % of TOI                            | 81.56        | 85.3         | 86.54        | 89.17        | 78.04        | 68.28        | 67.41        |
| Other Exps.                         | 193.66       | 303.9        | 414.43       | 483.36       | 561.9        | 542.08       | 644.3        |
| % of TOI                            | 5.48         | 4.80         | 4.65         | 3.65         | 6.48         | 6.51         | 9.65         |
| <b>Total Operating Expenses (B)</b> | 3076.88      | 5700.29      | 8122.74      | 12281.95     | 7323.92      | 6228.56      | 5143.18      |
| % of TOI                            | 87.04        | 90.1         | 91.19        | 92.82        | 84.52        | 74.79        | 77.06        |
| Operating Profit(A-B)               | 458.26       | 626.53       | 784.91       | 950.13       | 1341.09      | 2099.43      | 1530.77      |
| % of TOI                            | 12.96        | 9.90         | 8.81         | 7.18         | 15.48        | 25.21        | 22.94        |
| Non Operating Income                | -            | -            | -            | -            | -            | -            | -            |
| % of TOI                            | -            | -            | -            | -            | -            | -            | -            |
| Net Profit Before Income            | 458.26       | 626.53       | 784.91       | 950.13       | 1341.09      | 2099.43      | 1530.77      |
| % of TOI                            | 12.96        | 9.90         | 8.81         | 7.18         | 15.48        | 25.21        | 22.94        |
| Provision                           | 50.66        | 64.59        | 82.00        | 122.76       | 437.02       | 1597.47      | 1011.85      |
| % of TOI                            | 1.42         | 1.02         | 0.92         | 0.93         | 5.05         | 19.18        | 15.16        |
| <b>Net Profit</b>                   | 408.2        | 570.93       | 702.91       | 827.37       | 904.07       | 501.96       | 518.92       |
| % of TOI                            | 11.55        | 9.02         | 7.89         | 6.25         | 10.43        | 5.98         | 7.78         |
| Trend Ratio of Operating Income     | 100.00       | 178.97       | 251.92       | 374.30       | 245.11       | 237.27       | 188.79       |
| Trend Ratio Of Operating Exps.      | 100.00       | 185.3        | 263.99       | 399.17       | 238.03       | 202.43       | 167.16       |
| Trend Ratio of Net Profit           | 100.00       | 139.87       | 172.20       | 202.69       | 221.48       | 122.97       | 127.12       |

**Source:** Computed from Published Annual Report of MUCB

**Note:** 1997-98 is base year for Trend Ratio.

### **3.6.2 MEHSANA URBAN CO-OPERATIVE BANK LTD. (MUCB)**

Mehsana Urban Co-operative Bank Limited working at Mehsana having large number of its branches in Gujarat. The condensed and common-size profit and loss account (Income Statement) of MUCB has been shown in table 3.2. Table makes it evident that during the period under study, total operating income of Mehsana Urban Co-operative Limited registered an increasing trend during first four years and a declining trend during the last three years. It was increased from Rs. 3535.14 lakhs in the 1997-98 to Rs. 13232.08 lakhs in 2000-2001. Thereafter during the last three years it recorded a decreasing trend which decreased from Rs, 8665.01 lakhs in 2001-2002 to Rs. 6673.95 lakhs in 2003-2004. The operating income trend ratio increased nearly 100 percent during the period of study. But it increased more than 200 percent in 2000-2001.

The major portion of operating income consists of interest and discount which registered mixed trend during the study period. It ranged between 99.34 percent in 1997-98 and 97.06 percent in 2003-2004 of the total operating income. The other two remaining source consists of commission, brokerage, exchange and other revenue income of the MUCB. Its portion was around 1 percent to 3 percent during the period of study. It can be observed that the commission and brokerage increased during the last three years of the study period.

It can be remarked from the table that the operating expenses also registered an increasing tend during the first four years as it was 92.82 percent, the highest level, in 2000-2001 It was 87.04 percent in 1997-98. Thereafter during the next two year it recoded a declining trend which

decreased from 84.52 percent in 2001-2002 to 74.79 percent in 2002-2003 and finally it dropped to 77.06 percent of the total income. The total operating expenses were always more than 77.06 percent. The trend ratio of the total expenses increased with operating income. The operating expenses are made up of interest on deposits and borrowing and other expenses. The interest on deposits registered an increasing trend during the first four years of the study period. It increased from 81.56 percent in 1997-98 to 89.17 percent in 2000-2001 of the total income. However, it decreased from 78.04 percent in 2001-2002 to 68.28 percent in 2002-2003 and finally it stood at 67.41 percent of the operating income. The proportion of other expenses ranged between 3.65 percent in 2000-2001 to 9.65 percent in 2003-2004 of the total operating income.

Non – operating income did not have much impact on income as its proportion was nil during the period of study while the amount of provisions increased during last three years of the period of study. It ranged between 0.92 percent in 1999-2000 to 19.18 percent in 2002-2003.

It can be observed from the table that the net profit registered a mixed trend during the period under study. It registered a declining trend during the first four years and an increasing trend during the fifth year, again a decreasing trend during the sixth year and finally it increased during the period of the study. It was the highest level in 1997-98 which was 11.55 percent and the lowest level in 2002-2003 as it was 5.98 percent of the total income.

The trend ratio of net profit did not increased corresponding to operating income. It was highly decreased during the last two years of the

study. On the basis of above analysis it may be said that the Mehsana Urban Co-operative Bank Limited, failed to increase net profit with the operating income because of heavy dependence on high cost bearing source of funds which are responsible for the high operating expenses.

**Table 3.3**  
**Common Size Income Statement of the Sarvoday Commercial**  
**Co-operative Bank Ltd. (1997-98 to 2003-2004)**

**(Rs. In Lakhs)**

| <b>Operating Income</b>             | <b>97-98</b>  | <b>98-99</b>   | <b>99-00</b>   | <b>00-01</b>   | <b>01-02</b>   | <b>02-03</b>   | <b>03-04</b>   |
|-------------------------------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Interest & Discount                 | 942.00        | 1223.09        | 1512.09        | 1626.90        | 2001.18        | 1808.13        | 1466.36        |
| % of TOI                            | 99.34         | 99.54          | 99.32          | 99.44          | 99.26          | 99.17          | 98.65          |
| Commission                          | 2.89          | 1.67           | 1.77           | 3.49           | 4.78           | 5.42           | 11.76          |
| % of TOI                            | 0.31          | 0.14           | 0.12           | 0.22           | 0.24           | 0.30           | 0.79           |
| Other Income                        | 3.33          | 3.92           | 8.61           | 5.59           | 10.83          | 10.35          | 8.32           |
| % of TOI                            | 0.35          | 0.32           | 0.56           | 0.34           | 0.54           | 0.58           | 0.56           |
| <b>Total operating Income (A)</b>   | <b>948.22</b> | <b>1228.68</b> | <b>1522.42</b> | <b>635.98</b>  | <b>2016.09</b> | <b>1823.90</b> | <b>1486.44</b> |
| % of TOI                            | 100.00        | 100.00         | 100.00         | 100.00         | 100.00         | 100.00         | 100.00         |
| Interest On Deposit & Borrowings    | 580.79        | 799.94         | 1046.91        | 1078.44        | 1144.27        | 102.78         | 845.35         |
| % of TOI                            | 61.25         | 65.10          | 68.77          | 65.92          | 56.76          | 60.46          | 56.87          |
| Other Exps.                         | 181.52        | 269.29         | 320.76         | 418.71         | 453.41         | 473.72         | 406.60         |
| % of TOI                            | 19.14         | 21.92          | 21.07          | 25.59          | 22.49          | 25.97          | 27.35          |
| <b>Total Operative Expenses (B)</b> | <b>762.31</b> | <b>1069.23</b> | <b>1367.63</b> | <b>1497.15</b> | <b>1597.68</b> | <b>1576.50</b> | <b>1251.95</b> |
| % of TOI                            | 80.39         | 87.02          | 89.83          | 91.51          | 79.25          | 86.44          | 84.22          |
| Operating Profit(A-B)               | 185.91        | 159.45         | 154.79         | 138.83         | 418.41         | 247.40         | 234.49         |
| % of TOI                            | 19.61         | 12.98          | 10.16          | 8.49           | 20.75          | 14.17          | 15.78          |
| Non Operating Income                | -             | -              | -              | -              | -              | -              | -              |
| % of TOI                            | -             | --             | -              | -              | -              | -              | -              |
| Net Profit Before provision         | 185.91        | 159.45         | 154.79         | 138.83         | 418.41         | 247.40         | 234.49         |
| % of TOI                            | 19.61         | 12.98          | 10.16          | 8.49           | 20.75          | 14.17          | 15.78          |
| 11 Provision                        | 115.95        | 79.45          | 64.79          | 28.83          | 288.41         | 112.40         | 94.49          |
| % of TOI                            | 12.22         | 6.45           | 4.25           | 1.76           | 14.30          | 6.77           | 6.36           |
| <b>Net Profit</b>                   | <b>70.00</b>  | <b>80.00</b>   | <b>90.00</b>   | <b>110.00</b>  | <b>130.00</b>  | <b>135.00</b>  | <b>140.00</b>  |
| % of TOI                            | 7.38          | 6.51           | 5.91           | 6.72           | 6.45           | 7.40           | 9.42           |
| Trend Ratio of Operating Income     | 100.00        | 129.58         | 160.56         | 172.53         | 212.62         | 192.35         | 156.76         |
| Trend Ratio Of Operating Exps.      | 100.00        | 140.26         | 179.41         | 196.40         | 209.58         | 206.81         | 164.23         |
| Trend Ratio of Net Profit           | 100.00        | 114.29         | 128.57         | 157.14         | 185.71         | 192.86         | 200.00         |

*Source: Computed from Published Annual Report of SCCB*  
*Note: 1997-98 is base year for Trend Ratio.*



## **SARVODAY COMMERCIAL CO-OPERATIVE LTD MEHSANA (SCCB):-**

The common size income statement (P&L A/C) of the Sarvoday Commercial Co-op Bank Limited is presented in the table 3.3 during the study period.

It can be observed from the table that the total operating income registered an increasing trend during the first five years and decreased during the last two years of the period of study. It increased from Rs.948.22 lakhs in 1997-98 to 2016.09 lakhs in 2001-2002. It decreased from Rs. 1823.90 in 2002-2003 to Rs.1486.44 lakhs in 2003-2004. Thus, the operating income ratio increased during the first five years and declined during the last two years of the study period. The major portion of operating income consists of interest and discount earned on advances and services provided respectively. The proportion of interest and discount was nearly 99 percent of the total operating income during the period of study. The remaining two sources of income did not have much impact on the total operating income of the SCCB. Their portion remained only 1 percent during the during the study period.

Table makes it is evident that during the period under study, operating expenses registered an increasing trend during the first four years. It was the highest in 2000-2001 when it was 91.51 percent of the total income and was the lowest in 2001-2002 which was 79.25 percent of the income. Its' share varied from 79.25 percent to 91.51 percent. The average share for all the years under study has come to 85.52 percent. If this average is taken as a standard one, the operating expense is more than standard during the sixth year and less than it during the seventh years.

The operating trend ratio indicates that the rate of growth in operating expenses was much higher than that of operating income. It also indicates that SCCB did not have efficient control over their operating expenses. The major portion of total operating expenses was made of interest on deposits and borrowings. It is evident from the table, that the interest on deposits and borrowing registered an increasing trend during the first three years, sixth year and decreasing trend during the fourth, fifth, and seventh year. It was the highest in 1999-2000 when it was 68.77 percent and the lowest in 2001-2002 which was 56.76 percent of the total income during the period of the study. The other expenses marked a mixed trend and its proportion was ranged between 19.14 percent in 1997-98 to 27.35 percent during the period of study.

The amount of provision decreased during the period of study. The SCCB earned a net profit during the study period ranged between 5.91 percent to 9.42 percent. It was the highest in 2003-2004 and lowest in 1999-2000. The net profit registered an increasing trend during the period of the study. It strengthens the Sarvoday Commercial Bank. It can be remarked from the trend value that the net profit of the SCCB succeeded to increase with operating income. It affected the favorable to the profit of the bank.

On the basis of the above analysis it may be said that the Sarvoday Commercial Bank Limited is emerging as a healthy bank from the view point of profitability.

**Table 3.4**  
**Common Size Income Statement of the Kadi Nagarik Co-Operative**  
**Bank Ltd. (1997- 98 to 2003-2004)**

(Rs. In Lakhs)

| <b>Operating Income</b>            | <b>97-98</b> | <b>98-99</b> | <b>99-00</b> | <b>00-01</b> | <b>01-02</b> | <b>02-03</b> | <b>03-04</b> |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Interest & Discount                | 528.52       | 741.51       | 1260         | 1785.3<br>9  | 1758.3<br>3  | 1386.2<br>3  | 1165         |
| % of TOI                           | 99.36        | 99.19        | 99.04        | 98.94        | 91.06        | 91.2         | 90.24        |
| Commission                         | 2.57         | 4.35         | 9.21         | 15.62        | 168.91       | 130.15       | 124.36       |
| % of TOI                           | 0.48         | 0.58         | 0.72         | 0.87         | 8.75         | 8.56         | 9.63         |
| Other Income                       | 0.83         | 1.71         | 3.03         | 3.51         | 3.80         | 3.59         | 1.67         |
| % of TOI                           | 0.16         | 0.23         | 0.24         | 0.19         | 0.19         | 0.24         | 0.13         |
| <b>Total operating Income(A)</b>   | 531.92       | 747.57       | 1272.2<br>4  | 1804.5<br>2  | 1931.0<br>4  | 1519.9<br>7  | 1291.03      |
| % of TOI                           | 100.00       | 100.00       | 100.0<br>0   | 100.0<br>0   | 100.0<br>0   | 100.0<br>0   | 100.00       |
| Interest On Deposit & Borrowings   | 326.7        | 541.74       | 1000.5<br>2  | 1439.6<br>2  | 1578.7<br>9  | 1281.3<br>2  | 1083.51      |
| % of TOI                           | 61.42        | 72.47        | 76.69        | 79.77        | 81.76        | 84.3         | 83.93        |
| Other Exps.                        | 42.56        | 61.81        | 86.43        | 101.74       | 100.55       | 118.09       | 115.93       |
| % of TOI                           | 8.00         | 8.27         | 6.79         | 5.64         | 5.21         | 7.77         | 8.98         |
| <b>Total Operating expenses(B)</b> | 369.26       | 603.55       | 1086.9<br>5  | 1541.3<br>6  | 1679.3<br>4  | 1399.4<br>1  | 1199.44      |
| % of TOI                           | 69.42        | 80.73        | 85.44        | 85.41        | 86.97        | 92.07        | 92.91        |
| Operating Profit (A-B)             | 162.66       | 144.02       | 185.29       | 263.26       | 251.7        | 120.56       | 91.59        |
| % of TOI                           | 30.58        | 19.27        | 14.56        | 14.59        | 13.03        | 7.93         | 7.09         |
| Non Operating Income               | -            | -            | -            | -            | -            | -            | -            |
| % of TOI                           | -            | --           | -            | -            | -            | -            | -            |
| Net Profit Before Provision        | 162.66       | 144.02       | 185.29       | 263.26       | 251.7        | 120.56       | 91.59        |
| % of TOI                           | 30.58        | 19.27        | 14.56        | 14.59        | 13.03        | 7.93         | 7.09         |
| Provision                          | 60.68        | 39.00        | 74.00        | 150.00       | 140.0<br>0   | 45.00        | 50.00        |
| % of TOI                           | 11.41        | 5.22         | 5.82         | 8.31         | 7.25         | 2.96         | 3.87         |
| <b>Net Profit</b>                  | 101.98       | 105.02       | 111.29       | 113.26       | 111.7        | 75.56        | 41.59        |
| % of TOI                           | 19.17        | 14.05        | 8.74         | 6.28         | 5.78         | 4.97         | 3.22         |
| Trend Ratio of Operating Income    | 100.00       | 140.54       | 239.18       | 339.25       | 258.31       | 285.75       | 242.71       |
| Trend Ratio Of Operating Exps.     | 100.00       | 163.45       | 294.36       | 417.42       | 454.79       | 378.98       | 324.82       |
| Trend Ratio of Net Profit          | 100.00       | 102.98       | 109.13       | 111.06       | 109.53       | 74.09        | 40.78        |

**Source** : Computed from Published Annual Report of KNSB

**Note**: 1997-98 is base year for Trend Ratio

### **3 KADI NAGARIK SAHAKARI BANK LTD (KNSB)**

The common size income statement (P&L A/C) of the Kadi Nagarik Sahakari Bank Limited has been presented in table 3.4. The table clearly indicates the trend ratio of operating incomes, operating expenses and net profit of the KNSB during the period of study.

It can be seen from table that total operating income increased during first five years of the study period. It increased from Rs. 531.92 lacs in 1997-98 to Rs. 1931.04 lakhs in 2001-2002. It appears from the table that total operating income decreased during the last two years of the study period. It decreased from Rs.1519.97 lakhs in 2002-2003 to Rs. 1291.03 lakhs in 2003-2004. The analysis reveals the proportion of the each component to the total income in each year is made through the common size income statement. The major portion of operating income consists of interest and discount earned on advances rendered. The proportion of interest and discount was nearly 99 percent of the total income during the first four years of the period of study. It registered a declining trend last three years of the study period. It was 91.06 percent in 2001-2002 to 90.24 percent in 2003-2004. The remaining two sources of income did not have much impact on the total operating income during the first four years of period of the study. It was around 1 percent during the first four years and during the last three years it was nearly 10 percent of the total income. Out of the 10 percent 9percent earned from the commission, exchange and brokerage. The other income did not have much impact on total operating income.

It can be observed from the table that the operating expenses also registered an increasing trend during the period of study. It increased

from 69.42 percent in the 1997-98 to 92.91 percent in 2003-2004. It indicates that the rate of growth in operating expenses was much higher than that of operating income. The main reason of increase in operating expenses was the increased proportion of cost of interest which indicates heavy dependence on long term deposits. It also indicates that KNSB did not have efficient control over their operating expenses.

Moreover the proportion of interest on deposits and borrowings registered an increasing trend during the first six years of the period of study. The proportion increased from 61.42 percent in 1997-98 to 84.30 percent in 2002-2003. It slightly decreased during the last year which was 83.93 percent. The other expenses ranged between 5.21percent in 2001-2002 to 8.98 percent in 2003-2004.

The amount of provisions marked a fluctuating during the period of study. It fluctuated between 2.96 percent in 2002-2003 to 11.41 percent in 2003-2004 during the period of study.

It can be remarked from the table that the net profit showed a decreasing trend during the period of the study. It decreased from 19.17 percent in 97-98 to 3.22 percent in 2003-2004. The trend value of net profit decreased from 100 to 40.78. It is serious indicator of the sickness.

**Table 3.5**  
**Common Size Income Statement of the Mehsana Nagarik Sahkari**  
**Bank Ltd. (1997- 98 to 2003-2004)**

**(Rs. In Lakhs)**

| <b>Operating Income</b>             | <b>97-98</b> | <b>98-99</b> | <b>99-00</b> | <b>00-01</b> | <b>01-02</b> | <b>02-03</b> | <b>03-04</b> |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Interest & Discount                 | 735.58       | 1000.67      | 1278.72      | 1615.05      | 1789.8       | 1801.6       | 1369.3       |
| % of TOI                            | 98.48        | 98.46        | 98.57        | 98.84        | 98.99        | 99.18        | 89.94        |
| Commission                          | 9.40         | 12.03        | 14.07        | 14.5         | 15.29        | 12.69        | 16.12        |
| % of TOI                            | 1.26         | 1.18         | 1.08         | 0.89         | 0.85         | 0.70         | 1.06         |
| Other Income                        | 1.93         | 3.67         | 4.47         | 4.48         | 2.9          | 2.20         | 37.04        |
| % of TOI                            | 0.26         | 0.36         | 0.34         | 0.27         | 0.16         | 0.12         | 9.00         |
| <b>Total Operating Income (A)</b>   | 746.91       | 1016.37      | 1297.26      | 1634.03      | 1807.99      | 1816.49      | 1522.5       |
| % of TOI                            | 100.00       | 100.00       | 100.00       | 100.00       | 100.00       | 100.00       | 100.00       |
| Interest On Deposit & Borrowings    | 475.99       | 694.68       | 934.43       | 1213.91      | 1453.63      | 1505.32      | 1152.4       |
| % of TOI                            | 63.73        | 68.35        | 72.03        | 74.29        | 80.41        | 82.87        | 76.02        |
| Other Exps.                         | 140.41       | 179.59       | 219.73       | 292.61       | 272.55       | 241.63       | 277.97       |
| % of TOI                            | 18.80        | 17.67        | 16.94        | 17.91        | 15.07        | 13.3         | 17.01        |
| <b>Total Operating Expenses (B)</b> | 616.4        | 874.27       | 1154.16      | 1506.52      | 1726.18      | 1746.95      | 1416.4       |
| % of TOI                            | 82.53        | 86.02        | 88.97        | 92.2         | 95.48        | 96.17        | 93.03        |
| Operating Profit (A-B)              | 130.51       | 142.10       | 143.10       | 127.51       | 81.81        | 69.54        | 106.13       |
| % of TOI                            | 17.47        | 13.88        | 11.03        | 7.80         | 4.52         | 3.83         | 6.97         |
| Non Operating Income                | -            | -            | -            | -            | -            | -            | -            |
| % of TOI                            | -            | -            | -            | -            | -            | -            | -            |
| Net Profit Before Provision         | 130.51       | 142.1        | 143.1        | 127.51       | 81.81        | 69.54        | 106.13       |
| % of TOI                            | 17.47        | 13.98        | 11.03        | 7.8          | 4.52         | 3.83         | 6.97         |
| Provision                           | 15.00        | 20.00        | 12.00        | 15.00        | -            | 15.00        | 16.00        |
| % of TOI                            | 2.00         | 1.97         | 0.93         | 0.92         | -            | 0.83         | 1.97         |
| <b>Net Profit (10-12)</b>           | 115.51       | 122.1        | 131.1        | 112.51       | 81.81        | 54.54        | 76.13        |
| % of TOI                            | 15.46        | 12.01        | 10.10        | 6.88         | 4.52         | 3.00         | 5.00         |
| Trend Ratio of Operating Income     | 100.00       | 136.08       | 173.68       | 218.77       | 242.06       | 243.2        | 203.84       |
| Trend Ratio Of Operating Exps.      | 100.00       | 142.11       | 187.24       | 244.41       | 280.04       | 283.16       | 232.5        |
| Trend Ratio of Net Profit           | 100.00       | 105.71       | 113.5        | 97.4         | 70.83        | 47.22        | 65.91        |

**Source:** Computed from Published Annual Report of MNSB

**Note:** 1997-98 is base year for Trend Ratio.

## **MEHSANA NAGARIK SAHAKARI BANK LTD.(MNSB) :-**

The common size income statement (P&LA/C) of the Mehsana Nagarik Sahakari Bank Limited under study has been presented in table 3.5. The table clearly showed that the trend ratio of operating incomes, operating expenses and net profit of the MNSB during the period of study.

It is evident from the table 3.5 that the total operating income of the Mehsana Nagarik Sahakari Bank Limited registered an increasing trend during the first six years and a decreasing trend during the last year of the study period. It increased from Rs. 746.91 lakhs in 1997-98 to Rs. 1816.49 lakhs in 2002-2003 and it was come down to 1522.50 lakhs in 2003-2004. The operating income increased nearly 100 percent during the last four years of the period of study.

The major portion of operating income consists of interest and discount earned on advances and services provided respectively. The proportion of interest and discount was nearly 99 percent of the total income during the first six years of the period of study. It registered a declining trend during the last as it was 89.94 percent in 2003-2004. The remaining two sources of income did not much impact on the total operating income during the first six years of period of the study. It was nearly 1 percent during the first six years and during the last year it was nearly 10 percent.

It can be observed from the table that the operating expenses also registered an increasing trend during first six years of the period of study. It increased from 82.53 percent in the 1997-98 to 96.17 percent in 2002-2003. But it was a downward trend during seventh year viz; 2003-2004

when it stood at 93.03 percent. It indicates that the rate of growth in operating expenses was much higher than that of operating income. The main reason of increase in operating expenses was the increased proportion of cost of interest which indicates heavy dependence on long term deposits and other expenses. It also indicates that the MNSB did not have efficient control over their operating expenses.

It can be remarked from the table that the proportion of interest on deposits and borrowings registered an increasing trend during the first six years of the period of study. The proportion increased from 63.73 percent in 1997-98 to 82.87 percent in 2002-2003 of the total operating income. It decreased during the last year which was 76.02 percent. The other expenses ranged between 13.30 percent in 2002-2003 to 18.80 percent in 2003-2004.

The amount of provisions marked a fluctuating during the period of study. It fluctuated between zero percent in 2001-2002 to 2 percent in 1997-98 during the period of study.

It can be remarked from the table 3.5 that the net profit showed a decreasing trend during the period of the study except in 2003-2004. It decreased from 15.46 percent in 1997-98 to 5 percent in 2003-2004. The trend value of net profit decreased during the period of the study. It is serious indicator of the sickness.



**Table3.6**  
**Common Size Income Statement of the Ranuj Nagarik Sahakari**  
**Bank Ltd. (1997- 98 to 2003-2004)**

(Rs. In lakhs)

| <b>Operating Income</b>             | <b>97-98</b>  | <b>98-99</b>  | <b>99-00</b>  | <b>00-01</b>  | <b>01-02</b>  | <b>02-03</b>  | <b>03-04</b>  |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Interest & Discount                 | 335.69        | 559.23        | 739.78        | 904.07        | 769.11        | 721.22        | 616.08        |
| % of TOI                            | 98.66         | 98.97         | 98.75         | 98.63         | 97.13         | 98.48         | 98.28         |
| Commission                          | 4.25          | 5.48          | 8.98          | 12.18         | 22.17         | 8.1           | 8.42          |
| % of TOI                            | 1.25          | 0.97          | 1.20          | 1.33          | 2.8           | 1.11          | 1.34          |
| Other Income                        | 0.30          | 0.33          | 0.41          | 0.4           | 0.53          | 3.04          | 2.39          |
| % of TOI                            | 0.09          | 0.06          | 0.05          | 0.04          | 0.07          | 0.41          | 0.38          |
| <b>Total operating income (A)</b>   | <b>340.24</b> | <b>565.03</b> | <b>749.17</b> | <b>916.65</b> | <b>791.81</b> | <b>732.36</b> | <b>626.89</b> |
|                                     | 100.00        | 100.00        | 100.00        | 100.00        | 100.00        | 100.00        | 100.00        |
| Interest On Deposit & Borrowings    | 275.17        | 472.68        | 642.1         | 806.52        | 681.75        | 611.36        | 554.25        |
| % of TOI                            | 80.87         | 83.66         | 85.72         | 87.98         | 86.1          | 83.48         | 88.41         |
| Other Exps.                         | 39.69         | 57.11         | 68.36         | 69.54         | 68.37         | 74.4          | 65.86         |
| % of TOI                            | 11.67         | 10.11         | 9.12          | 7.59          | 8.63          | 10.16         | 10.5          |
| <b>Total operating expenses (B)</b> | <b>314.86</b> | <b>529.79</b> | <b>710.46</b> | <b>876.06</b> | <b>750.12</b> | <b>685.76</b> | <b>620.11</b> |
| % of TOI                            | 92.54         | 93.76         | 94.84         | 95.57         | 94.73         | 93.64         | 98.91         |
| Operating Profit (A-B)              | 25.38         | 35.24         | 38.71         | 40.59         | 41.69         | 46.6          | 6.78          |
| % of TOI                            | 7.46          | 6.24          | 5.16          | 4.43          | 5.27          | 6.36          | 1.09          |
| Non Operating Income                | -             | -             | -             | -             | -             | -             | -             |
| % of TOI                            | -             | -             | -             | -             | -             | -             | -             |
| Net Profit Before Provision         | 25.38         | 35.14         | 38.71         | 40.59         | 41.69         | 46.6          | 6.78          |
| % of TOI                            | 7.46          | 6.24          | 5.18          | 4.43          | 5.27          | 6.36          | 1.09          |
| Provision                           | --            | --            | --            | --            | --            | --            | --            |
| % of TOI                            |               |               |               |               |               |               |               |
| <b>Net Profit (10-12)</b>           | <b>25.38</b>  | <b>35.14</b>  | <b>38.71</b>  | <b>40.59</b>  | <b>41.69</b>  | <b>46.6</b>   | <b>6.78</b>   |
| % of TOI                            | 7.46          | 6.24          | 5.18          | 4.43          | 5.27          | 6.36          | 1.09          |
| Trend Ratio of Operating Income     | 100.00        | 166.07        | 218.42        | 269.41        | 232.72        | 215.17        | 184.25        |
| Trend Ratio Of Operating Exps.      | 100.00        | 168.26        | 225.64        | 278.24        | 238.24        | 217.8         | 196.95        |
| Trend Ratio of Net Profit           | 100.00        | 138.85        | 152.52        | 159.93        | 164.26        | 183.61        | 26.71         |

**Source:** Computed from Published Annual Report of RNSB

**Note:** 1997-98 is base year for Trend Ratio.

## **RANUJ NAGARIK SAHAKARI BANK LTD.(RNSB)**

The common size income statement (P&L A/C) of the Ranuj Nagairk Sahakari Bank Limited under study has been presented in the table 3.6. The table showed the trend ratio of operating income, operating expenses and net profit of the RNSB during the period of study.

From the table the total operating income of the bank registered an increasing trend during the first four years and decreasing trend during the next three years of the study period. It increased from Rs. 340.24 lakhs in 1997-98 to 916.64 lakhs in 2000-2001. But after these, there was decreasing trend when it decreased from Rs.791.81 lakhs in 2001-2002 to Rs. 626.89 lakhs in 2003-2004. The trend value of the total operating income increased more than 100 percent during third, fourth, fifth, and sixth years of the study period.

The major portion of operating income consists of interest and discount earned on advances and services rendered. It can be seen that the proportion of interest and discount was nearly 99 percent during the study period except in 2002-2003. The remaining two sources of income did not have much impact on the total operating income of the RNSB during the period of study. It was always less than two percent except in 2002-2003 during the period of the study. It contributed a very little share in the total operating income during the period of the study.

The total operating expenses includes interest on deposits and borrowing and other administration expenses. It can be remarked form the table 3.6 that the operating expenses registered a fluctuating trend during the period under study. It was always more than 92.54 percent of

the total income during the period of the study. It was the highest in 2003-2004 as it was 98.91 percent and was the lowest in 1997-98 when it was 92.54 percent of the total operating income

It also shows that the growth rate of operating expenses was much higher than that of the operating income. It also indicates that RNS bank did not have efficient control over their operating expenses.

It can be observed from the table the proportion of the interest on deposits and borrowings registered an increasing trend during the first four years and decreasing trend during the next two years and again an increasing trend during the last year of the study period. It increased from 80.87 percent in 1997-98 to 87.98 percent in 2000-2001 and it decreased from 86.10 percent in 2001-2002 to 83.48 percent in 2002-2003. But after these it went up to 88.41 percent in 2003-2004 of the total operating income. The other general expenses marked a trend during the period under study. It ranged from 11.67 percent to 7.59 percent during the study period.

Non operating income did not have much impact on income as its proportion was nil. The provisions were not retained by bank during the period of study. The net profit showed a mixed trend during the period of the study. It was the highest in 1997-98 when it was 7.46 percent and the lowest in 2003-2004 as it was 1.09 percent of the total operating income.

On the basis of the above analysis the performance of the bank is not good from the view point of the profitability during the study period.

**Table 3.7**  
**Common Size Income Statement of the Harij Nagarik Sahakari**  
**Bank Ltd. (1997-98 to 2003-2004)**  
**(Rs. In lakhs)**

| <b>Operating Income</b>             | <b>97-98</b>  | <b>98-99</b>  | <b>99-00</b>  | <b>00-01</b>  | <b>01-02</b>  | <b>02-03</b>  | <b>03-04</b>  |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Interest & Discount                 | 377.17        | 509.90        | 586.78        | 699.02        | 666.35        | 592.77        | 496.31        |
| % of TOI                            | 99.14         | 99.23         | 99.00         | 99.23         | 99.13         | 98.86         | 98.33         |
| Commission                          | 1.61          | 2.52          | 4.18          | 3.74          | 2.87          | 3.81          | 5.69          |
| % of TOI                            | 0.42          | 0.49          | 0.71          | 0.53          | 0.43          | 0.64          | 1.13          |
| Other Income                        | 1.66          | 1.42          | 1.72          | 1.69          | 2.99          | 3.01          | 2.72          |
| % of TOI                            | 0.44          | 0.28          | 0.29          | 0.24          | 0.44          | 0.50          | 0.54          |
| <b>Total Operating Income(A)</b>    | <b>380.44</b> | <b>513.84</b> | <b>592.68</b> | <b>704.45</b> | <b>672.21</b> | <b>599.59</b> | <b>504.72</b> |
| % of TOI                            | 100.00        | 100.00        | 100.00        | 100.00        | 100.00        | 100.00        | 100.00        |
| Interest On Deposit & Borrowings    | 232.78        | 326.89        | 384.48        | 477.40        | 474.59        | 401.51        | 363.11        |
| % of TOI                            | 61.19         | 63.62         | 64.87         | 67.77         | 70.6          | 66.97         | 79.94         |
| Other Exps.                         | 43.18         | 51.56         | 55.27         | 59.72         | 61.41         | 63.27         | 73.86         |
| % of TOI                            | 11.35         | 10.03         | 9.33          | 8.48          | 9.14          | 10.55         | 14.63         |
| <b>Total Operating Expenses (B)</b> | <b>275.96</b> | <b>378.45</b> | <b>439.75</b> | <b>537.12</b> | <b>536.00</b> | <b>464.78</b> | <b>436.97</b> |
| % of TOI                            | 72.54         | 73.65         | 74.2          | 76.25         | 79.74         | 77.52         | 86.57         |
| Operating Profit (A-B)              | 104.48        | 135.39        | 152.93        | 167.33        | 136.21        | 134.21        | 67.75         |
| % of TOI                            | 27.46         | 26.35         | 25.8          | 23.75         | 20.26         | 22.48         | 13.42         |
| Non Operating Income                | -             | -             | -             | -             | -             | -             | -             |
| % of TOI                            | -             | -             | -             | -             | -             | -             | -             |
| Net Profit Before Provision         | 104.48        | 135.39        | 152.93        | 167.33        | 136.21        | 134.21        | 67.75         |
| % of TOI                            | 27.46         | 26.35         | 25.80         | 23.75         | 20.26         | 22.48         | 13.42         |
| Provision                           | 16.97         | 34.38         | 41.82         | 51.77         | 20.65         | 13.60         | -             |
| % of TOI                            | 4.46          | 15.00         | 7.06          | 7.35          | 3.07          | 2.26          | -             |
| <b>Net Profit</b>                   | <b>87.51</b>  | <b>101.11</b> | <b>111.11</b> | <b>115.56</b> | <b>115.56</b> | <b>121.21</b> | <b>67.75</b>  |
| % of TOI                            | 23.00         | 19.68         | 18.74         | 16.40         | 17.19         | 20.22         | 13.42         |
| Trend Ratio of Operating Income     | 100.00        | 135.06        | 155.79        | 185.17        | 176.69        | 157.60        | 132.67        |
| Trend Ratio Of Operating Exps.      | 100.00        | 137.14        | 159.35        | 194.64        | 194.23        | 168.42        | 158.35        |
| Trend Ratio of Net Profit           | 100.00        | 115.54        | 126.97        | 132.05        | 132.05        | 138.51        | 77.42         |

**Source:** Computed from Published Annual Report of HNSB

**Note:** 1997-98 is base year for Trend Ratio.

**HARIJ NAGARIK SAHAKARI BANK LTD.(HNSB)**

The common size income statement of the HNS bank under study has been presented in the table 3.7. The table clearly indicates the operating income, operating expenses and net profit of the HNSB. It also indicates the trend ratio of operating income, operating expenses and net profit of the bank during the period of study.

It can be seen from the table that the total operating income of HNSB registered an increasing trend during the first four year of study period. It decreased during the period of the study period. It increased from Rs. 380.44 lakhs in 1997-98 to Rs. 704.45 lakhs in 2000-2001. It decreased from Rs. 672.21 lakhs in 2001-2002 to Rs. 504.72 lakhs in 2003-2004. The trend ratio of operating income increased during the first five years and decreased during the next two years under study period. The major portion of income consists of interest and discount earned on advances and services rendered. It can be remarked from the table that the interest and discount was nearly 99 percent during the period of study. The remaining sources of income did not have much impact on operating income of the HNSB. Their portion remained only 1 percent during the period of study.

It can be observed from the table that the operating expenses also registered an increasing trend during the period of study except 2002-2003. It increased from 72.54 percent in 1997-98 to 79.74 percent in 2001-2002. It was 77.52 percent in 2002-2003 but it highly increased in 2003-2004 when it was 86.57 percent. It indicates that the rate of growth in operating expenses was much higher than that of operating income. The main reason of increase in operating expenses was the increased proportion of cost of interest which indicates heavy dependence on long

term deposits. It also indicates that HNSB did not have efficient control over their operating expenses.

The interest on deposits and borrowings also registered in increasing trend during first five years and again an increasing trend during the last year and a declining trend during the sixth year of the study period. It increased from 61.19 percent in 1997-98 to 70.60 percent in 2001-2002. The ratio came down to 66.97 percent in 2002-2003 which went up to 79.94 percent in 2003-2004 of total income during the study period. While other expenses marked a fluctuated trend during the study period. It fluctuated between 8.48 percent in 2000-2001 to 14.63 percent in 2003-2004 during the period of study.

The non -operating income was nil during the period of study. It did not have any impact on total income. While the amount of provisions decreased during the period of study. It ranged between 2.26 percent in 2002-2003 to 15 percent in 1998-99. The net profit showed a mixed trend during the study period. It was the highest in 1997-98 when it was 23 percent and it was the lowest in 2003-2004 as it was 13.42 percent of the total operating income. The trend ratio of the net profit showed upward trend during the first six years and downward trend during the last year of the study period. It can be said that HNSB failed to increase net profit because of heavy dependence on high cost of bearing source of funds, which have accelerated the operating expenses.

On the basis of the above analysis it can be said that the performance of the bank is healthy bank from the view point of the profitability.

**Table 3.8**  
**Common Size Income Statement of the Adarsh Mahila Co -Operative**  
**Bank Ltd. (1997-98 to 2003-2004) (Rs. In lakhs)**

| <b>Operating Income</b>               | <b>97-98</b> | <b>98-99</b> | <b>99-00</b> | <b>00-01</b> | <b>01-02</b> | <b>02-03</b> | <b>03-04</b> |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Interest & Discount                   | 25.16        | 22.67        | 44.14        | 68.31        | 80.50        | 78.35        | 75.94        |
| % of TOI                              | 97.37        | 97.63        | 98.9         | 99.22        | 99.09        | 98.31        | 98.70        |
| Commission                            | -            | -            | -            | -            | -            | -            | -            |
| % of TOI                              | -            | --           | -            | -            | -            | -            | -            |
| Other Income                          | 0.68         | 0.48         | 0.49         | 0.54         | 0.74         | 1.35         | 1.00         |
| % of TOI                              | 2.63         | 2.07         | 1.10         | 0.78         | 0.91         | 1.69         | 1.30         |
| <b>Total Operating Income (A)</b>     | <b>28.84</b> | <b>23.15</b> | <b>44.63</b> | <b>68.65</b> | <b>81.24</b> | <b>79.69</b> | <b>76.94</b> |
| % of TOI                              | 100.00       | 100.00       | 100.00       | 100.00       | 100.00       | 100.00       | 100.00       |
| Interest On Deposit & Borrowings      | 15.61        | 14.73        | 29.88        | 44.19        | 52.89        | 50.69        | 46.75        |
| % of TOI                              | 60.41        | 63.63        | 66.95        | 64.18        | 65.10        | 63.61        | 60.76        |
| Other Exps.                           | 7.03         | 6.67         | 9.72         | 15.42        | 21.27        | 23.29        | 24.72        |
| % of TOI                              | 27.21        | 28.81        | 21.78        | 22.40        | 26.19        | 29.22        | 32.13        |
| <b>7 Total operating Expenses (B)</b> | <b>22.64</b> | <b>21.40</b> | <b>39.60</b> | <b>59.61</b> | <b>74.16</b> | <b>73.98</b> | <b>71.47</b> |
| % of TOI                              | 87.62        | 92.44        | 88.73        | 86.58        | 91.29        | 92.83        | 92.89        |
| Operating Profit (A-B)                | 3.20         | 1.75         | 5.03         | 9.24         | 7.08         | 5.71         | 5.47         |
| % of TOI                              | 12.38        | 7.56         | 11.27        | 13.42        | 8.71         | 7.17         | 7.11         |
| Non Operating income                  | -            | -            | -            | -            | -            | -            | -            |
| % of TOI                              | -            | -            | -            | --           | -            | -            | -            |
| Net Profit Before Provision           | 3.20         | 1.75         | 5.03         | 9.24         | 7.08         | 5.71         | 5.47         |
| % of TOI                              | 12.38        | 7.56         | 11.27        | 13.42        | 8.71         | 7.17         | 7.11         |
| Provision                             | 0.50         | 0.50         | 2.00         | 4.00         | 1.00         | 5.71         | 5.47         |
| % of TOI                              | 1.93         | 2.16         | 4.48         | 5.80         | 1.23         | 7.17         | 7.11         |
| <b>Net Profit</b>                     | <b>2.70</b>  | <b>1.25</b>  | <b>3.03</b>  | <b>5.24</b>  | <b>6.08</b>  | <b>-</b>     | <b>-</b>     |
| % of TOI                              | 10.45        | 5.40         | 6.79         | 7.61         | 7.48         | -            | -            |
| Trend Ratio of Operating Income       | 100.00       | 89.59        | 172.72       | 266.45       | 314.40       | 308.40       | 297.76       |
| Trend Ratio Of Operating Exps.        | 100.00       | 94.52        | 174.91       | 263.3        | 327.26       | 326.77       | 315.68       |
| Trend Ratio of Net Profit             | 100.00       | 51.67        | 64.98        | 72.82        | 71.58        | -            | -            |

Source: Computed from Published Annual Report of AMCB

**Note:** 1997-98 is base year for Trend Ratio.

## **ADARSH MAHILA CO-OPERATIVE BANK LTD. (AMCB)**

The common-size income statement of (P&L A/C) of the Adarsh Mahila Co-Operative Bank Ltd has been presented in table 3.8 from 1997/98 to 2003-2004.

The table clearly indicates the proportion of operating income, operating expenses, provisions and net profit of the bank. It can be remarked from the table that the operating income of the AMCB registered an increasing trend during the period under study. It registered a declining trend during the last two years as it was Rs. 79.69 lakhs in 2002-2003 and Rs. 76.94 lakhs in 2003-2004 respectively. Operating income increased by three times during the period of study. It was the highest in the year 2001-2002 when it was Rs. 81.24 lakhs in 2001-2002 and was the lowest in the year 1998-1999 when it was Rs. 23.15 lakhs.

The major portion of operating income consists of interest and discount earned on advances and services rendered. It registered an increasing trend during the first five years, a declining trend during the next one year and again an increasing trend during the last year of the study period. It ranged between 97.37 percent in 1997-98 and 99.22 percent in 2003-2004. It was the highest proportion in the year 2000-2001 when it was 99.22 percent and was the lowest in the year 1997-98 of 97.37 percent. The remaining sources of income did not have much impact on the total operating income. It ranged between 0.78 percent to 2.63 percent during the study period.

Along with increase in operating income, the operating expenses also registered an increasing trend during the first three year, again an



increasing trend in the last three year and declining trend during the fourth year. The operating expenses was the highest in the year 2003-2004 when it was 92.89 percent of the total operating income and was the lowest in the year 2000-2001 when it was 86.58 percent of total income. The same increased three times during the period of study, which indicates that the rate of growth in operating expenses was much higher than that of operating income. It can be observed from the trend ratio of the operating income and operating expenses, trends in both cases remained more or less equal during the first four years, but later on the operating expenses increased at faster rate than the operating income. It adversely affected the profitability of the AMC bank. It also indicates that the Adarsh Mahila Co-operating Bank did not have efficient control over their operating expenses.

The major portion of operating expenses consist of interest on deposits and borrowings It ranged between 60.41 percent in 1997-98 to 66.95 in 1999-2000 percent during the period of study.

The other general and administration expenses marked an increasing trend. It increased from 27.21 percent in 1997-98 to 32.13 percent in 2003-2004. It can be observed that general expenses was much higher than total operating expenses which adversely affected to the profitability of the bank.

The non operating incomes did not have much impact on income as its proportion was nil. The provisions increased during the period of study. It increased from 1.93 percent in 1997-98 to 7.11 percent in 2003-2004. The net profit registered an increasing trend during the third, fourth and fifth year and declining trend during the second, sixth and seventh year during

the period of study. The bank earned zero profit during the last two year of the study period. The trend ratio of net profit decreased during the period of study. It decreased from 100 to zero during the period of study.

On the basis of above analysis Adarsh Mahila Co-Operative Bank's performance was not satisfactory because of heave burden of expenses. It may possible that the bank may turn to a weak bank in future if this situation remains continuous.

**Table 3.9**  
**Common Size Income Statement of the Unja Nagarik Sahakari Bank**  
**Ltd. (1997-98 to 2003-2004)**

(Rs. In lakhs)

| <b>Operating Income</b>             | <b>97-98</b> | <b>98-99</b> | <b>99-00</b> | <b>00-01</b> | <b>01-02</b> | <b>02-03</b> | <b>03-04</b> |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Interest & Discount                 | 957.7        | 1121.84      | 1350.7       | 1477.88      | 1344.08      | 1189.76      | 1047.76      |
| % of TOI                            | 98.69        | 99.6         | 96.69        | 96.02        | 91.64        | 90.47        | 91.37        |
| Commission                          | 11.68        | 2.69         | 6.52         | 4.31         | 3.11         | 3.78         | 4.78         |
| % of TOI                            | 1.21         | 0.24         | 0.46         | 0.28         | 0.21         | 0.29         | 0.42         |
| Other Income                        | 0.99         | 1.83         | 39.76        | 56.91        | 119.48       | 121.58       | 94.17        |
| % of TOI                            | 0.10         | 0.16         | 2.85         | 3.70         | 8.15         | 9.24         | 8.21         |
| <b>Total Operating Income (A)</b>   | 970.37       | 1126.36      | 1396.98      | 1539.1       | 1466.67      | 1315.12      | 1146.7       |
| % of TOI                            | 100.0<br>0   | 100.00       | 100.00       | 100.00       | 100.00       | 100.00       | 100.00       |
| Interest On Deposit & Borrowings    | 764.21       | 902.79       | 1165.33      | 1327.2       | 1177.82      | 996.54       | 805.37       |
| % of TOI                            | 78.75        | 80.15        | 83.42        | 86.23        | 80.31        | 75.78        | 70.23        |
| Other Exps.                         | 144.16       | 160.49       | 173.81       | 161.82       | 177.92       | 192.73       | 215.46       |
| % of TOI                            | 14.86        | 14.25        | 12.44        | 10.51        | 12.13        | 14.65        | 18.79        |
| <b>Total Operating Expenses (B)</b> | 908.37       | 1063.28      | 1339.14      | 1489.02      | 1355.74      | 1189.27      | 1020.83      |
| % of TOI                            | 93.61        | 94.4         | 95.86        | 96.74        | 92.44        | 90.43        | 89.02        |
| <b>Operating Profit (A-B)</b>       | 62.00        | 63.08        | 57.84        | 50.08        | 110.93       | 125.85       | 125.87       |
| % of TOI                            | 6.39         | 5.60         | 4.14         | 3.26         | 7.56         | 9.57         | 10.98        |
| Non Operating Income                | -            | -            | -            | -            | -            | -            | -            |
| % of TOI                            | -            | --           | -            | -            | -            | -            | -            |
| Net Profit Before Provision         | 62.00        | 63.08        | 57.84        | 50.08        | 110.93       | 125.85       | 125.87       |
| % of TOI                            | 6.39         | 5.60         | 4.14         | 3.26         | 7.56         | 9.57         | 10.98        |
| Provision                           | -            | -            | -            | -            | 34.00        | 42.00        | 40.72        |
| % of TOI                            | -            | -            | -            | -            | 2.31         | 3.19         | 3.55         |
| <b>Net Profit</b>                   | 62.00        | 63.08        | 57.84        | 50.08        | 76.93        | 83.85        | 85.15        |
| % of TOI                            | 6.39         | 5.60         | 4.14         | 3.26         | 5.25         | 6.38         | 7.43         |
| Trend Ratio of Operating Income     | 100.00       | 116.08       | 143.96       | 158.61       | 151.15       | 135.52       | 118.17       |
| Trend Ratio Of Operating Exps.      | 100.00       | 117.05       | 147.42       | 163.92       | 149.25       | 130.92       | 112.24       |
| Trend Ratio of Net Profit           | 100.00       | 101.74       | 94.1         | 80.08        | 124.08       | 135.24       | 137.34       |

Source: Computed from Published Annual Report of UNSB

**Note:** 1997-98 is base year for Trend Ratio.

## **UNJA NAGARIK SAHAKARI BANK LTD. (UNSB)**

The condensed and commonsize profit and loss account (Income Statement) of UNSB has been shown in table 3.9.

Table 3.9 makes it evident that during the period under study, total operating income of Unja Nagarik Sahakari Bank Limited registered an increasing trend during the first four years and declining trend during the last three years. The operating income was the highest in the year 2000-2001 and the lowest in the year 1997-98. It was Rs. 1539.10 lakhs in 2001-2002 and Rs. 970.37 in 97-98. It increased from Rs. 970.37 lakhs in 97-98 to 1146.70 lakhs in 2003-2004 during the study Period.

The major portion of total operating income consists of interest and discount earned on advances and services provided respectively. The Interest and discount registered an increasing trend during the first two years and a declining trend during the next four years and in last year of study period. It ranged between 99.60 percent in 1999-2000 and 90.47 percent in 2002-2003. It was 98.69 percent in 1997-98 and 99.60 percent in 1999-98. It was 96.02 percent in 2000-2001 which came down to 91.37 percent in 2003-2004. The remaining two sources of income viz. commission and other income have not much impact on the total operating income. The commission income fluctuated between 0.21 percent in 2001-2002 to 1.21 percent in 1997-98. The other income registered an increasing trend during the first six year and a declining trend during the last year of study. It was lowest in 1997-98 and highest in 2003-2004. It was 0.10 percent in 1997-98 and it was 9.24 percent in 2002-2003.

It can be observed from the table that the total operating expenses registered an increasing trend during the first four years and a declining trend during the last three years. It ranged between 89.02 percent in 2003-2004 and 96.74 percent in 2000-2001. It increased from 93.61 percent in 1997-98 to 96.74 percent in 2000-2001 but it decreased to 92.44 percent in 2001-2002 and 90.43 percent in 2002-2003. The amount paid to depositors and borrowers in the form of interest registered an increasing trend during the first four years and a decreasing trend during the last three years of study. It was 86.23 percent, the highest level, in 2000-2001 and was at the lowest level in 2003-2004 when it stood at 70.23 percent. The other expenses registered a decreasing trend during first four years and an increasing trend during the next three years of the total operating income. The average proportion of the expenses increased from 14.86 percent to 18.79 percent.

The non operating income did not have any impact on total operating income. The bank did not spare any amount for the provisions during the first four years of study period. Though, UNSB provided around 3 percent amount the total operating income during the last three years of study period. The net profit registered an increasing trend during the first two years, a declining trend during next two years and again an increasing trend during the last three years. The trend value of net profit increased during the last three year of the study period. It increased up to 137.34 as compared to the base year.

It can be analyzed from the trend value that the net profit increased with operating income. It is a positive sign for bank efficiency. It may be said that the Unja Nagarik Sahakari Bank Limited is emerging as a healthy bank from the view point of profitability and stability.

**Table 3.10**  
**Common Size Income Statement of The Vijapur**  
**Nagarik Sahakari Bank Ltd. (1997-98 to 2003-2004)**

(Rs. In lakhs)

| <b>Operating Income</b>             | <b>97-98</b> | <b>98-99</b> | <b>99-00</b> | <b>00-01</b> | <b>01-02</b> | <b>02-03</b> | <b>03-04</b> |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Interest & Discount                 | 51.63        | 53.31        | 55.38        | 60.54        | 85.21        | 74.46        | 49.95        |
| % of TOI                            | 99.5         | 99.64        | 99.51        | 99.59        | 99.23        | 98.99        | 90.42        |
| Commission                          | 0.14         | 0.08         | 0.19         | 0.13         | 0.34         | 0.40         | 0.49         |
| % of TOI                            | 0.27         | 0.15         | 0.34         | 0.21         | 0.40         | 0.53         | 0.89         |
| Other Income                        | 0.12         | 0.11         | 0.08         | 0.12         | 0.32         | 0.36         | 4.80         |
| % of TOI                            | 0.23         | 0.21         | 0.15         | 0.20         | 0.37         | 0.48         | 8.69         |
| <b>Total Operating Income (A)</b>   | <b>51.89</b> | <b>53.5</b>  | <b>55.65</b> | <b>60.79</b> | <b>85.87</b> | <b>75.22</b> | <b>55.24</b> |
| % of TOI                            | 100.0        | 100.0        | 100.0        | 100.0        | 100.0        | 100.0        | 100.0        |
|                                     | 0            | 0            | 0            | 0            | 0            | 0            | 0            |
| Interest On Deposit & Borrowings    | 33.12        | 31.68        | 23.23        | 30.43        | 57.98        | 51.99        | 33.93        |
| % of TOI                            | 68.83        | 59.21        | 47.13        | 50.06        | 67.52        | 69.12        | 61.42        |
| Other Exps.                         | 12.73        | 14.54        | 18.47        | 18.94        | 16.39        | 17.22        | 15.56        |
| % of TOI                            | 24.53        | 27.18        | 33.19        | 31.15        | 19.09        | 23.89        | 28.17        |
| <b>Total Operating Expenses (B)</b> | <b>45.85</b> | <b>46.22</b> | <b>44.70</b> | <b>49.37</b> | <b>74.37</b> | <b>69.54</b> | <b>49.49</b> |
| % of TOI                            | 88.36        | 86.39        | 80.32        | 81.21        | 87.61        | 92.01        | 89.59        |
| Operating Profit (A-B)              | 6.04         | 7.28         | 10.95        | 11.42        | 11.5         | 6.01         | 5.75         |
| % of TOI                            | 11.64        | 13.61        | 19.68        | 18.79        | 13.39        | 7.99         | 10.41        |
| Non Operating income                | -            | -            | -            | -            | -            | -            | -            |
| % of TOI                            | -            | -            | -            | -            | -            | -            | -            |
| Net Profit Before Provision         | 6.04         | 7.28         | 10.95        | 11.42        | 11.5         | 6.01         | 5.75         |
| % of TOI                            | 11.64        | 13.61        | 19.68        | 18.79        | 13.39        | 7.99         | 10.41        |
| Provisions                          | -            | -            | -            | -            | 0.35         | 0.33         | -            |
| % of TOI                            |              |              |              |              | 0.41         | 0.44         |              |
| <b>Net Profit</b>                   | <b>6.04</b>  | <b>7.28</b>  | <b>10.95</b> | <b>11.42</b> | <b>11.15</b> | <b>5.68</b>  | <b>5.75</b>  |
| % of TOI                            | 11.64        | 13.61        | 19.68        | 18.79        | 12.98        | 7.55         | 10.41        |
| Trend Ratio of Operating Income     | 100.0        | 103.1        | 107.25       | 117.15       | 165.48       | 144.96       | 106.46       |
|                                     | 0            |              |              |              |              |              |              |
| Trend Ratio Of Operating Exps.      | 100.0        | 100.81       | 97.49        | 107.68       | 162.2        | 151.67       | 107.94       |
|                                     | 0            |              |              |              |              |              |              |
| Trend Ratio of Net Profit           | 100.0        | 120.53       | 181.29       | 189.07       | 184.6        | 94.04        | 95.2         |
|                                     | 0            |              |              |              |              |              |              |

Source: Computed from Published Annual Report of VNSB

**Note:** 1997-98 is base year for Trend Ratio.

## **VIJAPUR NAGARIK SAHAKARI BANK LTD. ( VNSB)**

The common- size income statement (P&L A/C) of the Vijapur Nagarik Sahakari Bank Limited has been presented in table 6.10.

It is evident from the table operating income registered an increasing trend during the first five years and a declining trend during the last two years. The operating income was the highest in the year 2001-2002 when it was Rs. 85.87 lakhs and was the lowest in the year Rs. 51.89 lakhs. It decreased from Rs. 75.22 lakhs in 2002-2003 to Rs 55.24 lakhs in 2003-2004. The major portion of operating income consists of interest and discount remained constant during first six years of the period of study. It ranged between 98.99 percent in 2002-2003 and 99.64 percent in 1998-99. It decreased during the last year of study period, as it was 90.42 percent in 2003-2004. The remaining two sources of income did not have much impact on operating income during the first six years of period of study. Their portion was nearly one percent during the first six years. It was 9.58 percent in 2003-2004. The other income was increased during the seventh year of study period. The trend value of the operating income increased during the first five years of period of study, and declining trend during the last two years.

It can be observed from the table that the operating expenses registered a declining trend during the first three years, an increasing trend during the next three years and again a declining trend during the last years of the study period. It was the highest in the year 2002-2003 when it was 92.01 percent and was the lowest in year 1999-2000 when it was 80.32 percent of the total operating income. The absolute figures increase during the first five years of the study period. It increased from

Rs. 45.85 lakhs in 1997-98 to Rs.74.37 lakhs in 2001-2002. It went down to Rs. 49.49 lakhs in 2003-2004. The interest on deposits and borrowers registered a declining trend during the first three years and an increasing trend during the next three years, again a decreasing trend during the last year of the study period. It was highest of 69.12 percent in 2002-2003 and was the lowest in 1999-2000 when it was stood at 47.13 percent of total operating income. The other expenses marked a mixed trend during the study period. It ranged between 19.09 percent in 2001-2002 to 33.19 percent in 1999-2000. It stood at 28.17 percent in year 2003-2004 of total operating income. The trend value of the operating expenses increased during the study period except in the year 1999-2000. It can be analyzed that an increase in expenses was higher than income which resulted a decrease in profit.

The bank did not spare any amount for the provisions during the first four years and last year of the study period. The non operating income did not have much impact on total income as its proportion was nil. The net profit showed an increasing trend during the first four years and decreasing trend during the last three years of the study period. The net profit was the highest in 2000-2001 when it was 18.79 of the total operating income and the lowest of 7.55 percent of total operating income in 2002-2003. However it was stood at 10.41 percent of the total operating income in 2003-2004. Thus, it can be analyzed that due to the highest operating expenses in VNS bank, the profit was the lowest. It adversely affected to the bank.

On the basis of the forgoing analysis it can be said that Vijapur Nagarik Sahakari Bank Limited did not perform well from the view point of profitability.



**TABLE 3.11**  
**Common Size Income Statement of the Bayad Nagarik Sahakari**  
**Bank Ltd.**  
**(1997-98 to 2003-2004)**

(Rs. In Lakhs)

| <b>Operating Income</b>            | <b>97-98</b>  | <b>98-99</b>  | <b>99-00</b>  | <b>00-01</b>  | <b>01-02</b>  | <b>02-03</b>  | <b>03-04</b>  |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Interest & Discount                | 134.49        | 164.25        | 194.15        | 235.35        | 297.14        | 344.96        | 326.9         |
| % of TOI                           | 99.05         | 98.77         | 98.38         | 98.77         | 98.96         | 98.99         | 98.84         |
| Commission                         | 1.10          | 1.72          | 2.92          | 2.66          | 2.79          | 3.20          | 3.50          |
| % of TOI                           | 0.81          | 1.03          | 1.48          | 1.12          | 0.93          | 0.92          | 1.06          |
| Other Income                       | 0.19          | 0.32          | 0.27          | 0.27          | 0.33          | 0.32          | 0.33          |
| % of TOI                           | 0.14          | 0.20          | 0.14          | 0.11          | 0.11          | 0.09          | 0.10          |
| <b>Total Operating Income (A)</b>  | <b>135.78</b> | <b>166.29</b> | <b>197.34</b> | <b>238.28</b> | <b>300.26</b> | <b>348.48</b> | <b>330.73</b> |
| % of TOI                           | 100.0<br>0    | 100.0<br>0    | 100.00        | 100.00        | 100.00        | 100.00        | 100.00        |
| Interest On Deposit & Borrowings   | 99.64         | 119.56        | 137.54        | 163.87        | 214.2         | 261.53        | 263.83        |
| % of TOI                           | 73.38         | 71.90         | 69.70         | 68.77         | 71.34         | 75.05         | 79.77         |
| Other Exps.                        | 17.99         | 21.78         | 23.82         | 26.94         | 31.05         | 34.41         | 35.12         |
| % of TOI                           | 13.25         | 13.10         | 12.07         | 11.31         | 10.34         | 9.87          | 10.61         |
| <b>Total Operating Expenses(B)</b> | <b>117.63</b> | <b>141.34</b> | <b>161.36</b> | <b>190.81</b> | <b>245.25</b> | <b>295.94</b> | <b>298.95</b> |
| % of TOI                           | 86.63         | 85.00         | 81.77         | 80.08         | 81.68         | 84.92         | 90.38         |
| Operating Profit (A-B)             | 18.14         | 24.95         | 35.98         | 47.47         | 55.01         | 52.54         | 31.78         |
| % of TOI                           | 13.37         | 15.00         | 18.23         | 19.92         | 18.32         | 15.08         | 9.61          |
| Non Operating income               | -             | -             | -             | -             | -             | -             | -             |
| % of TOI                           |               |               |               |               |               |               |               |
| Net Profit Before Provision        | 18.14         | 24.95         | 35.98         | 47.47         | 55.01         | 52.54         | 31.78         |
| % of TOI                           | 13.37         | 15.00         | 18.23         | 19.92         | 18.32         | 15.08         | 9.61          |
| Provisions                         | -             | 2.90          | 0.40          | 0.43          | 2.59          | 9.54          | 6.77          |
| % of TOI                           |               | 1.74          | 0.20          | 0.18          | 0.86          | 2.74          | 2.05          |
| <b>Net Profit</b>                  | <b>18.14</b>  | <b>22.05</b>  | <b>35.58</b>  | <b>47.04</b>  | <b>52.42</b>  | <b>43.00</b>  | <b>25.01</b>  |
| % of TOI                           | 13.37         | 13.26         | 18.03         | 19.74         | 17.46         | 13.34         | 7.56          |
| Trend Ratio of Operating Income    | 100.0<br>0    | 122.47        | 145.34        | 175.49        | 221.13        | 256.65        | 243.58        |
| Trend Ratio Of Operating Exps.     | 100.0<br>0    | 120.45        | 137.18        | 162.21        | 208.49        | 251.59        | 254.14        |
| Trend Ratio of Net Profit          | 100.0<br>0    | 121.55        | 196.14        | 259.32        | 289.53        | 237.05        | 137.87        |

Source: Computed from Published Annual Report of BNSB

**Note:** 1997-98 is base year for Trend Ratio.

## **BAYAD NAGARIK SAHAKARI BANK LTD. (BNSB)**

The entire picture of the profit and loss account of the selected Bayad Nagarik Sahakari Bank Limited under study has been presented in the form of common-size income statement for the period spreading 1997-98 to 2003-2004.

The table clearly indicates that the trend ratio of total operating income, operating expenses and net profit of the BNS bank limited. The total operating income of BNS bank registered an increasing trend during the first six year of the study period. It increased from Rs. 135.78 lakhs in 1997-98 to Rs. 348.48 lakhs in 2002-2003. It decreased during the last year of the study period when it stood at Rs. 330.73. The operating income trend ratio increased by 150 percent. The portion of interest and discount was around 99 percent during the study period. The portion of interest and discount was by and large stable during the period of the study. It ranged between 98.38 percent in 1999-2000 and 99.05 percent of the total operating income in 1997-98. The other incomes contributed a very little share towards the total income. It was around one percent of total income during the study period.

Along with an increase in operating income, the operating expenses also registered a continuous an increasing trend during the study period except in 2000-2001. It was the highest in 2003-2004 when it was 90.38 percent of the total income and was the lowest of 80.08 percent in 2000-2001 of the total income in 2000-2001. The trend value of the total expenses continuously increased during the period of the study.

The interest paid to depositors and borrowers registered a mixed trend during the period of study. It showed a declining trend during the

first four years as it was 73.38 percent in 1997-98 which came down to 68.77 percent in 2000-2001 and an increasing trend during the last three years. It increased from 71.34 percent in 2001-2002 to 79.77 percent in 2003-2004 of the total income. The other expenses showed a declining trend during the first five years as it was 13.25 percent in 1997-98 which came down to 9.87 percent in 2002-2003 and increasing trend during last year viz 2003-2004 when it stood at 10.61 percent of the total income. The non operating income did not have any impact on total income. Its proportion was nil during the period of study. The BNS bank provided provisions during the study period except in 1997-98. The proportion of provisions registered an increasing trend during the first two years and declining trend during the next two years. It decreased in 2003-2004. The net profit showed an increasing trend during the third and fourth years and declining trend during the last three years of study period. The profit was the highest in 2000-2001 when it was 19.74 percent of the total income and was the lowest in 2003-2004 when it was 7.56 percent of the total income. The trend value of net profit increased during the first five years and decreased during the next two years of the study period. It can be analyzed from the trend ratio that the net profit of the BNS bank limited did not increase with operating income during the last year of the study period because of heavy dependence on external source of funds.

On the basis of above analysis it can be said that the Bayad Nagarik Sahakari Bank Limited is a healthy bank.

**Table 3.12**  
**Common Size Income Statement of the Khedbrahma Nagarik**  
**Sahakari Bank Ltd. (1997-98 to 2003-2004)**

(Rs. In Lakhs)

| <b>Operating Income</b>             | <b>97-98</b> | <b>98-99</b> | <b>99-00</b> | <b>00-01</b> | <b>01-02</b> | <b>02-03</b> | <b>03-04</b> |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Interest & Discount                 | 202.41       | 275.10       | 342.69       | 394.12       | 343.78       | 285.18       | 247.03       |
| % of TOI                            | 99.02        | 99.13        | 99.21        | 99.39        | 99.07        | 99.04        | 98.53        |
| Commission                          | 1.45         | 1.56         | 1.58         | 1.47         | 2.27         | 2.67         | 2.68         |
| % of TOI                            | 0.71         | 0.56         | 0.46         | 0.37         | 0.65         | 0.93         | 1.07         |
| Other Income                        | 0.56         | 0.86         | 1.15         | 0.95         | 0.95         | 0.90         | 0.85         |
| % of TOI                            | 0.27         | 0.31         | 0.33         | 0.24         | 0.28         | 0.03         | 0.34         |
| <b>Total Operating Income (A)</b>   | 204.42       | 277.52       | 345.42       | 396.54       | 347.00       | 288.75       | 250.56       |
| % of TOI                            | 100.00       | 100.00       | 100.00       | 100.00       | 100.00       | 100.00       | 100.00       |
| Interest On Deposit & Borrowings    | 139.87       | 201.68       | 253.61       | 297.59       | 289.49       | 232.00       | 207.29       |
| % of TOI                            | 68.42        | 72.67        | 73.42        | 75.05        | 83.43        | 80.35        | 82.75        |
| Other Exps.                         | 20.44        | 22.48        | 29.2         | 30.74        | 32.40        | 30.05        | 30.46        |
| % of TOI                            | 10.00        | 8.10         | 8.45         | 7.75         | 9.33         | 10.40        | 12.16        |
| <b>Total operating Expenses (B)</b> | 160.31       | 224.16       | 282.81       | 328.33       | 321.89       | 262.05       | 237.75       |
| % of TOI                            | 78.42        | 80.77        | 81.87        | 82.8         | 92.76        | 90.75        | 94.89        |
| Operating Profit (A-B)              | 44.11        | 53.36        | 62.61        | 68.21        | 25.11        | 26.70        | 12.81        |
| % of TOI                            | 21.58        | 19.23        | 18.13        | 17.20        | 7.24         | 9.25         | 5.11         |
| Non Operating income                | -            | -            | -            | -            | -            | -            | -            |
| % of TOI                            | -            | -            | -            | -            | -            | -            | -            |
| Net Profit Before Provision         | 44.11        | 53.36        | 62.61        | 68.21        | 25.11        | 26.70        | 12.81        |
| % of TOI                            | 21.58        | 19.23        | 18.13        | 17.2         | 7.24         | 9.25         | 5.11         |
| Provisions                          | 9.00         | 9.25         | 11.50        | 17.00        | 2.00         | 4.19         | 1.70         |
| % of TOI                            | 4.4          | 3.33         | 3.31         | 4.29         | 0.58         | 1.45         | 0.68         |
| <b>Net Profit</b>                   | 35.11        | 44.11        | 51.11        | 51.21        | 21.11        | 22.51        | 11.11        |
| % of TOI                            | 17.18        | 15.90        | 14.82        | 12.91        | 6.66         | 7.80         | 4.43         |
| Trend Ratio of Operating Income     | 100.00       | 135.76       | 168.98       | 193.98       | 169.75       | 141.25       | 122.57       |
| Trend Ratio Of Operating Exps.      | 100.00       | 139.83       | 176.41       | 204.81       | 200.80       | 163.46       | 148.31       |
| Trend Ratio of Net Profit           | 100.00       | 125.63       | 145.57       | 145.85       | 69.97        | 64.11        | 31.64        |

Source: Computed from Published Annual Report of KHNSB

**Note:** 1997-98 is base year for Trend Ratio.

## **KHEDBRAHMA NAGARIK SAHAKARI BANK LTD. ( KHNSB)**

The common-size income statement (P& L A/C) of The Khedbrahma Nagarik Sahakari Bank Limited has been presented in table 3.12 during the period of study.

The table 3.12 clearly indicates that the trend ratio of operating income, operating expenses and net profit of the KHNS bank during the study period. The total operating income of the KHNS bank registered an increasing trend during the first four of the study period and a decreasing trend during the next three years of the period of study. It increased from Rs. 204.42 lakhs in 1997-98 to Rs. 396.54 lakhs in 2000-2001. It decreased from Rs. 347.00 lakhs in 2001-2002 to Rs. 250.56 lakhs in 2003-2004. The trend value of the operating income was the highest in 2001-2002 when it was nearly 170 percent and was the lowest in 2003-2004 when it was 122 percent. The interest and discount registered a steady growth during the study period. It was nearly 99 percent during the period of the study. The other income did not have much impact on total operating income. Their portion was only 1 percent during the study period.

It can be observed from the table that the total operating expenses registered an increasing trend during the first five years and declining trend during next one year, again an increasing trend during the last year of the study period. It was highest in the year 2003-2004 when it was 92.76 percent and was the lowest in the year 1997-98 when it was 68.42 percent of the total income. The absolute figures increase during the first four years and decrease during the last three years of the study period. It was Rs. 160.31 lakhs in 1997-98 and Rs. 328.33 lakhs in 2000-2001. It

was Rs. 237.75 lakhs in 2003-2004. The trend ratio of operating expenses indicated that the rate of growth in operating expenses was much higher than that of operating income. The proportion of interest on deposits and borrowings showed an increasing trend during the first five years and seventh year and decreasing trend during the sixth year of the study period. It increased from 68.42 percent in 1997-1998 to 83.43 percent in 2001-2002. It was 82.75 percent in 2003-2004 of the total income. The proportion of other expenses showed a declining trend during the first four years and an increasing trend during the next three years of study period. It ranged between 8.10 percent in 1997-98 and 12.16 percent in 2003-2004.

The non-operating income did not have much impact on income as its proportion was nil during the period of study. The provisions increased during the first four and sixth years and decreased during the fifth and seventh years, of the study period. The net profit registered a declining trend during the study period except for 2002-2003. It was the highest in 1997-98 when it was 17.18 percent and the lowest in 2003-2004 when it was 4.43 percent. The absolute figures showed an increasing trend during the first four years and highly decreasing trend during the next three years of the study period.

On the basis of above analysis it can be said that the khedbrahma Nagarik Sahakari Bank Limited is not healthy bank from the view point of profitability.

**Table 3.13**  
**Common Size Income Statement of the Modasa Nagarik Sahakari**  
**Bank Ltd. (1997-98 to 2003-2004)**

(Rs. In Lakhs)

| <b>Operating Income</b>                 | <b>97-98</b>  | <b>98-99</b>  | <b>99-00</b>  | <b>00-01</b>  | <b>01-02</b>  | <b>02-03</b>  | <b>03-04</b>  |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Interest & Discount                     | 455.81        | 522.00        | 566.55        | 647.12        | 783.03        | 732.64        | 626.74        |
| % of TOI                                | 98.62         | 98.69         | 97.84         | 98.71         | 98.97         | 98.73         | 98.58         |
| Commission                              | 5.16          | 5.96          | 11.37         | 6.80          | 6.54          | 7.08          | 7.98          |
| % of TOI                                | 1.12          | 1.13          | 1.96          | 1.04          | 0.83          | 0.95          | 1.26          |
| Other Income                            | 1.24          | 0.97          | 1.13          | 1.68          | 1.58          | 2.38          | 1.00          |
| % of TOI                                | 0.27          | 0.18          | 0.20          | 0.25          | 0.20          | 0.32          | 0.16          |
| <b>Total Operating Income (A)</b>       | <b>462.21</b> | <b>528.93</b> | <b>579.05</b> | <b>655.59</b> | <b>791.15</b> | <b>742.10</b> | <b>635.72</b> |
| % of TOI                                | 100.00        | 100.00        | 100.00        | 100.00        | 100.00        | 100.00        | 100.00        |
| Interest On Deposits & Borrowings       | 301.06        | 357.12        | 394.34        | 448.6         | 439.90        | 445.73        | 375.07        |
| % of TOI                                | 65.13         | 67.52         | 68.10         | 68.43         | 55.60         | 60.07         | 59.00         |
| Other Exps.                             | 60.42         | 76.27         | 78.52         | 86.80         | 91.34         | 107.84        | 105.96        |
| % of TOI                                | 13.08         | 14.42         | 13.56         | 13.24         | 11.55         | 14.53         | 16.67         |
| <b>Total operating Expenses (B)</b>     | <b>361.48</b> | <b>433.38</b> | <b>472.86</b> | <b>535.40</b> | <b>531.24</b> | <b>553.57</b> | <b>481.03</b> |
| % of TOI                                | 78.21         | 81.94         | 81.66         | 81.67         | 67.15         | 74.60         | 75.67         |
| <b>Operating Profit (A-B)</b>           | <b>100.73</b> | <b>95.54</b>  | <b>106.19</b> | <b>120.20</b> | <b>259.91</b> | <b>188.53</b> | <b>154.69</b> |
| % of TOI                                | 21.79         | 18.06         | 18.34         | 18.33         | 32.85         | 25.40         | 24.33         |
| Non Operating income                    | -             | -             | -             | -             | -             | -             | -             |
| % of TOI                                | --            | -             | --            | -             | -             | -             | -             |
| <b>Net Profit Before Provision(8+9)</b> | <b>100.73</b> | <b>95.54</b>  | <b>106.19</b> | <b>120.20</b> | <b>259.91</b> | <b>188.53</b> | <b>154.69</b> |
| % of TOI                                | 21.79         | 18.06         | 18.34         | 18.33         | 32.85         | 25.40         | 24.33         |
| Provision                               | -             | -             | -             | 10.00         | 75.00         | 15.00         | 5.00          |
| % of TOI                                | -             | -             | -             | 1.52          | 9.48          | 2.02          | 0.78          |
| <b>Net Profit (10-12)</b>               | <b>100.73</b> | <b>95.54</b>  | <b>106.19</b> | <b>110.20</b> | <b>184.91</b> | <b>173.53</b> | <b>149.69</b> |
| % of TOI                                | 21.79         | 18.06         | 18.34         | 16.81         | 23.37         | 23.38         | 23.55         |
| Trend Ratio of Operating Income         | 100.00        | 114.43        | 125.28        | 141.84        | 171.17        | 160.55        | 137.54        |
| Trend Ratio Of Operating Exps.          | 100.00        | 119.89        | 130.81        | 148.11        | 246.96        | 153.14        | 133.07        |
| Trend Ratio of Net Profit               | 100.00        | 94.85         | 105.42        | 109.40        | 183.57        | 172.27        | 148.61        |

Source: Computed from Published Annual Report of MONSB

**Note:** 1997-98 is base year for Trend Ratio.

## **MODASA NAGARIK SAHAKARI BANK LTD. (MONSB)**

The profit and loss account of the Modasa Nagarik Sahakari Bank Limited under study has been presented in table 3.13. The table clearly indicates that the trend ratio of operating income, operating expenses and net profit of MONSB. It is evident that during the period under study, operating income registered an increasing trend during the first five years and decreasing trend during the next two years.

It increased from Rs. 462.21 lakhs in 1997-98 to Rs. 791.15 lakhs in 2001-2002. It was Rs. 635.72 in 2003-2004. It was the highest in 2001-2002 and the lowest in 1997-98. The operating trend ratio increased during the first five years of the study period and a declining trend during the last two years. It was the highest in 2001-2002 when it was 171 percent. The interest and discount marked a almost steady trend during the study period. It was around 99 percent of the total income during the period of the study.

It can be remarked from the table that the total operating expenses also registered a mixed trend during the period under study. It registered a declining trend during the third and fifth years. It was 67.15 percent, the lowest level, in 2001-2002 and was at the highest level in 1999-2000 when it stood at 81.66 percent of the total operating income. Thereafter during the forth, sixth and seventh years it recorded an increasing trend. It was 74.60 percent in 2002-2003 and 75.67 percent in 2003-2004. It can be observed from the trend ratio of operating expenses that it was the highest in 2001-2002. The trend ratio of expenses equally increased with operating income. The major proportion of expenses was interest on deposits and borrowing showed an increasing trend during the first four years and sixth year of the study period. It declined during the fifth and



seventh years. It was 65.13 percent in 1997-98 and 68.43 percent in 2000-2001. But after that, it was come down to 55.60 percent in 2001-2002. The other expenses registered a mixed trend during the period of study. It ranged between 11.55 percent in 2001-2002 and 16.67 percent in 2003-2004. The non operating income was nil during the period of the study.

The net profit showed an increasing trend during the period of the study except in 2000-2001. It was the highest in 2003-2004 as it was 23.55 percent and the lowest 16.81 percent in 2000-2001. The table clearly indicates that the trend ratio of the net profit was more than total income ratio. The trend ratio of the net profit was the highest in 2001-2002 as it was 183.57 and the lowest in 1998-99 as it was 94.85. It stood at 148.61 in 2003-2004. The net profit trend ratio indicates the strengthen position of the MONS bank. It can be analyzed from the trend value that the net profit of the MONSB increased with operating income.

On the basis of the above analysis it can be said that The Modasa Nagarik Sahakari Bank Limited is a healthy co-operative banking unit from the view point of the profitability.

**Table 3.14**

**Common Size Income Statement of the Talod Nagarik Sahakari Bank Ltd. (1997-98 to 2003-2004)**

(Rs. In Lakhs)

| <b>Operating Income</b>                 | <b>97-98</b>  | <b>98-99</b>  | <b>99-00</b>  | <b>00-01</b>  | <b>01-02</b>  | <b>02-03</b>  | <b>03-04</b>  |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Interest & Discount                     | 468.68        | 579.94        | 725.05        | 800.49        | 902.92        | 803.63        | 685.59        |
| % of TOI                                | 99.42         | 99.22         | 98.88         | 99.25         | 99.87         | 99.84         | 98.8          |
| Commission                              | 1.81          | 3.38          | 7.22          | 4.80          | -             | -             | 6.95          |
| % of TOI                                | 0.38          | 0.58          | 0.98          | 0.59          |               |               | 1.00          |
| Other Income                            | 0.93          | 1.19          | 0.98          | 1.28          | 1.18          | 1.35          | 1.41          |
| % of TOI                                | 0.20          | 0.2           | 0.14          | 0.16          | 0.13          | 0.16          | 0.20          |
| <b>Total Operating Income (A)</b>       | <b>471.42</b> | <b>584.51</b> | <b>733.25</b> | <b>806.57</b> | <b>904.1</b>  | <b>804.95</b> | <b>693.95</b> |
| % of TOI                                | 100.00        | 100.00        | 100.00        | 100.00        | 100.00        | 100.00        | 100.00        |
| Interest On Deposit & Borrowings        | 347.49        | 456.07        | 561.44        | 645.56        | 616.15        | 577.89        | 512.27        |
| % of TOI                                | 73.71         | 78.03         | 76.57         | 80.04         | 68.15         | 71.79         | 73.82         |
| Other Exps.                             | 52.69         | 54.66         | 73.03         | 88.32         | 115.73        | 111.79        | 100.5         |
| % of TOI                                | 11.18         | 9.35          | 9.96          | 10.95         | 12.8          | 13.89         | 14.48         |
| <b>Total Operating Expenses (B)</b>     | <b>400.18</b> | <b>510.73</b> | <b>634.47</b> | <b>733.88</b> | <b>731.88</b> | <b>689.68</b> | <b>612.77</b> |
| % of TOI                                | 84.89         | 87.38         | 86.53         | 90.99         | 80.95         | 85.68         | 88.3          |
| <b>Operating Profit (A-B)</b>           | <b>71.31</b>  | <b>73.78</b>  | <b>98.78</b>  | <b>72.69</b>  | <b>172.22</b> | <b>115.27</b> | <b>81.18</b>  |
| % of TOI                                | 15.11         | 12.62         | 13.47         | 9.01          | 19.05         | 14.32         | 11.7          |
| Non Operating income                    | -             | -             | -             | -             | -             | -             | -             |
| % of TOI                                | -             | -             | -             | -             | -             | -             | -             |
| <b>Net Profit Before Provision(8+9)</b> | <b>71.31</b>  | <b>73.78</b>  | <b>98.78</b>  | <b>72.69</b>  | <b>172.22</b> | <b>115.27</b> | <b>81.18</b>  |
| % of TOI                                | 15.11         | 12.62         | 13.47         | 9.01          | 19.05         | 14.32         | 11.7          |
| Provision                               | 42.47         | 42.65         | 63.43         | 36.55         | 134.06        | 75.25         | 39.5          |
| % of TOI                                | 9.00          | 7.30          | 8.65          | 4.53          | 14.83         | 9.35          | 5.69          |
| <b>Net Profit (10-12)</b>               | <b>28.84</b>  | <b>31.13</b>  | <b>35.35</b>  | <b>36.14</b>  | <b>38.16</b>  | <b>40.02</b>  | <b>41.68</b>  |
| % of TOI                                | 6.11          | 5.32          | 4.82          | 4.48          | 4.22          | 4.97          | 6.01          |
| Trend Ratio of Operating Income         | 100.00        | 123.99        | 155.54        | 171.09        | 191.78        | 170.75        | 147.2         |
| Trend Ratio Of Operating Exps.          | 100.00        | 127.63        | 158.55        | 183.39        | 182.89        | 172.34        | 153.12        |
| Trend Ratio of Net Profit               | 100.00        | 107.94        | 122.57        | 125.3         | 132.32        | 138.7656      | 144.52        |

Source: Computed from Published Annual Report of TNSB

**Note:** 1997-98 is base year for Trend Ratio

## **TALOD NAGARIK SAHAKARI BANK LTD. (TNSB)**

The condensed and common- size profit and loss account (Income Statement) of the Talod Sahakari Nagarik bank Limited has been shown in table 3.14.

Table 3.14 makes it evident that during the period under study, total operating income of Talod Nagarik Sahakari Bank Limited registered an increasing trend during the first five years and a declining trend during the last two years. The operating income was the highest in the year 2001-2002 and the lowest in the year 1997-98. It was Rs. 904.10 lakhs in 2001-2002 and Rs. 471.42 in 97-98. It was Rs. 804.95 lakhs in 2002-2003 and Rs. 693.95 lakhs in 2003-2004 during the study period. The trend ratio of total income increased during the first five years of the study period and a declining trend during the last two years.

The major portion of total operating income consists of interest and discount Its portion was around 99 percent during the study period. The portion of interest and discount was almost stable during the period of the study. It ranged between 98.80 percent in 2003-2004 and 99.87 percent in 2001-2002. The other incomes contributed a very little share towards the total income. It was around one percent of total income during the study period.

It can be observed from the table that the total operating expenses registered an increasing trend during the first four years and a declining trend during the last three years. It ranged between 90.99 percent in 2000-2001 and 80.95 percent in 2001-2002. The operating expenses are made up of interest on deposits and borrowings and general expenses. The main

reason of increase in operating expenses was the increased in interest which indicates heavy dependence on long -term deposits. The amount paid to depositors and borrowers in the form of interest registered a mixed trend during the period of the study. It was 80.04 percent, the highest level in 2000-2001 and was at the lowest level in 2001-2002 when it stood at 68.15 percent. The other expenses ranged between 14.48 percent in 2003-2004 to 9.35 percent in 1998-99. The proportion of the other expenses decreased from 11.18 percent in 1997-98 to 14.48 percent in 2003-2004.

The non operating income did not have any impact on income. The bank provided necessary amount for the provisions during study period. It was the highest in 2001-2002 as it was 14.83 percent and the lowest in 2000-2001 as it was 4.53 percent of the total income during the study period.

The net profit registered a declining trend during the first five years, an increasing trend during next two years. However the absolute figures showed an increasing trend during the study. It increased from Rs. 28.84 lakhs in 1997-98 to Rs. 41.68 lakhs in 2003-2004. The trend value of net profit continuously increased during the study period.

It can be analyzed from the trend value that the net profit increased with operating income. It is a positive sign for bank efficiency. It may be said that the Talod Nagarik sahakari Bank Limited is emerging as a healthy bank from the view point of profitability.

**Table 3.15**  
**Common Size Income Statement of the Idar Nagarik Sahakari Bank**  
**Ltd.**  
**(1997-98 to 2003-2004)**

(Rs. In lakhs)

| <b>Operating Income</b>             | <b>97-98</b> | <b>98-99</b> | <b>99-00</b> | <b>00-01</b> | <b>01-02</b> | <b>02-03</b> | <b>03-04</b> |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Interest & Discount                 | 295.4        | 338.9<br>3   | 409.5<br>9   | 478.74       | 512.99       | 428.02       | 426.34       |
| % of TOI                            | 98.44        | 98.72        | 98.89        | 99.00        | 99.00        | 98.12        | 98.21        |
| Commission                          | 2.80         | 2.80         | 3.07         | 3.88         | 4.26         | 6.99         | 6.06         |
| % of TOI                            | 0.93         | 0.82         | 0.74         | 0.80         | 0.82         | 1.60         | 1.40         |
| Other Income                        | 1.87         | 1.59         | 1.52         | 0.98         | 0.91         | 1.19         | 1.70         |
| % of TOI                            | 0.63         | 0.46         | 0.37         | 0.20         | 0.18         | 0.28         | 0.39         |
| <b>Total Operating Income(A)</b>    | 300.0<br>7   | 343.3<br>2   | 414.1<br>8   | 483.6<br>0   | 518.16       | 436.20       | 434.10       |
| % of TOI                            | 100.0<br>0   | 100.0<br>0   | 100.0<br>0   | 100.0<br>0   | 100.00       | 100.00       | 100.00       |
| Interest On Deposit & Borrowings    | 187.3<br>2   | 226.8<br>4   | 297.8<br>8   | 349.8<br>3   | 381.74       | 293.31       | 290.65       |
| % of TOI                            | 62.42        | 66.07        | 71.92        | 72.34        | 73.67        | 67.24        | 66.95        |
| Other Exps.                         | 44.94        | 56.72        | 59.38        | 82.72        | 74.99        | 82.68        | 87.10        |
| % of TOI                            | 14.98        | 16.52        | 14.34        | 17.10        | 14.47        | 18.96        | 20.05        |
| <b>Total operating Expenses (B)</b> | 232.2<br>6   | 283.5<br>6   | 357.2<br>6   | 432.55       | 456.73       | 375.99       | 377.75       |
| % of TOI                            | 77.40        | 82.59        | 86.26        | 89.44        | 88.14        | 86.20        | 87           |
| Operating Profit (A-B)              | 67.81        | 59.76        | 56.92        | 51.05        | 61.43        | 60.21        | 56.35        |
| % of TOI                            | 22.60        | 17.41        | 13.74        | 10.56        | 11.86        | 13.8         | 13.00        |
| Non Operating income                | -            | -            | -            | -            | -            | -            | -            |
| % of TOI -                          | -            | -            | -            | -            | -            | -            | -            |
| Net Profit Before Provision(8+9)    | 67.81        | 59.76        | 56.92        | 51.05        | 61.43        | 60.21        | 56.35        |
| % of TOI                            | 22.60        | 17.41        | 13.74        | 10.56        | 11.86        | 13.8         | 13.00        |
| Provision                           | 20.30        | 9.75         | 6.81         |              | 9.43         | 8.10         | 4.14         |
| % of TOI                            | 6.77         | 2.84         | 1.64         |              | 1.83         | 1.85         | 0.97         |
| <b>Net Profit (10-12)</b>           | 47.51        | 50.01        | 50.11        | 51.05        | 52.00        | 52.11        | 52.21        |
| % of TOI                            | 15.83        | 14.57        | 12.10        | 10.56        | 10.03        | 11.95        | 12.03        |
| Trend Ratio of Operating Income     | 100.0<br>0   | 114.41       | 138.0<br>3   | 161.16       | 172.68       | 145.37       | 144.67       |
| Trend Ratio Of Operating Exps.      | 100.0<br>0   | 122.0<br>8   | 153.8<br>2   | 186.24       | 196.65       | 161.88       | 162.43       |
| Trend Ratio of Net Profit           | 100.0<br>0   | 105.2<br>6   | 105.4<br>7   | 107.45       | 109.45       | 109.68       | 109.99       |

Source: Computed from Published Annual Report of INSB

*Note:* 1997-98 is base year for Trend Ratio

**IDAR NAGARIK SAHAKARI BANK LTD. (INSB)**

The common-size income statement (P& L A/C) of the Idar Nagarik Sahakari Bank Limited has been represented in table 3.15 from 1997-98 to 2003-2004. It is evident that during the period under study, operating income registered an increasing trend during the first five years and decreasing trend during the next two years.

It increased from Rs. 300.07 lakhs in 1997-98 to Rs. 518.16 lakhs in 2001-2002. It was Rs.434.10 lakhs in 2003-2004. It was the highest in 2001-2002 and lowest in 1997-98. The operating trend ratio increased during the first five years of the study period and a declining trend during the last two years. The interest and discount marked almost a steady trend during the study period. It was around 98.50 percent of the total income during the period of the study. The other incomes proportion showed of 1.5 percent of the total operating income during the period of the study.

It can be observed from the table that the total operating expenses also registered an increasing trend during the first four years and a declining trend during the last two years and again an increasing trend during the last year. It was 77.40 percent, the lowest level, in 1997-98, and was at the highest level in 2000-2001 when it stood at 89.44 percent of the total operating income. It was 86.20 percent in 2002-2003 and 87 percent in 2003-2004. The trend ratio of expenses was more than the operating income ratio. The major proportion of expenses was interest on deposits and borrowing which registered an increasing trend during the first five years of the study period. It declined during the last two years. It was 62.42 percent in 1997-98 and 73.67 percent in 2001-2002. But after that, it came down to 67.24 percent in 2002-2003. The other expenses registered a mixed trend during the period of study. It ranged between

14.34 percent in 1999-2000 to 20.05 percent in 2003-2004. The non operating income did not have much impact on total operating income as it was nil during the period of the study. The amount of provision did not remain steady during the period of the study. It ranged between 0.97 percent in 2003-2004 to 20.30 percent in 1997-98. The trend ratio of the expenses was higher than that of income during the period of study.

It can be observed from the table that the net profit declined during the first five years and increased during the last two years of the study period. It was the highest in 1997-98 and the lowest in 2001-2002. The net profit trend ratio showed an increasing trend but did not increased with operating income ratio. On the basis of the above analysis it can be said that the Idar Nagarik Sahakari bank is healthy unit from the view point of the profitability.

**Table 3.16**  
**Common Size Income Statement of the Himmatnagar Nagarik**  
**Sahakari Bank Ltd. (1997-98 to 2003-2004) (Rs. In lakhs)**

| <b>Operating Income</b>             | <b>97-98</b> | <b>98-99</b> | <b>99-00</b> | <b>00-01</b> | <b>01-02</b> | <b>02-03</b> | <b>03-04</b> |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Interest & Discount                 | 1044.28      | 1186.92      | 1367.44      | 1400.75      | 1267.52      | 1244.22      | 1076.55      |
| % of TOI                            | 98.66        | 99.05        | 99.04        | 99.14        | 99.00        | 99.05        | 98.99        |
| Commission                          | 10.64        | 7.86         | 10.17        | 9.02         | 8.66         | 8.47         | 6.76         |
| % of TOI                            | 1.01         | 0.66         | 0.74         | 0.64         | 0.68         | 0.67         | 0.62         |
| Other Income                        | 3.57         | 3.49         | 3.11         | 3.30         | 4.20         | 3.54         | 4.25         |
| % of TOI                            | 0.33         | 0.29         | 0.22         | 0.22         | 0.32         | 0.28         | 0.39         |
| <b>Total Operating Income (A)</b>   | 1058.49      | 1198.27      | 1380.72      | 1413.07      | 1280.38      | 1256.23      | 1087.56      |
| % of TOI                            | 100.00       | 100.00       | 100.00       | 100.00       | 100.00       | 100.00       | 100.00       |
| Interest On Deposit & Borrowings    | 663.14       | 824.69       | 952.49       | 986.45       | 877.24       | 859.52       | 702.24       |
| % of TOI                            | 62.65        | 68.82        | 68.98        | 69.81        | 68.51        | 68.42        | 64.58        |
| Other Exps.                         | 165.97       | 175.67       | 203.08       | 214.07       | 205.26       | 209.89       | 220.41       |
| % of TOI                            | 15.68        | 14.66        | 14.71        | 15.15        | 16.03        | 16.71        | 20.26        |
| <b>Total Operating Expenses (B)</b> | 829.11       | 1000.36      | 1155.57      | 1200.52      | 1082.5       | 1069.41      | 922.65       |
| % of TOI                            | 78.33        | 83.48        | 83.69        | 84.96        | 84.54        | 85.13        | 84.84        |
| Operating Profit (A-B)              | 229.38       | 197.91       | 225.15       | 212.55       | 197.88       | 186.82       | 164.91       |
| % of TOI                            | 21.67        | 16.52        | 16.31        | 15.04        | 15.46        | 14.87        | 15.16        |
| Non Operating income                | -            | -            | -            | -            | -            | -            | -            |
| % of TOI                            | -            | -            | -            | -            | -            | -            | -            |
| Net Profit Before Provision(8+9)    | 229.38       | 197.91       | 225.15       | 212.55       | 197.88       | 186.82       | 164.91       |
| % of TOI                            | 21.67        | 16.52        | 16.31        | 15.04        | 15.46        | 14.87        | 15.16        |
| Provision                           | 124.00       | 90.00        | 114.00       | 111.00       | 96.00        | 86.00        | 64.00        |
| % of TOI                            | 11.71        | 7.51         | 8.26         | 7.85         | 7.50         | 6.85         | 5.88         |
| <b>Net Profit (10-12)</b>           | 105.38       | 107.91       | 111.15       | 101.55       | 101.88       | 100.82       | 100.31       |
| % of TOI                            | 9.96         | 9.01         | 8.05         | 7.19         | 7.96         | 8.02         | 9.28         |
| Trend Ratio of Operating Income     | 100.00       | 113.21       | 130.44       | 133.5        | 120.96       | 118.68       | 102.75       |
| Trend Ratio Of Operating Exps.      | 100.00       | 120.65       | 139.37       | 144.8        | 130.56       | 128.98       | 111.28       |
| Trend Ratio of Net Profit           | 100.00       | 102.4        | 105.48       | 96.37        | 96.68        | 95.67        | 95.19        |

Source: Computed from Published Annual Report of HINSB

**Note:** 1997-98 is base year for Trend Ratio



## **HIMATNAGAR NAGARIK SAHAKARI BANK LTD. (HINSB)**

The common-size income statement (P& L A/C) of The Himatnagar Nagarik Sahakari Bank Limited has been presented in table 3.16 during the period of study.

The table 3.16 clearly indicates the trend ratio of operating income, operating expenses and net profit of the HINSB during the study period. The total operating income of the HINSB registered an increasing trend during the first four of the study period and a decreasing trend during the next three years of the period of study. It increased from Rs.1058.49 lakhs in 1997-98 to Rs.1413.07 lakhs in 2000-2001. It decreased from Rs. 1280.38 lakhs in 2001-2002 to Rs.1087.56 lakhs in 2003-2004. The trend value of the operating income declined during the study period. The interest and discount registered almost a steady growth during the study period. It was nearly 99 percent during the period of the study. The other income did not have much impact on total operating income. Its portion was only 1 percent during the study period.

It can be observed from the table that the total operating expenses registered an increasing trend during the first four years and slight declining trend during fifth year, again an increasing trend during the six year and marginal declining trend during the last year of study period. Its proportion was highest in the year 2002-2003 when it was 85.13 percent and was the lowest in the year 1997-98 when it was 78.33 percent of the total income. The average proportion of the operating expenses was around 84 percent during the study period. The trend ratio of operating expenses indicated that the rate of growth in operating expenses was much higher than that of operating income during the period of the study.

It adversely affected to the bank efficiency. The interest on deposits and borrowing's proportion showed an increasing trend during the first four years and decreasing trend during the last three year of the study period. It increased from 62.65 percent in 1997-1998 to 69.81 percent in 2000-2001. It decreased from 68.51 percent in 2001-2002 to 64.58 percent in 2003-2004. The proportion of other expenses showed a declining trend during the first three years and an increasing trend during the next four years of study period. It ranged between 14.66 percent in 1998-99 and 20.26 percent in 2003-2004.

The non-operating income did not have much impact on income as its proportion was nil during the period of study. The proportion of provision showed a decreasing trend during the period of study except in 1999-2000. It ranged between 11.71 percent in 1997-98 to 5.88 percent in 2003-2004. The net profit registered a declining trend during the first five years and an increasing trend during the next two years of the study period. It decreased from 9.96 percent in 1997-98 to 7.96 percent in 2001-2002. Its proportion was 8.02 percent in 2002-2003 and 9.28 percent in 2003-2004 of the total operating income in 2003-2004. The absolute figures showed an increasing trend during the first four years and highly decreasing trend during the next three years of the study period.

On the basis of above analysis it can be said that the Himmatnagar Nagarik Sahakari Bank Limited did not perform well from the view point of profitability.

**Table 3.17**  
**Common Size Income Statement of the Banaskantha Mercantile**  
**Co-Operative Bank Ltd. ( 1997-98 to2003-2004)**

**(Rs. In lakhs)**

| <b>Operating Income</b>             | <b>97-98</b>  | <b>98-99</b>       | <b>99-00</b>  | <b>00-01</b>   | <b>01-02</b>        | <b>02-03</b>        | <b>03-04</b>   |
|-------------------------------------|---------------|--------------------|---------------|----------------|---------------------|---------------------|----------------|
| Interest & Discount                 | 548.97        | 684.18             | 838.81        | 1044.12        | 1040.5<br>1         | 1063.5<br>7         | 1024.41        |
| % of TOI                            | 99.11         | 98.88              | 99.03         | 99.14          | 92.46               | 90.42               | 88.41          |
| Commission                          | 3.15          | 6.15               | 6.42          | 6.39           | 10.58               | 10.36               | 12.7           |
| % of TOI                            | 0.57          | 0.89               | 0.76          | 0.61           | 0.94                | 0.88                | 1.10           |
| Other Income                        | 1.79          | 1.60               | 1.80          | 2.67           | 74.22               | 102.31              | 121.66         |
| % of TOI                            | 0.32          | 0.23               | 0.21          | 0.25           | 6.60                | 8.70                | 10.49          |
| <b>Total Operating Income (A)</b>   | <b>553.91</b> | <b>691.93</b>      | <b>847.03</b> | <b>1053.18</b> | <b>1125.3<br/>1</b> | <b>1176.2<br/>5</b> | <b>1158.77</b> |
| % of TOI                            | 100.00        | 100.0<br>0         | 100.0<br>0    | 100.00         | 100.0<br>0          | 100.0<br>0          | 100.00         |
| Interest On Deposit & Borrowings    | 412.05        | 536.86             | 689.0<br>0    | 857.3          | 829.9<br>2          | 839.76              | 804.06         |
| % of TOI                            | 74.39         | 77.59              | 81.34         | 81.40          | 73.75               | 71.39               | 69.39          |
| Other Exps.                         | 92.86         | 104.07             | 106.03        | 122.00         | 126.13              | 136.88              | 149.7          |
| % of TOI                            | 16.76         | 15.04              | 12.52         | 11.58          | 11.21               | 11.64               | 12.92          |
| <b>Total Operating Expenses (B)</b> | <b>504.91</b> | <b>640.9<br/>3</b> | <b>795.03</b> | <b>979.3</b>   | <b>956.05</b>       | <b>976.64</b>       | <b>953.76</b>  |
| % of TOI                            | 91.15         | 92.63              | 93.86         | 92.98          | 84.96               | 83.03               | 82.31          |
| Operating Profit (A-B)              | 49.00         | 51.00              | 52.00         | 73.88          | 169.26              | 199.61              | 205.01         |
| % of TOI                            | 8.85          | 7.37               | 6.14          | 7.01           | 15.04               | 16.97               | 17.69          |
| Non Operating income                | -             | -                  | -             | --             | -                   | -                   | -              |
| % of TOI                            | -             | --                 | -             | -              | -                   | -                   | -              |
| Net Profit Before Provision(8+9)    | 49.00         | 51.00              | 52.00         | 73.88          | 169.26              | 199.61              | 205.01         |
| % of TOI                            | 8.85          | 7.37               | 6.14          | 7.01           | 15.04               | 16.97               | 17.69          |
| Provision                           | 6.00          | 6.00               | 6.00          | 47.37          | 142.26              | 172.11              | 177.01         |
| % of TOI                            | 1.08          | 0.87               | 0.71          | 4.48           | 12.64               | 14.63               | 15.27          |
| <b>Net Profit (10-12)</b>           | <b>43.00</b>  | <b>45.00</b>       | <b>46.00</b>  | <b>26.51</b>   | <b>27.00</b>        | <b>27.50</b>        | <b>28.00</b>   |
| % of TOI                            | 7.77          | 6.50               | 5.43          | 2.52           | 2.40                | 2.34                | 2.42           |
| Trend Ratio of Operating Income     | 100.00        | 124.92             | 152.92        | 190.14         | 203.16              | 212.35              | 209.2          |
| Trend Ratio Of Operating Exps.      | 100.00        | 126.94             | 157.46        | 193.96         | 189.35              | 193.43              | 188.9          |
| Trend Ratio of Net Profit           | 100.00        | 104.65             | 109.41        | 61.65          | 62.79               | 63.95               | 65.12          |

Source: Computed from Published Annual Report of B M C B

**Note:** 1997-98 is base year for Trend Ratio

## **BANASKANTHA MERCANTILE CO-OPERATIVE BANK LTD.(BMCB)**

The condensed common-size profit and loss (Income Statement) of the Banaskantha Mercantile Co-operative Bank Limited has been shown in table 3.17 during the period of study.

The table 3.17 clearly indicates that the trend ratio of operating income, operating expenses and net profit of the bank during the study period. The table makes it evident that during the period under study, total operating income of the BMCB registered an increasing trend during the first six years of the study period and a decreasing trend during the last years of the period of study. It increased from Rs.553.91 lakhs in 1997-98 to Rs.1176.25 lakhs in 2002-2003. It decreased to Rs. 1158.77 lakhs in 2003-2004. The trend value of the operating income declined during the study period. The trend ratio of the total operating income increased during the period of the study. The interest and discount was nearly 99 percent during first years of the study period and declining trend during the next three years, as it was nearly 90 percent of the total income. The other incomes contributed a very little share towards the total income during the first four years and it ranged between 7.54 percent in 2001-2002 to 11.59 percent in 2003-2004.

It can be observed from the table that the total operating expenses registered an increasing trend during the first three years and declining trend during next four year of the study period. Its proportion was the highest in 1999-2000 when it was 93.86 percent and was the lowest in 2003-2004 when it was 82.31 percent of the total income. The trend ratio of operating expenses indicated that the rate of growth in operating expenses was same as well as operating income during the period of the study. It adversely affected to the bank's efficiency. The interest on

deposits and borrowing's proportion showed an increasing trend during the first four years and decreasing trend during the last three year of the study period. It increased from 74.39 percent in 1997-1998 to 81.40 percent in 2000-2001. It decreased from 73.75 percent in 2001-2002 to 69.39 percent in 2003-2004. The proportion of other expenses showed a declining trend during the first five years and an increasing trend during the next two years of study period. It ranged between 11.21 percent in 2001-2002 to 16.76 percent in 1997-98 of the total income.

The non-operating incomes did not have much impact on income as its proportion was nil during the period of study. The proportion of provision showed a decreasing trend during the first three years of the period of study and an increasing trend during the last four years the study. It ranged between 0.87 percent in 1998-99 and 15.27 percent in 2003-2004. The net profit registered a declining trend during the first six years and an increasing trend during the last years of the study period. It decreased from 7.77 percent in 1997-98 to 2.34 percent in 2002-2003. Its proportion was 2.42 percent in 2003-2004 of the total operating income.

On the basis of above analysis it can be said that the Banaskantha Mercantile Cooperative Bank Limited is not healthy bank from the view point of profitability.

**Table 3.18**  
**Common Size Income Statement of the Deesa Nagarik Sahakari**  
**Bank Ltd. (1997-98 to 2003-2004)**

(Rs. In lakhs)

| <b>Operating Income</b>            | <b>97-98</b>  | <b>98-99</b>       | <b>99-00</b>       | <b>00-01</b>   | <b>01-02</b>   | <b>02-03</b>   | <b>03-04</b>  |
|------------------------------------|---------------|--------------------|--------------------|----------------|----------------|----------------|---------------|
| Interest & Discount                | 359.78        | 485.0<br>3         | 750.04             | 1061.16        | 1151.98        | 1088.58        | 904.6         |
| % of TOI                           | 98.00         | 98.39              | 98.38              | 98.13          | 98.58          | 97.56          | 90.66         |
| Commission                         | 5.99          | 5.67               | 8.97               | 12.87          | 10.55          | 13.57          | 15.68         |
| % of TOI                           | 1.63          | 1.15               | 1.18               | 1.19           | 0.90           | 1.22           | 1.57          |
| Other Income                       | 1.33          | 2.26               | 3.35               | 7.30           | 6.04           | 13.63          | 77.47         |
| % of TOI                           | 0.47          | 0.46               | 0.44               | 0.68           | 0.52           | 1.22           | 7.77          |
| <b>Total Operating Income (A)</b>  | <b>367.10</b> | <b>492.96</b>      | <b>762.36</b>      | <b>1081.33</b> | <b>1168.57</b> | <b>1115.78</b> | <b>997.74</b> |
| % of TOI                           | 100.00        | 100.0<br>0         | 100.0<br>0         | 100.00         | 100.00         | 100.00         | 100.0<br>0    |
| Interest On Deposits or Borrowings | 273.71        | 376.63             | 580.19             | 806.88         | 873.32         | 838.41         | 756.48        |
| % of TOI                           | 75.56         | 76.40              | 76.10              | 74.61          | 74.73          | 75.14          | 75.82         |
| Other Exps.                        | 61.89         | 84.30              | 120.17             | 133.2          | 156.06         | 184.08         | 193.93        |
| % of TOI                           | 16.86         | 17.10              | 15.76              | 12.32          | 13.35          | 16.5           | 19.44         |
| <b>Total Operating Expenses(B)</b> | <b>337.60</b> | <b>460.9<br/>3</b> | <b>700.3<br/>4</b> | <b>940.08</b>  | <b>1029.38</b> | <b>1022.49</b> | <b>950.41</b> |
| % of TOI                           | 92.42         | 93.50              | 91.86              | 86.93          | 88.08          | 91.64          | 95.28         |
| Operating Profit (4-7)             | 31.50         | 32.03              | 62.00              | 141.25         | 139.19         | 93.29          | 47.33         |
| % of TOI                           | 8.58          | 6.50               | 8.14               | 13.07          | 11.91          | 8.36           | 4.74          |
| Non Operating income               | -             | -                  | -                  | -              | --             | -              | -             |
| Net Profit Before Provision(8+9)   | 31.50         | 32.03              | 62.00              | 141.25         | 139.19         | 93.29          | 47.33         |
| % of TOI                           | 8.58          | 6.50               | 8.14               | 13.07          | 11.91          | 8.36           | 4.74          |
| Provision                          | 2.00          | 2.00               | 8.00               | 111.97         | 117.55         | 71.29          | 32.12         |
| % of TOI                           | 0.54          | 0.41               | 1.06               | 10.38          | 10.06          | 6.39           | 3.22          |
| <b>Net Profit (10-12)</b>          | <b>29.50</b>  | <b>30.03</b>       | <b>54.00</b>       | <b>29.28</b>   | <b>21.6</b>    | <b>22.00</b>   | <b>15.21</b>  |
| % of TOI                           | 8.06          | 6.09               | 7.08               | 2.71           | 1.85           | 1.97           | 1.52          |
| Trend Ratio of Operating Income    | 100.00        | 134.28             | 207.67             | 294.56         | 318.32         | 303.94         | 271.79        |
| Trend Ratio Of Operating Exps.     | 100.00        | 136.53             | 207.45             | 278.46         | 304.91         | 302.87         | 251.52        |
| Trend Ratio of Net Profit          | 100.00        | 101.80             | 183.05             | 99.25          | 73.22          | 74.58          | 51.56         |

source : Computed from Published Annual Report of DNSB

Note: 1997-98 is base year for Trend Ratio

## **DEESA NAGARIK SAHAKARI BANK LTD.(DNSB)**

The common-size income statement (P& L A/C) of the Deesa Nagarik Sahakari Bank Limited has been presented in table 3.18 during the period of study.

The table indicates the trend ratio of operating income, operating expenses and net profit of the DNS bank during the study period. The total operating income of the DNS bank registered an increasing trend during the first five of the study period and a decreasing trend during the next two years of the study. It increased from Rs. 367.10 lakhs in 1997-98 to Rs. 1168.57 lakhs in 2001-2002. It decreased from Rs. 1115.78 lakhs in 2002-2003 to Rs.997.74 lakhs in 2003-2004. The trend value of the operating income increased during the first four years and decreased during the next three years of the study period. The interest and discount registered a mixed trend during the period under study. It was the highest in 2001-2002 when it was 98.58 percent and the lowest in 2003-2004 when it was 90.66 percent of the total income during the period of the study. The other income did not have much impact on total operating income during the period of study. It's proportion was nearly 2 percent during the first six years of the study period and 9 percent during the last year.

It can be remarked from the table 3.18 that the total operating expenses registered a mixed trend the study period. Its proportion was the highest in the year 2003-2004 when it was 95.28 percent and was the lowest in the year 2000-2001 when it was 86.93 percent of the total income. Thus, the operating expenses higher as increased compared to operating income during the study period. The trend ratio of operating expenses indicated that the rate of growth in operating expenses was

much higher than that of operating income the period of the study. It adversely affected to the bank's efficiency. The proportion of interest on deposits and borrowing's showed an increasing trend during the first three years and a decreasing trend during the next one year and increasing trend during last three years of the study period. It increased from 75.56 percent in 1997-1998 to 76.10 percent in 1999-2000. It increased from 74.73 percent in 2000-2001 to 75.82 percent in 2003-2004. The proportion of other expenses depicted a mixed trend during the period of the study. It ranged between 12.32 percent in 2000-2001 to 19.44 percent in 2003-2004 Due to heavy burden of interest on deposits and borrowing and other operating expenses, the profit reduced considerably. The DNSB have not efficient control over the total expenses.

The non-operating income did not have much impact on income as its proportion was nil during the period of study. The proportion of provisions showed an increasing trend during the first four and a decreasing trend during the period of study. It ranged between 10.38 percent in 2000-2001 to 0.41 percent in 1998-99. The net profit was the highest in 1997-98 when it was 8.06 percent of the income and was the lower of 1.52 percent of the income in 2003-2004. The trend ratio of the net profit declined remarkably during the period of the study. It can be said that the sick bank from the view point of profitability.



**Table 3.19**  
**Common Size Income Statement of the Palanpur People Co-  
Operative Bank Ltd. ( 1997-98 to2003-2004)**

(Rs. In lakhs)

| <b>Operating Income</b>            | <b>97-98</b> | <b>98-99</b> | <b>99-00</b> | <b>00-01</b> | <b>01-02</b> | <b>02-03</b> | <b>03-04</b> |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Interest & Discount                | 96.36        | 114.59       | 130.31       | 174.6        | 183.79       | 179.49       | 154.94       |
| % of TOI                           | 98.96        | 98.7         | 98.59        | 98.92        | 99.39        | 99.4         | 99.33        |
| Commission                         | 0.87         | 0.94         | 1.03         | 0.90         | 0.86         | 0.72         | 0.73         |
| % of TOI                           | 0.89         | 0.81         | 0.78         | 0.51         | 0.46         | 0.40         | 0.47         |
| Other Income                       | 0.14         | 0.57         | 0.84         | 1.01         | 0.27         | 0.36         | 0.32         |
| % of TOI                           | 0.15         | 0.49         | 0.63         | 0.57         | 0.15         | 0.20         | 0.20         |
| <b>Total Operating Income (A)</b>  | 97.37        | 116.1        | 132.18       | 176.51       | 184.92       | 180.57       | 155.99       |
| % of TOI                           | 100.00       | 100.00       | 100.00       | 100.00       | 100.00       | 100.00       | 100.00       |
| Interest On Deposit & Borrowings   | 46.36        | 65.27        | 76.84        | 95.06        | 110.73       | 120.82       | 95.09        |
| % of TOI                           | 47.61        | 56.22        | 58.13        | 53.86        | 59.88        | 66.91        | 60.96        |
| Other Exps.                        | 28.26        | 32.58        | 36.27        | 47.19        | 42.11        | 47.1         | 50.03        |
| % of TOI                           | 29.02        | 28.06        | 27.44        | 26.73        | 22.77        | 26.08        | 32.07        |
| <b>Total operating Expenses(B)</b> | 74.62        | 97.85        | 113.11       | 142.25       | 152.84       | 167.92       | 145.12       |
| % of TOI                           | 76.63        | 84.28        | 85.57        | 80.59        | 82.65        | 92.99        | 90.03        |
| Operating Profit (A-B)             | 22.75        | 18.25        | 19.07        | 34.26        | 32.08        | 12.65        | 10.87        |
| % of TOI                           | 23.37        | 15.72        | 14.43        | 19.41        | 17.35        | 7.01         | 6.97         |
| Non Operating income               | -            | -            | -            | -            | -            | -            | -            |
| % of TOI                           | -            | -            | -            | -            | -            | --           | -            |
| Net Profit Before Provision(8+9)   | 22.75        | 18.25        | 19.07        | 34.26        | 32.08        | 12.65        | 10.87        |
| % of TOI                           | 23.37        | 15.72        | 14.43        | 19.41        | 17.35        | 7.01         | 6.97         |
| Provision                          | 9.25         | 10.75        | 11.07        | 26.26        | 25.08        | 10.15        | 8.37         |
| % of TOI                           | 9.51         | 9.26         | 5.01         | 14.88        | 13.56        | 5.62         | 5.37         |
| <b>Net Profit (10-12)</b>          | 13.5         | 7.50         | 8.00         | 8.00         | 7.00         | 2.50         | 2.50         |
| % of TOI                           | 13.86        | 6.46         | 6.05         | 4.53         | 3.79         | 1.39         | 1.60         |
| Trend Ratio of Operating Income    | 100.00       | 119.24       | 135.75       | 181.28       | 189.91       | 185.45       | 160.20       |
| Trend Ratio Of Operating Exps.     | 100.00       | 131.13       | 151.58       | 190.63       | 204.48       | 225.03       | 194.48       |
| Trend Ratio of Net Profit          | 100.00       | 55.55        | 59.26        | 29.26        | 51.85        | 18.52        | 18.52        |

Source: Computed from Published Annual Report of PPCB

**Note:** 1997-98 is base year for Trend Ratio

### **PALANPUR PEOPLE CO-OPERATIVE BANK LTD.(PPCB)**

The profit and loss account of the Palanpur People Co-operative Bank Limited under study has been presented in table 3.19. The table clearly indicates the trend ratio of operating income, operating expenses and net profit of PPCB.

It is evident that during the period under study, operating income registered an increasing trend during the first five years and decreasing trend during the next two years. It increased from Rs.97.37 lakhs in 1997-98 to Rs.184.92 lakhs in 2001-2002. It was Rs.180.57 lakhs in 2002-2003 and it was Rs.155.99 lakhs in 2003-2004. The operating trend ratio increased during the first five years of the study period and declining trend during the last two years. The interest and discount was around 99 percent of the total income during the period of the study. The other incomes proportion was 1 percent of the total operating income during the period of the study.

It can be observed from the table 3.19 that the total operating expenses registered a mixed trend during the study period. It was 74.62 percent, the lowest level, in 1997-98, and was at the highest level in 2002-2003 when it stood at 92.99 percent of the total operating income. The growth rate of the operating expenses was higher than the operating income during the study period. It can be observed from the trend ratio of operating expenses that it was the highest in 2002-2003. The expense ratio was 47.61 percent in 1997-98 and 58.13 percent in 1999-2000. But after that, it came down to 53.86 percent in 2000-2001. It was 66.91 percent in 2002-2003 and it came down to 60.96 percent in 2003-2004 of the total income. It can be remarked that, there was no heavy burden of the interest paid on deposits and borrowings. The other expenses registered a mixed trend during the period of study. It ranged between 22.77 percent in 2001-2002 to 32.07 percent in 2003-2004.

The non operating income did not have much impact on total operating income as it was nil during the period of the study. The amount of provision did not remain steady during the period of the study. It ranged between 5.01 percent in 1999-2000 to 14.88 percent in 2000-2001

The trend ratios of the expenses was much higher than that of income during the period of study.

The net profit showed a decreasing trend during the first six years of the study period. It decreased from 13.86 percent in 1997-98 to 1.39 percent in 2002-2003. In 2003-2004, it was 1.60 percent. The bank did not perform well during the study period.

On the basis of the above analysis it can be said that the Palanpur People Co-operative Bank Limited is weak bank from the view point of profitability.

**Table 3.20**  
**Common Size Income Statement of the Pragati Co-Operative**  
**Bank Ltd. ( 1997-98 to2003-2004) (Rs. In Lakhs)**

| <b>Operating Income</b>          | <b>97-98</b> | <b>98-99</b> | <b>99-00</b> | <b>00-01</b> | <b>01-02</b> | <b>02-03</b> | <b>03-04</b> |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Interest & Discount              | 105.85       | 119.81       | 144.06       | 172.69       | 185.46       | 129.63       | 111.01       |
| %of TOI                          | 98.63        | 98.27        | 98.35        | 97.78        | 98.34        | 65.93        | 61.18        |
| Commission                       | 1.04         | 1.43         | 1.77         | 2.35         | 2.00         | 50.18        | 47.60        |
| % of TOI                         | 0.97         | 1.17         | 1.21         | 1.33         | 1.06         | 25.52        | 26.23        |
| Other Income                     | 0.43         | 0.68         | 0.64         | 1.58         | 1.13         | 16.82        | 22.84        |
| % of TOI                         | 0.40         | 0.56         | 0.44         | 0.89         | 0.60         | 8.55         | 12.59        |
| <b>Total Operating Income(A)</b> | 107.32       | 121.92       | 146.47       | 176.62       | 188.59       | 196.63       | 181.45       |
| % of TOI                         | 100.00       | 100.00       | 100.00       | 100.00       | 100.00       | 100.00       | 100.00       |
| Interest On Deposit & Borrowings | 62.71        | 77.48        | 96.07        | 103.26       | 120.20       | 128.74       | 121.72       |
| % of TOI                         | 58.43        | 63.55        | 55.59        | 58.46        | 63.74        | 65.47        | 67.08        |
| Other Exps.                      | 21.54        | 24.87        | 31.94        | 38.37        | 46.36        | 48.68        | 45.33        |
| % of TOI                         | 20.07        | 20.4         | 21.81        | 21.72        | 24.58        | 24.76        | 24.98        |
| <b>Total operating Expenses</b>  | 84.25        | 102.35       | 128.01       | 141.63       | 166.56       | 177.42       | 167.05       |
| % of TOI                         | 78.50        | 83.95        | 87.40        | 80.18        | 88.32        | 90.23        | -            |
| Operating Profit (A-B)           | 23.07        | 19.57        | 18.46        | 34.99        | 22.03        | 19.21        | 14.40        |
| % of TOI                         | 21.50        | 16.05        | 12.60        | 19.82        | 11.68        | 9.77         | 7.93         |
| Non Operating income             | -            | -            | -            | -            | -            | -            | -            |
| % of TOI                         | -            | -            | -            | --           | -            | -            | -            |
| Net Profit Before Provision(8+9) | 23.07        | 19.57        | 18.46        | 34.99        | 22.03        | 19.21        | 14.40        |
| % of TOI                         | 21.50        | 16.05        | 12.60        | 19.82        | 11.68        | 9.77         | 7.93         |
| Provision                        | 6.00         | 2.20         | -            | 14.00        | 7.69         | 3.00         | -            |
| % of TOI                         | 5.59         | 1.80         | -            | 7.94         | 4.08         | 1.53         | -            |
| <b>Net Profit (10-12)</b>        | 17.07        | 17.37        | 18.46        | 20.99        | 14.34        | 16.21        | 14.40        |
| % of TOI                         | 15.91        | 14.25        | 12.60        | 11.88        | 7.60         | 8.24         | 7.93         |
| Trend Ratio of Operating Income  | 100.00       | 113.6        | 136.48       | 164.57       | 175.73       | 183.22       | 169.07       |
| Trend Ratio Of Operating Exps.   | 100.00       | 121.48       | 151.94       | 168.11       | 197.7        | 210.59       | 198.28       |
| Trend Ratio of Net Profit        | 100.00       | 101.76       | 108.14       | 122.96       | 84.00        | 94.96        | 84.36        |

Source: Computed from Published Annual Report of PCB

**Note:** 1997-98 is base year for Trend Ratio

### **PRAGATI CO-OPERATIVE BANK LTD( PCB)**

The profit and loss account of the Pragati Co-operative Bank Limited under study has been presented in table 3.20. The table clearly indicates

the trend ratio of operating income, operating expenses and net profit of PCB.

The table makes it evident that during the period under study, total operating income of the PCB, , registered an increasing trend during the first six years of the study period and a decreasing trend during the last years of the period of study. It increased from Rs.107.32 lakhs in 1997-98 to Rs.196.63 lakhs in 2002-2003 and it decreased to Rs.181.45 lakhs in 2003-2004. The operating trend ratio increased during the first six years of the study period and declining trend during the last years. The interest and discount registered a steady growth during five years of the study period. It ranged between 98.63 percent in 1997-98 to 97.78 percent in 2000-2001 of the total income. It showed a decreasing trend during the sixth year, as it was 65.93 percent of the total income and came down to 61.18 percent of the total income. The other incomes contributed a very little share towards the total income during the first six years as it was nearly 2 percent of the operating income. It highly increased during the last two years. It was 34.04 percent in 2002-2003 and 39.82 percent in 2003-2004.

Along with increase in operating income, the operating expenses also registered an increasing trend during the first three year and declining trend during the fourth year, again an increasing trend during the last three years. The operating expenses was the highest in 2003-2004 when it was 92.07 percent of the total operating income and was the lowest in 2000-2001 when it was 80.18 percent of total income. It can be observed from the trend ratio of the operating income and operating expenses, the operating expenses increased at faster rate than the operating income. It adversely affected the profitability of the PCB. It also indicates that the

Pragati Co-operating Bank did not have efficient control over their operating expenses.

The major portion of operating expenses consists of interest on deposits and borrowings. It ranged between 58.43 percent in 1997-98 to 67.09 percent in 2003-2004 during the period of study. The other expenses marked an increasing trend during the study period except 2000-2001. It was the highest in 2003-2004 as it was 24.98 percent and the lowest in 1997-98 when it was 20.07 percent.

The non operating incomes did not have much impact on income as its proportion was nil. The provisions were not steady during the period of study. It can be observed from the table that the net profit registered a declining trend during the study period except in 2002-2003.

It decreased from 15.91 percent in 1997-98 to 7.60 percent in 2001-2002. It was 8.24 percent in 2002-2003 which came down to 7.93 percent in 2003-2004 .

On the basis of the above analysis it can be said that the Pragati Co-operative Bank Limited is weak bank from the view point of profitability.

#### **4. Inter Firm Comparison and Findings of Common Size Statement**

The comparison of the Common Size Income Statement of co-operative bank units under study makes it evident that the operating income in MUCB was highest in 2000-2001 followed by SCCB, KNSB, MNSB, UNSB, HINSB, DNSB and BMCB. The percentage of the operating income in MUCB, SCCB, KNSB, MNSB, UNSB, HINSB, DNSB and BMCB were 85.36 percent, 85.32 percent, 89.71 percent, 90.63 percent, 93.21 percent, 83.87 percent, 91.39 percent, and 88.70 percent respectively. Throughout the study period, the operating expenses

were the highest of 98.71 percent of the total income in HNSB during the 2003-2004 because of higher payment to outsiders as a interest on deposits and borrowings. It was the lowest of 67.15 percent of the total income in MONSB during the year 2001-2002. Regarding the consolidated average of the twenty units the operating expenses ranged between 83.77 percent in 2002-2003 to 90.99percent in 2000-2001 during the period of study. Moreover the operating expenses were in banking unit under study was nearly 65 to 90 percent of the total income throughout the study period. The reasons for high operating expenses were fully depended on borrowed money which has risen continuously during all the period of the study.

The percentage of interest on deposits and borrowings was the highest in MUCB during the study period. This was because of large amount paid as interest on deposits and borrowings to depositors and borrowers. The interest on deposits was highest of 89.17 percent of the total income in 2000-2001 in MUCB. Moreover the percent of interest on deposits and borrowing was always more than 55 percent in all banks under study except DNSB and VNSB. The excess of these expenses adversely affected the profitability of the banking units under study.

The other expense takes share the second portion in the total operating expenses of the banking units. It was the highest in VNSB of 33.19 percent in 2003-2004 as compared to other units. It was due to higher administrative expenses as compared to the previous year. The average ratio of the other expenses of PPCB was highest of 27.54percent of the operating income followed AMCB, VNSB, SCCB and PCB of 26.82 percent 26.74 percent 23.36 percent and 22.62 percent respectively. while

it was always less than 20 percent of the total income in the other banking units.

As regard to the provision MUCB, SCCB, KNSB, HNSB, TNSB, BMCB, PPCB, provided more than 5 percent of the total operating income while it was always less than 5 percent of the total operating income in other banking sector. The RNSB did not provided any amount during the period of the study.

On analyzing the net profit, it was the highest in MONSB followed by RNSB, VNSB, KNSB, BNSB, PPCB and INSB. It was more than 15 percent in MONSB of the total operating income throughout the period of the study.



**District Wise Analysis of Common Size Income Statement of the Selected  
UCBs.**

**Table 3.21  
Consolidated common size income statement of the selected UCBS of  
Mehsana District. (1997- 98 to 2003-2004)**

(Rs. In Lakhs)

| <b>Operating Income</b>             | <b>97-98</b>   | <b>98-99</b>    | <b>99-00</b>    | <b>00-01</b>    | <b>01-02</b>    | <b>02-03</b>    | <b>03-04</b>    |
|-------------------------------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Interest & Discount                 | 8238.66        | 12429.07        | 16748.65        | 22552.66        | 18138.40        | 17051.20        | 13803.98        |
| % of TOI                            | 99.25          | 99.21           | 98.80           | 98.87           | 97.03           | 97.15           | 95.61           |
| Commission                          | 46.18          | 74.32           | 92.52           | 135.09          | 321.6           | 292.61          | 371.8           |
| % of TOI                            | 0.56           | 0.59            | 0.55            | 0.59            | 1.72            | 1.67            | 2.58            |
| Other Income                        | 16.14          | 24.37           | 111.39          | 123.02          | 233.95          | 208.13          | 262.26          |
| % of TOI                            | 0.19           | 0.19            | 0.66            | 0.54            | 1.25            | 1.19            | 1.82            |
| <b>Total Operating Income(A)</b>    | <b>8300.98</b> | <b>12527.76</b> | <b>16952.56</b> | <b>22810.77</b> | <b>18693.95</b> | <b>17551.94</b> | <b>14438.04</b> |
| % of TOI                            | 100.00         | 100.00          | 100.00          | 100.00          | 100.00          | 100.00          | 100.00          |
| Interest On Deposit & Borrowings    | 6220.55        | 9969.7          | 13899.18        | 19303.42        | 14357.24        | 12737.26        | 10274.52        |
| % of TOI                            | 74.94          | 79.58           | 81.99           | 84.62           | 76.80           | 72.57           | 71.16           |
| Other Exps.                         | 892.72         | 1188.83         | 1485.12         | 1721.65         | 1839.43         | 1853.45         | 1959.52         |
| % of TOI                            | 10.75          | 9.49            | 8.76            | 7.55            | 9.84            | 10.56           | 13.57           |
| <b>Total Operating Expenses (B)</b> | <b>7113.27</b> | <b>11158.53</b> | <b>15384.30</b> | <b>21025.07</b> | <b>16196.67</b> | <b>14590.71</b> | <b>12234.04</b> |
| % of TOI                            | 85.69          | 89.07           | 90.75           | 92.17           | 86.64           | 83.13           | 84.73           |
| Operating Profit (A-B)              | 1187.71        | 1369.23         | 1568.26         | 1785.70         | 2497.28         | 2961.23         | 2204.00         |
| % of TOI                            | 14.31          | 10.93           | 9.25            | 7.83            | 13.36           | 16.87           | 15.27           |
| Non Operating Income                | -              | -               | -               | -               | -               | -               | -               |
| % of TOI                            | -              | -               | -               | -               | -               | -               | -               |
| Net Profit Before Provision(8+9)    | 1187.71        | 1369.23         | 1568.26         | 1785.7          | 2497.28         | 2961.23         | 2204            |
| % of TOI                            | 14.31          | 10.93           | 9.25            | 7.83            | 13.36           | 16.87           | 15.27           |
| Provision                           | 280.5          | 243.92          | 292.65          | 388.26          | 990.15          | 1876.97         | 1301.36         |
| % of TOI                            | 3.38           | 1.95            | 1.73            | 1.70            | 5.30            | 10.69           | 9.01            |
| <b>Net Profit (10-12)</b>           | <b>907.21</b>  | <b>1125.31</b>  | <b>1275.61</b>  | <b>1397.44</b>  | <b>1507.13</b>  | <b>1084.26</b>  | <b>902.64</b>   |
| % of TOI                            | 10.93          | 8.98            | 7.52            | 6.13            | 8.06            | 6.18            | 6.25            |
| Trend Ratio of Operating Income     | 100.00         | 150.92          | 204.22          | 274.80          | 225.20          | 211.44          | 173.93          |
| Trend Ratio Of Operating Exps.      | 100.00         | 156.87          | 216.28          | 295.58          | 227.70          | 205.12          | 171.99          |
| Trend Ratio of Net Profit           | 100.00         | 124.04          | 140.61          | 154.04          | 166.13          | 119.52          | 99.50           |

Source: Computation from table 3.1 to 3.10

**Note:** 1997-98 is base year for Trend Ratio

The consolidated common-size income statement (P& L A/C) of the selected UCBs of the Mehsana district has been presented in table 3.21 under period of the study.

The interest and discount registered a almost steady growth during the study period. It was nearly 99 percent during the first four years. The ratio showed declining trend during the last three years of the period of the study. It decreased from 97.03 percent in 2001-2002 to 95.61 percent in 2003-2004. The other income did not have much impact on total operating income during the first four years of the study period. Its portion was only 1 percent while 4 percent during the last three years of study period.

It can be observed from the table 3.21 that the total operating expenses registered an increasing trend during the first four years and slight declining trend during fifth year, and sixth year, again an increasing trend during the last year during the study period. Its proportion was highest in 1999-2000 when it was 90.75 percent and was the lowest in 2003-2003 when it was 83.13% of the total income. The trend ratio of operating expenses indicated that the rate of growth in operating expenses was much higher than that of operating income during the period of the study. It adversely affected to the efficiency. The interest on deposits and borrowing's proportion showed an increasing trend during the first four years and decreasing trend during the last three year of the study period. It increased from 74.94 percent in 1997-1998 to 84.62 percent in 2000-2001. It decreased from 76.80 percent in 2001-2002 to 71.16 percent in 2003-2004. The proportion of other expenses showed a declining trend during the first three years and an increasing trend during the next four years of study period. It ranged between 7.55 percent in 2000-2001 to 13.57 percent in 2003-2004.

The non-operating incomes did not have much impact on income as its proportion was nil during the period of study. The proportion of provision showed a mixed trend during the period of study. It ranged between 1.70 percent in 2000-2001 to 10.69 percent in 2002-2003. The net profit registered a declining trend during the first four years and a mixed trend during the last three years of study period. It decreased from 10.93 percent in 1997-98 to 6.03 percent in 2000-2001. Its proportion was 8.06 percent in 2001-2002, 6.18 percent in 2002-2003 and 6.25 percent in 2003-2004.

The common size income statement of the selected UCBs of the Mehsana district was compared with consolidated common size income statement of the selected North Gujarat UCBs shown in the table 3.24. It can be analyzing from the these table 3.21 and 3.24 that the operating expenses and net profit of the UCBs of Mehsan district were almost nearer to North Gujarat UCBs. The trend ratio of operating expenses indicated that the rate of growth in operating expenses was much higher than that of operating income during the period of the study. It adversely affected to the selected banks of Mehsana district. The net profit trend ratio of the Mehsana district's UCBs remain almost same as well to North Gujarat UCBs.

**Table 3.22**  
**Consolidated common size income statement of the selected UCBS of**  
**Sabarkantha District. (1997-98 to 2003-2004)**

(Rs. In Lakhs)

| <b>Operating Income</b>             | <b>97-98</b>   | <b>98-99</b>   | <b>99-00</b>   | <b>00-01</b>   | <b>01-02</b>   | <b>02-03</b>   | <b>03-04</b>   |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Interest & Discount                 | 2601.07        | 3067.14        | 3605.47        | 3956.57        | 4107.38        | 3838.65        | 3389.15        |
| %of TOI                             | 98.81          | 98.98          | 98.78          | 99.07          | 99.19          | 99.02          | 98.73          |
| Commission                          | 22.96          | 23.28          | 36.33          | 28.63          | 24.52          | 28.41          | 33.93          |
| %of TOI                             | 0.87           | 0.75           | 1.00           | 0.72           | 0.59           | 0.73           | 0.99           |
| Other Income                        | 8.36           | 8.42           | 8.16           | 8.46           | 9.15           | 9.68           | 9.54           |
| %of TOI                             | 0.32           | 0.27           | 0.22           | 0.21           | 0.22           | 0.25           | 0.28           |
| <b>Total Operating Income (A)</b>   | <b>2632.39</b> | <b>3098.84</b> | <b>3649.96</b> | <b>3993.66</b> | <b>4141.05</b> | <b>3876.74</b> | <b>3432.62</b> |
| %of TOI                             | 100.00         | 100.00         | 100.00         | 100.00         | 100.00         | 100.00         | 100.00         |
| Interest On Deposit & Borrowings    | 1738.52        | 2185.96        | 2597.3         | 2891.9         | 2818.72        | 2669.98        | 2351.35        |
| %of TOI                             | 66.04          | 70.54          | 71.16          | 72.41          | 68.07          | 68.87          | 68.50          |
| Other Exps.                         | 362.45         | 407.58         | 467.03         | 529.59         | 550.77         | 576.66         | 579.55         |
| %of TOI                             | 13.77          | 13.15          | 12.80          | 13.26          | 13.30          | 14.87          | 16.88          |
| <b>Total Operating Expenses (B)</b> | <b>2100.97</b> | <b>2593.54</b> | <b>3064.33</b> | <b>3421.49</b> | <b>3369.49</b> | <b>3246.64</b> | <b>2930.9</b>  |
| % of TOI                            | 79.81          | 83.69          | 83.96          | 85.67          | 81.37          | 83.75          | 85.38          |
| Operating Profit (A-B)              | 531.42         | 505.3          | 585.63         | 572.17         | 771.56         | 630.1          | 501.72         |
| %of TOI                             | 20.19          | 16.31          | 16.04          | 14.33          | 18.63          | 16.25          | 14.62          |
| Non Operating Income                | -              | -              | -              | -              | -              | -              | -              |
| %of TOI                             | -              | -              | -              | -              | -              | -              | -              |
| Net Profit Before Provision(8+9)    | 531.42         | 505.3          | 585.63         | 572.17         | 771.56         | 630.1          | 501.72         |
| %of TOI                             | 20.19          | 16.31          | 16.04          | 14.33          | 18.63          | 16.25          | 14.62          |
| Provision                           | 195.77         | 154.55         | 196.14         | 174.98         | 319.08         | 198.08         | 121.11         |
| %of TOI                             | 7.44           | 4.99           | 5.37           | 4.38           | 7.71           | 5.11           | 3.53           |
| <b>Net Profit (10-12)</b>           | <b>335.65</b>  | <b>350.75</b>  | <b>389.49</b>  | <b>397.19</b>  | <b>452.48</b>  | <b>432.02</b>  | <b>380.61</b>  |
| %of TOI                             | 12.75          | 11.32          | 10.67          | 9.95           | 10.93          | 11.14          | 11.09          |
| Trend Ratio of Operating Income     | 100.00         | 117.72         | 138.66         | 151.71         | 157.31         | 147.27         | 130.40         |
| Trend Ratio Of Operating Exps.      | 100.00         | 168.69         | 199.31         | 222.54         | 219.16         | 211.17         | 190.63         |
| Trend Ratio of Net Profit           | 100.00         | 104.50         | 116.04         | 118.33         | 134.81         | 128.71         | 113.39         |

Source: Computation from table 3.10 to 3.16

**Note:** 1997-98 is base year for Trend Ratio

### **THE SELECTED UCBS OF THE SABARKANTH DISTRICT:**

The consolidated common-size income statement (P& L A/C) of the selected UCBS of the Sabarkantha district has been presented in table 3.22 under period of the study. It is evident that operating income registered an increasing trend during the first five years and decreasing trend during the next two years.

The operating trend ratio increased during the first five years of the study period and a declining trend during the last two years. The interest and discount registered almost a steady trend during the study period. It was around 99 percent of the total income during the period of the study. The other incomes proportion was 1 percent of the total operating income during the period of the study.

It can be observed from the table 3.22 that the total operating expenses registered a mixed trend during the study period. It was 79.81 percent, the lowest level, in 1997-98 and was at the highest level in 2000-2001 when it stood at 85.67 percent of the total operating income. There after during the fifth year it was 81.37 percent and sixth and seventh years it recorded an increasing trend when it was 83.75 percent in 2002-2003 and 85.38 percent in 2003-2004. It can be observed from the trend ratio of operating expenses that it was the highest in 2000-2001. The major proportion of expenses was interest on deposits and borrowing which shown an increasing trend during the first four years of the study period. It declined during the fifth and seventh years. It was 66.04 percent in 1997-98 and 72.41 percent in 2000-2001 of the total income. It was 68.07 percent in 2002-2003. It stood at 68.50 percent in 2003-2004. The other expenses registered a mixed trend during the period of study. It ranged between 12.80 percent in 1999-2000 to 16.88 percent in 2003-2004. The non operating incomes did not have much impact on total operating income as it was nil during the period of the study. The amount of provision did not remain steady during the period of the study. It ranged between 3.53 percent in 2003-2004 to 7.44 percent in 1997-98. The trend ratio of the expenses was higher than that of income during the period of study.

It can be observed from the table that the net profit was declined during the first four years and increased during next two years and marginal declining trend during the last year of the study. It was the highest in 1997-98 as it was 12.75 percent and the lowest in 2001-2002 when it was 9.95 percent. It can be remarked that there was an increasing trend during the last two years of the study period. The net profit trend ratio showed a mixed trend during the study period but did not increased with operating income ratio.

On the basis of the foregoing analysis the performance of the selected UCBS of Sabarkantha were satisfactory from the view point of profitability.

**Table 3.23**  
**Consolidated common size income statement of the selected UCBS of**  
**Banaskantha District**  
**(1997-98 to 2003-2004)**

(Rs. In Lakhs)

| <b>Operating Income</b>             | <b>97-98</b>   | <b>98-99</b>   | <b>99-00</b>   | <b>00-01</b>   | <b>01-02</b>   | <b>02-03</b>   | <b>03-04</b>   |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Interest & Discount                 | 1110.96        | 1403.61        | 1863.22        | 2452.57        | 2561.74        | 2461.27        | 2194.96        |
| %of TOI                             | 98.70          | 98.77          | 98.66          | 98.60          | 96.19          | 92.32          | 88.19          |
| Commission                          | 1.97           | 2.66           | 3.95           | 3.56           | 3.65           | 3.92           | 4.23           |
| %of TOI                             | 0.18           | 0.19           | 0.21           | 0.14           | 0.14           | 0.15           | 0.17           |
| Other Income                        | 12.69          | 14.87          | 21.32          | 31.34          | 97.86          | 200.79         | 289.80         |
| %of TOI                             | 1.13           | 1.05           | 1.13           | 1.26           | 3.67           | 7.53           | 11.64          |
| <b>Total Operating Income (A)</b>   | <b>1125.62</b> | <b>1421.14</b> | <b>1888.49</b> | <b>2487.47</b> | <b>2663.25</b> | <b>2665.98</b> | <b>2488.99</b> |
| %of TOI                             | 100.00         | 100.00         | 100.00         | 100.00         | 100.00         | 100.00         | 100.00         |
| Interest On Deposit & Borrowings    | 794.83         | 1056.24        | 1442.1         | 1862.5         | 1934.17        | 1927.73        | 1777.35        |
| %of TOI                             | 70.61          | 74.32          | 76.36          | 74.88          | 72.62          | 72.31          | 71.41          |
| Other Exps.                         | 204.55         | 245.82         | 294.41         | 340.76         | 370.66         | 416.74         | 438.99         |
| %of TOI                             | 18.17          | 17.30          | 15.59          | 13.70          | 13.92          | 15.63          | 17.64          |
| <b>Total Operating Expenses (B)</b> | <b>999.38</b>  | <b>1302.06</b> | <b>1736.51</b> | <b>2203.26</b> | <b>2304.83</b> | <b>2344.47</b> | <b>2216.34</b> |
| %of TOI                             | 88.78          | 91.62          | 91.95          | 88.57          | 86.54          | 87.94          | 89.05          |
| Operating Profit (A-B)              | 126.24         | 119.08         | 151.98         | 284.21         | 358.42         | 321.51         | 272.65         |
| %of TOI                             | 11.22          | 8.38           | 8.05           | 11.43          | 13.46          | 12.06          | 10.95          |
| Non Operating Incomes               | -              | -              | -              | -              | -              | -              | -              |
| %of TOI                             | -              | -              | -              | -              | -              | -              | -              |
| Net Profit Before Provision(8+9)    | 126.24         | 119.08         | 151.98         | 284.21         | 358.42         | 321.51         | 272.65         |
| %of TOI                             | 11.22          | 8.38           | 8.05           | 11.43          | 13.46          | 12.06          | 10.95          |
| 11 Provision                        | 23.25          | 20.95          | 25.07          | 199.60         | 292.58         | 256.55         | 217.50         |
| %of TOI                             | 2.07           | 1.47           | 1.33           | 8.02           | 10.99          | 9.62           | 8.74           |
| <b>Net Profit (10-12)</b>           | <b>102.99</b>  | <b>98.13</b>   | <b>126.91</b>  | <b>84.61</b>   | <b>65.84</b>   | <b>64.96</b>   | <b>55.15</b>   |
| %of TOI                             | 9.15           | 6.91           | 6.72           | 3.40           | 2.47           | 2.44           | 2.22           |
| Trend Ratio of Operating Income     | 100.00         | 126.25         | 167.77         | 220.99         | 236.60         | 236.85         | 221.12         |
| Trend Ratio Of Operating Exps.      | 100.00         | 130.29         | 173.76         | 220.46         | 230.63         | 234.59         | 221.77         |
| Trend Ratio of Net Profit           | 100.00         | 95.28          | 123.23         | 82.15          | 63.93          | 63.07          | 53.55          |

Source: Computation from table 3.17 to 3.20

**Note:** 1997-98 is base year for Trend Ratio

## **THE SELECTED UCBs OF THE BANASKANTHA DISTRICT**

The consolidated common-size income statement (P& L A/C) of the selected UCBs of the Banaskanth district has been presented in table 3.23 under period of the study.

The interest and discount registered a steady growth during the study period. It was nearly 98.50 percent during the first four years. This ratio showed a declining trend during the last three years of the period of the study. It decreased from 96.19 percent in 2001-2002 to 88.19 percent in 2003-2004. The other of incomes did not have much impact on total operating income during the first four years of the study period. Its portion was only 0.5 percent during first four years of the study period. While its portion was nearly 4 percent during the next two years and 12 percent during the last year under study period.

It can be observed from the table that the total operating expenses registered an increasing trend during the first three years and declining trend during the next two years, again an increasing trend during the last two year during the study period. It was highest in 1999-2000 when it was 91.95 percent and the lowest in 2001-2002 when it was 86.54 percent of the total income during the study period. Thus it was always more than 86 percent during the period of the study. The trend ratio of operating expenses indicated that the rate of growth in operating expenses was much higher than that of operating income during the period of the study. It adversely affected to the selected bank's efficiency. The operating expenses showed an increasing trend during the first three years and



decreasing trend during the next four year of the study period. It increased from 70.61 percent in 1997-1998 to 76.36.percent in 1999-2000. It decreased from 74.88% percent in 2000-2001 to 71.41percent in 2003-2004. The proportion of other expenses showed a mixed trend during the period under study. It was the lowest in 2000-2001 when it was 13.70 percent and the highest level of 18.17 percent in 1997-98.

The non-operating incomes did not have much impact on income as its proportion was nil during the period of study. The proportion of provision was a mixed trend during the period of study. It ranged between 1.47 percent in 1998-99 to 10.99 percent in 2001-2002. A large amount was provided for provisions during the last year. The net profit registered a declining trend during the study period. It was decreased from 9.15 percent in 1997-98 to 2.22 percent in 2003-2004. It can be analyzing from the these table 1.23 and 1.24 that the operating expenses and net profit of the UCBs of Banaskantha district were nearer to North Gujarat UCBs. The trend ratio of operating expenses indicated that the rate of growth in operating expenses was much higher than that of operating income during the period of the study. It adversely affected to the selected bank's efficiency. in future. The net profit trend ratio of the Banaskantha district's UCBs remain as same as well as North Gujarat UCBs.

**Table 3.24**  
**Consolidated Common Size Income Statement Of The Selected UCBs**  
**(1997- 98 To 2003-2004)**

(Rs. In Lakhs)

| <b>Operating Income</b>             | <b>97-98</b>    | <b>98-99</b>    | <b>99-00</b>    | <b>00-01</b>    | <b>01-02</b>    | <b>02-03</b>    | <b>03-04</b>    |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Interest & Discount                 | 11950.69        | 16899.82        | 22217.34        | 28961.80        | 24807.52        | 23351.12        | 19388.09        |
| %of TOI                             | 99.12           | 99.15           | 98.80           | 98.89           | 97.30           | 96.93           | 95.25           |
| Commission                          | 78.14           | 107.36          | 143.54          | 182.50          | 362.32          | 388.69          | 473.24          |
| %of TOI                             | 0.65            | 0.63            | 0.64            | 0.62            | 1.42            | 1.61            | 2.32            |
| Other Income                        | 28.19           | 37.90           | 126.18          | 144.04          | 324.76          | 350.93          | 494.09          |
| %of TOI                             | 0.23            | 0.22            | 0.56            | 0.49            | 1.27            | 1.46            | 2.43            |
| <b>Total Operating Income(A)</b>    | <b>12057.02</b> | <b>17045.08</b> | <b>22487.06</b> | <b>29288.34</b> | <b>25494.60</b> | <b>24090.74</b> | <b>20355.42</b> |
| %of TOI                             | 100.00          | 100.00          | 100.00          | 100.00          | 100.00          | 100.00          | 100.00          |
| Interest On Deposit & Borrowings    | 8753.90         | 13211.90        | 17938.58        | 24057.82        | 19110.13        | 17334.97        | 14403.22        |
| %of TOI                             | 72.60           | 77.51           | 79.77           | 82.14           | 74.96           | 71.96           | 70.76           |
| Other Exps.                         | 1459.72         | 1842.23         | 2246.56         | 2592.00         | 2760.86         | 2846.85         | 2978.06         |
| %of TOI                             | 12.11           | 10.81           | 9.99            | 8.85            | 10.83           | 11.82           | 14.63           |
| <b>Total Operating Expenses (B)</b> | <b>10213.62</b> | <b>15054.13</b> | <b>20185.14</b> | <b>26649.82</b> | <b>21870.99</b> | <b>20181.82</b> | <b>17381.28</b> |
| %of TOI                             | 84.71           | 88.32           | 89.76           | 90.99           | 85.79           | 83.77           | 85.39           |
| Operating Profit (A-B)              | 1843.40         | 1990.95         | 2301.92         | 2638.52         | 3623.61         | 3908.92         | 2974.14         |
| %of TOI                             | 15.29           | 11.68           | 10.24           | 9.01            | 14.21           | 16.23           | 14.61           |
| Non Operating Incomes               | ---             | ---             | ---             | ---             | ---             | ---             | ---             |
| %of TOI                             | -               | --              | --              | --              | --              | --              | --              |
| Net Profit Before Provision(8+9)    | 1843.40         | 1990.95         | 2301.92         | 2638.52         | 3623.61         | 3908.92         | 2974.14         |
| %of TOI                             | 15.29           | 11.68           | 10.24           | 9.01            | 14.21           | 16.23           | 14.61           |
| Provision                           | 499.52          | 419.42          | 513.86          | 762.84          | 1601.81         | 2331.60         | 1639.97         |
| %of TOI                             | 4.14            | 2.46            | 2.29            | 2.60            | 6.28            | 9.68            | 8.06            |
| <b>Net Profit (10-12)</b>           | <b>1343.88</b>  | <b>1571.53</b>  | <b>1788.06</b>  | <b>1875.68</b>  | <b>2021.80</b>  | <b>1577.32</b>  | <b>1334.17</b>  |
| %of TOI                             | 11.15           | 9.22            | 7.95            | 6.40            | 7.93            | 6.55            | 6.55            |
| Trend Ratio of Operating Income     | 100.00          | 141.37          | 186.51          | 242.92          | 211.45          | 199.81          | 168.83          |
| Trend Ratio Of Operating Exps.      | 100.00          | 147.39          | 197.63          | 260.92          | 214.14          | 197.60          | 170.18          |
| Trend Ratio of Net Profit           | 100.00          | 116.94          | 133.05          | 139.57          | 150.44          | 117.37          | 99.28           |

Source: Computation from table 3.1 to 3.20

## ***REFERENCES***

1. R.D. Kennedy and S. Y. Mullen. " Financial Statements from Analysis and Interpretation, Richar D. Irwin,Inc; 1968), p.247.
2. S.N. Mahesshwari, " Principles of Management Accounting", Sultan Chand & Sons,1981,P.43
3. M.R. Agrawal," Financial Management" RBSA Publishshers Jaipur Ed. 2003, p.66
4. R. L.Gupta and M. Radhaswamy, Advanced Accountancy. ( New Delhi: Sultan Chand & Sons; 1982), p. FAS-23.
5. M. R. Agrawal " Financial Management ".RBSA Publishshers Jaipur 2003, p.65
6. Ibid.
7. John. N. Mayer " Financial Statement Amalysis" New Jerrey : Prentice Hall Inc. Engle. wood Cliffes, 1969, p.86.

## **CHAPTER-IV**

### **ANALYSIS OF PROFITABILITY**

4.1 Introduction:

4.2 Concept of Profitability and its Importance in Banking Sector

4.3 Measurement of Profitability in the UCB

4.4. Analysis of Profitability of the Banks Under Study.

## **Introduction:**

In today's world of healthy competition where all business units and industries are trying to survive in the market, the banking sector cannot be aloof from competition in market. As liberalization and globalization have opened the door for free entry in any business, the co-operative sector of banking has to face competition from not only nationalized or commercial banks but also from private financial institutions and foreign banks. Three decades back, profit had a back seat or came as an end product. They never consciously planned their business of banking from the profit point of view. But today profit is a sign of vitality, financial strength and success in competition scenario. It ensures survival and growth and can eventually become the only parameter for performance evaluation. Hence for a banker, profit has become very significant. **J.M. Keynes** remarked; "the profit is the engine that derives the business enterprise"<sup>1</sup>.

The word profit has been defined in a number of ways. **Kohler** defined profits as "A general term for the excess of revenue proceeds or selling price over related cost"<sup>2</sup>. According to **Davidson, Stickney and Wail** "The term net income earnings and profits are synonymous used interchangeably in corporate annual report"<sup>3</sup>. In this chapter an attempt has been made to find out the importance of profit margin, profitability and return on investment in banking sector and to measure the profitability of banking sector using accounting techniques of profitability analysis and statistical tools along with graphs and chart. The profitability means the profit making ability of an enterprise. An analysis of profitability reveals how the profit position stands as a result of total transactions made during the year.

The word profitability is composed of two words profit and ability. The word profit has been defined in a number of ways. The term ability is also referred to as “earning power or operating performance of the concerned investment. “ Profitability may be defined as the ability of a given investment to earn a return from its use”<sup>4</sup> The overall objective of a business is to earn at least a satisfaction return on fund invested in it, consistent with maintaining a sound financial position. Satisfactory return depends upon several factors, including the nature of business risk. According to **Chakra barty**, “The term profitability has a sense of relatives, whereas the term profit is used in absolute sense.”<sup>5</sup> The efficiency of a business concern is generally measured by the amount of profit earned. Profitability has been considered, to a great extent, one of them the main criteria to judge the extent to which management has been successful in efficiently utilizing the funds at its disposal or in other words, how far has management been successful in maximizing its profit or minimizing its losses, if any. According to **Kuchhal S.C.**" The profit margin is a measure of overall profitability. This measure is also referred to as the net income percentage or the return on sales." <sup>6</sup>

The profitability analysis is helpful to internal and external parties because it helps the external users of accounting information pertaining to a particular business concern viz, shareholders, bond holders, potential investors, bankers and other creditors and numerous governmental agencies, in measuring its economic health by its net earnings. Thus profitability analysis is one of the significant aspects of financial appraisal of individual firms or industries because it provides an answer to a very important and basic question how business is ? This question is posed in view of a simple recognition of the business adage that most

enterprises need procure funds in order to operate profitability. In this sense, profitability implies profit-making ability of an enterprise. The profitability of bank depends upon its allocation and operation efficiencies. “Allocation efficiency refers to the efficient allocation of funds by an institution among completing demands. Operational efficiency refers to the difference between the rates at which funds are raised and deployed. In the banking business, profit reflects surplus of income over expenditure. A bank earns income mainly from interest on advances and services provided to its customers, viz:

- 1 Interest from advances;
- 2 Commission exchange and brokerage
- 3 Miscellaneous income generating activities;
- 4 Non-operating incomes from non-banking assets;
- 5 Interest from investment in government securities and other securities.

These earnings of a bank used in many ways. These are as under.

- 1 Interest paid on deposits and borrowings;
- 2 Paid other general expenses, administration, allowances, salary, establishment and infrastructure facilities expenses.

Hence, excess of income earned over expenditure is the only profit-margin for banking sector. Thus if a bank fail to utilize its funds efficiently, it has to suffer losses.

### **4.3 Measurement of Profitability in the UCBS**

The profitability can be measured in terms of different components of income statement or balance sheet. Measurement of profitability is of

great importance to a banking enterprise because it enables the management to ascertain the exact standing of its bank in comparison to other banks in the same locality, city or town. It also helps them to take important decision regarding expansion of area of operation, adoption of modern technology, raising of additional funds, changes in financial policies ect. The ratio analysis can make comparison between different size firms much more meaningful. One can analyze performance of bank through profitability. The ratio is the most important measure of profitability of any organization. It provides an idea about the efficiency of a management in allocating its resources and earning returns thereby. In the word of **Murthy** “The most important measure of profitability of enterprise is ratio.”<sup>7</sup> The profitability of banking sector can be measured by using the following types of profitability ratios:

**1. The profitability Ratios are in Relation to Operating Income.**

- (I) Operating Profit Margin Ratio.
- (II) Net Profit to Total Assets Ratio.

**2. The Profitability in Relation to the Investment:**

- (I) Interest Earned to Total Funds Ratio.
- (II) Interest Paid to Total Funds Ratio.
- (III) Return on Total Funds Ratio.
- (IV) Return on Capital Employed.
- (V) Cost of External Funds Ratio.



#### **4. Analysis of the Profitability of the Banks Under Study:**

An attempt has also been made to judge the profitability of the selected UCBs through ratio. The researcher has used the following ratio:

1. Operating Profit Margin Ratio (OPMR).
2. Interest Earned To Total Funds Ratio (IETFR).
3. Interest Paid To Total Funds Ratio (IPTFR).
4. Return on Total Funds Ratio (RTFR).
5. Return on Capital Employed Ratio (RCER).
6. Cost of External Funds Ratio (CEFR).
7. Net Profit to Total Assets Ratio (NPTAR).

#### **Operating Profit Margin Ratio (OPMR)**

Operating profit margin ratio is an important ratio measuring the profitability of the UCBs. This ratio reflects the operating efficiency of the UCBs. It also indicates the efficiency of the management to earn a higher margin per rupee of income. This ratio is called operating profit ratio. It establishes the relationship between operating profit and operating income. This ratio is also known as Gross Margin Ratio and is calculated as follows.

**Operating profit margin ratio = Operating Profit/Operating Income\*100**

Where operating profit = operating income - operating expenses. This ratio indicates the profitability of business i.e. operating efficiency of a bank. A higher the operating margin ratio, that better would be the

operational efficiency of the bank. A higher operating margin ratio means a bank has been able not only to increase its operating income but also been able to cut down its operating expense. In short a higher ratio is a sign of good management while a low ratio may suggest decline profitability.

**Operating Income**= Interest received on government securities, investment, loans and advances, bills discounted, commission, exchange and brokerage plus other revenue income.

**Operating Expense**= Interest paid on deposits and borrowing plus other general expenses like salaries, allowances, provident fund directors fees, rent and taxes, insurances, lighting, law charges, audit fees, depreciation, stationery, printing and advertisement expenses and other expenses.

### **Interest Earned to Total Fund Ratio:**

Interest earned to total fund is an important ratio of measuring the efficiency of management regarding employing its funds in an optimum manner. This ratio indicates the interest earned on each rupee of total funds employed. As interest earned is a major source of income in the UCBs. They should try to earn maximum returns on employed funds. But at the same time, they should make safer advances and try to reduce the proportion of NPA. They should also invest their funds in Government securities. As interest earned has direct effect on profitability of the UCBs, the management should be efficient in taking decision about how much funds should be advanced, how much should be invested and how much should be remain as liquid assets so that optimum level of liquidity can be maintained. The ratio is calculated by using following equation.

**Interest Earned to Total Funds Ratio=Interest Earned/total funds\*100**

**Interest Earned**= Interest on loans and advances, plus interest on Govt. securities plus interest on other securities and income from bills discounted.

**Total Funds**= share capital plus reserve and surplus long term and short term deposits plus Borrowings and current liabilities.

This ratio measures the profitability of investments which reflects managerial efficiency. The higher the ratio indicates efficient utilization of funds while decreasing trend of this ratio marks the failure of UCBs in optimum utilization of funds. The basic objective of this ratio is to measure the effectiveness of the use of these funds A decreasing trend, indicates poor policy of advancing loans in the UCBs.

#### **Interest Paid to Total Fund Ratio:**

Interest paid to total funds ratio is an important ratio for measuring the profitability of the UCBs. In banking sector interest paid occupies a major portion of total operating cost and affects profitability. As each fund has its own procurement cost, if interest paid is higher, it reduce profitability and indicates failure of management in obtaining low cost deposits. The bank should always try to get maximum deposits at a lower cost and should advance at a higher rate, because difference between cost of deposits and return on advance is the profit margin for bank. Interest paid is always compared with interest earned. There should be enough margins between these two variables i.e. the growth of interest paid should be less

than interest earned so that the bank can maintain its profit. This ratio is calculated as follows.

**Interest Paid to Total Fund Ratio= Interest Paid/Total Funds\*100**

**Interest Paid**= interest paid on deposits and borrowings.

**Total Funds**= share capital plus reserve and surplus long term and short term deposits plus Borrowings and current liabilities.

This ratio indicates the interest paid on each rupee of total funds obtained and also shows obligation of banks towards their depositors. The higher the ratio indicates inefficiency of management in obtaining low cost deposits. Besides it also indicates decreasing faith of public in the UCBs. Similarly, decreasing the ratio indicates efficiency of bank in obtaining low cost deposits but unwillingness investments by the investors.

**Return on Total Fund Ratio:**

Profitability can also be measured by establishing relationship between operating profit and total assets. Return on total funds is also one of the important measures of profitability. It measures the profitability of all financial resources invested in the assets of a bank. It also indicates efficiency of the management in advancing loans and investments which investing in the most profitable sector so that the bank can earn large amount of interest. In the banking units, profit depends upon efficiency of the management in utilizing its funds. The more efficient use of funds, the more profitability assured. This ratio has been calculated by dividing the operating profit by total funds invested or total assets in the banking sector.

**Return on Total Funds Ratio= Operating Profit/Total Funds\*100**

**Operating Profit**= Operating Income less Operating Expenses

**Total Funds**= Total Assets.

This ratio measures the profitability of investments, which reflects managerial efficiency. It indicates the capacity to earn operating profit per rupee of total funds. The higher the ratio, the better is the profit earning capacity of the firm or vice versa. An increasing trend of this ratio indicates that the bank is able to earn more income by utilizing its funds in a profitable manner. But a decreasing trend indicates the bank's failure in managing funds. The basic objective of this ratio is to measure the effectiveness of the use of funds.

### **Return on Capital Employed Ratio:**

The primary objective of making investment in any business is to obtain adequate return on capital invested. Therefore, to measure the overall profitability of the bank, it is essential to compare operating profit with capital employed. It is also called "Return on Investment" (ROI) In relation to banking sector return on capital employed is an important ratio for measuring the efficiency of management in utilization of funds supplied by depositors and owners. It expresses profitability on overall investment viz. total resources utilized by the bank. The capital employed is equal to owner's funds plus long-term deposits. Thus capital employed basis provide a test of profitability related to the long-term funds. The formula used is as follows:

**Return on Capital Employed Ratio= Operating Profit/Capital Employed\*100**

**Operating profit** = operating income less operating expenses

**Capital Employed** = Owners Funds plus long- term deposits.

The higher the ratio, more efficiency of the management in utilizing funds entrusted to them and better is the financial position of bank. This ratio indicates the earning power of the bank on each rupee invested. This ratio is useful for management to take investment decisions in form of deposits in a particular bank and judging the prospects or stability of the bank.

**Cost of External Funds Ratio:**

The cost of external funds ratio is an important measure of evaluating the cost of obtaining external funds. As each deposit has its own cost, a bank has to obtain funds at a minimum cost and to advance at higher rate of interest. It spread between interest earned and interest paid is the only profit margin of bank. The bank tries to obtain low cost funds as compared to high cost of fund. This ratio is calculated as under,:

**Cost of External funds Ratio=Interest Paid/External Funds\*100**

**Interest paid**= Interest Paid on Deposits and Borrowing.

**External Funds**= Deposits plus Borrowings.

The higher the rate of this ratio indicates the inefficiency of management in obtaining funds. While lower the rate of this ratio marked the efficiency of management in obtaining funds at low cost.

## **Net Profit to Total Assets Ratio**

Net profit to total assets ratio measures overall profitability of the UCBs. This ratio is an advancement of "Return on Total Funds Ratio". Return on total funds ratio measures the operating efficiency of the management in utilizing funds, while net profit to total assets ratio reveals net earning of the UCBs by utilizing funds. It gives earning per rupee of funds invested. Higher earnings indicate control of management on its operating cost or efficient utilization of funds. The formula for calculation of this ratio is as follows:

**Net Profit to Total Assets Ratio = Net Profit/ Total Assets \*100**

**Net Profit** = Operating plus non operating income less non operating expenses and provisions.

**Total Assets** =Total Funds.

### **5. Analysis of Profitability of the Units Under Study**

The calculation and analysis of above seven ratios have been presented in table no. 4.1, 4.3, 4.5, 4.7, 4.9, 4.11, 4.13 here under:

**Table 4.1**  
**Operating Porfit Margin Ratio of the all Selected bank Under Study:**

| <b>BANKS</b>   | <b>97-98</b> | <b>98-99</b> | <b>99-00</b> | <b>00-01</b> | <b>01-02</b> | <b>02-03</b> | <b>03-04</b> | <b>Average</b> |
|----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|
| <b>MCB</b>     | 7.3          | 6.71         | 3.68         | 3.06         | 9.14         | 9.1          | 10.81        | 7.11           |
| <b>MUCB</b>    | 12.96        | 9.9          | 8.81         | 7.18         | 15.48        | 25.21        | 22.94        | 14.64          |
| <b>SCCB</b>    | 19.61        | 14.13        | 10.17        | 8.49         | 20.75        | 13.56        | 15.78        | 14.64          |
| <b>KNSB</b>    | 30.58        | 19.27        | 14.56        | 13.09        | 13.03        | 7.93         | 7.09         | 15.08          |
| <b>MNSB</b>    | 17.47        | 13.98        | 11.03        | 7.8          | 4.52         | 3.83         | 6.97         | 9.37           |
| <b>RNSB</b>    | 7.46         | 6.24         | 5.17         | 4.43         | 5.26         | 6.36         | 1.08         | 5.14           |
| <b>HNSB</b>    | 27.46        | 26.35        | 25.8         | 23.75        | 20.26        | 22.38        | 13.42        | 22.77          |
| <b>AMCB</b>    | 13.88        | 7.56         | 11.27        | 13.42        | 8.71         | 7.17         | 9.93         | 10.28          |
| <b>UNSB</b>    | 6.39         | 5.6          | 4.18         | 3.25         | 7.56         | 9.57         | 10.98        | 6.79           |
| <b>VNSB</b>    | 11.64        | 13.61        | 19.68        | 18.77        | 13.39        | 7.99         | 10.41        | 13.64          |
| <b>BNSB</b>    | 13.36        | 15           | 18.03        | 19.92        | 18.32        | 15.08        | 9.72         | 15.63          |
| <b>KHNSB</b>   | 21.58        | 19.23        | 18.13        | 17.2         | 7.24         | 9.25         | 5.11         | 13.96          |
| <b>MONSB</b>   | 21.79        | 18.06        | 18.34        | 16.81        | 32.85        | 25.4         | 24.33        | 22.51          |
| <b>TNSB</b>    | 15.13        | 12.62        | 13.47        | 9.01         | 19.05        | 14.32        | 11.7         | 13.61          |
| <b>INSB</b>    | 22.6         | 17.41        | 13.74        | 10.56        | 11.86        | 13.8         | 12.98        | 14.71          |
| <b>HINSB</b>   | 21.67        | 16.5         | 16.31        | 15.04        | 15.45        | 14.86        | 15.16        | 16.43          |
| <b>BMCB</b>    | 8.85         | 7.37         | 6.14         | 7.01         | 15.04        | 16.97        | 17.69        | 11.30          |
| <b>DNSB</b>    | 8.58         | 6.5          | 8.13         | 13.06        | 11.91        | 8.36         | 4.74         | 8.75           |
| <b>PPCB</b>    | 23.36        | 15.72        | 14.43        | 19.41        | 17.35        | 7.01         | 6.97         | 14.89          |
| <b>PCB</b>     | 21.5         | 16.05        | 12.6         | 19.86        | 11.68        | 9.79         | 7.94         | 14.20          |
| <b>Average</b> | 16.66        | 13.39        | 12.68        | 12.56        | 13.94        | 12.40        | 11.29        | 13.27          |

*SOURCE : Computed from the Published Annual Reports of the Banks under study:*

### **OPERATING PROFIT MARGIN RATIO (OPMR)**

The operating profit margin ratio is calculated by dividing operating profit by total operating income. Table 4.1 indicates the operating profit ratio.

In MCB the operating profit ratio increased from 7.30 percent in 1997-98 to 10.81 percent in 2003-2004. The OPMR was 6.71 percent in 1997-98 which came down to 3.06 percent in 2000-2001. But after that it improved during the last three years of the study period. It was 9.14 percent in 2001-2002 and 9.10 percent in 2002-2003. Finally, it stood at 10.81 percent in 2003-2004.



The operating profit margin ratio in MUCB showed mixed trend during the study period. It was 12.96 percent in 1997-98 which went down to 7.18 percent in 2000-2001. But thereafter it increased from 15.48 percent in 2001-2002 to 25.21 percent in 2002-2003. Finally, it came down to 22.94 percent in 2003-2004.

SCCB registered a decreasing trend during the first four years and an increasing trend during the fifth year and again a decreasing trend during the sixth year and also it increased during the last year of the study period. It was 19.61 percent in 1997-98 which stepped down to 8.49 percent in 2000-2001. But, it increased to 20.75 percent in 2001-2002 which went down to 13.56 percent in 2002-2003. Finally, it reached at 15.78 percent in 2003-2004.

In KNSB this ratio registered continuous decreasing trend during the study period. It decreased from 30.58 percent in 1997-98 to 7.09 percent in 2003-2004.

MNSB registered a decreasing trend during the first six years of the study period under review. It was 17.47 percent in 1997-98 which went down to 3.83 percent in 2002-2003. Finally, it increased up to 6.97 percent in 2003-2004.

The operating profit margin ratio in RNSB registered a mixed trend during the period of the study. It decreased during the first four years and increased during the next two years, again a decreasing trend during the last year under study. It was at the highest level of 7.46 percent in 1997-98 and at the lowest level in 4.43 percent in 2000-2001 during the first six

year of study period. It increased from 5.26 percent in 2001-2002 to 6.36 percent in 2002-2003. Finally it was 1.08 percent in 2003-2004.

The operating profit margin ratio in HNSB witnessed a decreasing trend during the period of the study except in 2002-2003. It was 27.46 percent in 1997-98 which went down to 20.26 percent in 2001-2002 and reached at 22.38 percent in 2002-2003. Finally, it steeped down to 13.42 percent in 2003-2004.

The OPMR in AMCB witnessed mixed trend during the period of the study under review. The percentage of the OPMR was 13.88 in 1997-98 which came down to 7.56 in 1998-99 but it went up to 11.27 percent in 1999-2000. Again it increased up to 13.42 percent in 2000-2001. It decreased from 8.71 percent in 2001-2002 to 7.17 percent in 2002-2003 and than after it reached at 9.93 percent in 2003-2004.

The operating profit margin ratio in UNSB witnessed a decreasing trend during the first four years of the study period under review. It was 6.39 percent in 1997-98 which went down to 3.25 percent in 2000-2001 and steeped up to 7.56 percent in 2001-2002. It was 9.57 percent in 2002-2003 and went up to 10.98 percent in 2003-2004 which was the highest level during the period of the study.

In the VNSB the operating profit margin ratio registered a mixed trend during the period of study. It increased during the first three years and deceased during the next three years and again an increase during the last year of the study period. It was at the highest level of 19.68 percent in 1999-2000 and lowest level of 7.99 percent in 2002-2003. It was stood at 10.41 percent in 2003-2004.

In the BNSB the operating profit ratio increased from 13.36 percent in 1997-98 to 19.92 percent in 2000-2001. The operating profit margin ratio was 18.32 percent in 2001-2002 which came down to 15.08 percent in 2002-2003. Finally, it went down to the lowest level of 9.72 percent in 2003-2004.

The operating profit margin ratio of KHNSB registered a decreasing trend during the first five years. An increasing trend during the next years and decreasing trend during the last year of the study period. It was at the highest level in 1997-98 as it was 21.58 percent and at the lowest level in 2003-2004 which was 5.11 percent.

Operating profit margin ratio in MONSB decreased from 21.79 percent in 1997-98 to 16.81 percent in 2000-2001. But there after it increased up to 32.85 percent in 2001-2002 which was the highest level during the period of study. But again it went down to 25.40 percent in 2002-2003. Finally, it stepped down to 24.33 percent in 2003-2004. It can be said that the performance of the bank was satisfactory during the period of study.

The operating profit margin ratio in TNSB witnessed a mixed trend during the period under review. It was 15.13 percent in 1997-98 which came down to 12.62 percent in 1998-99. It again increases to 13.47 percent in 1999-2000 which stepped down to 9.01 percent in 2000-2001. The OPMR was 19.05 percent in 2001-2002 which came down to 14.32 percent in 2002-2003. Finally, it was 11.70 percent in 2003-2004.

In INSB the operating profit margin ratio registered a decreasing trend during the first five years and an increasing trend during the next

two years, again a decreasing trend during the last year during the period of the study. It was 22.60 percent in 1997-98 went down to 10.56 percent in 2000-2001. Again it increased from 11.86 percent in 2001-2002 to 13.80 percent in 2002-2003. But there after it stood at 12.98 percent in 2003-2004.

The operating profit margin ratio of HINSB witnessed a decreasing trend during the first four years of the study period and marginal increasing trend during the next year but again a decreasing trend during the sixth year. It decreased from 21.67 percent in 1997-98 to 15.04 percent in 2000-2001. It was 15.45 percent in 2001-2002 which came down to 14.86 percent. Finally, it reached at 15.16 percent in 2003-2004.

In the BMCB operating profit margin ratio registered a decreasing trend during the first three years and an increasing trend during the next four years of the study period under review. It decreased from 8.85 percent in 1997-98 to 6.14 percent in 1999-2000. It increased from 7.01 percent in 2000-2001 to 17.69 percent in 2003-2004 which was the highest level. The ratio had improved during the last four years of the study period.

The operating profit ratio of the DNSB registered mixed trend during the study period under review. It increased during the first four years except in 1998-99 and decreased during the last three years of the study period. It was the highest level in 2000-2001 which was 13.06 percent and lowest level in 2003-2004 as it was 4.74 percent.

In the PPCB witnessed decreasing trend during the study period under review except in 2000-2001. It was 23.36 percent in 1997-98 which was the highest level. It was 19.41 percent in 2000-2001 which came down to 17.35 percent in 2001-2002 and 7.01 percent in 2002-2003. Finally it stood at 6.97 percent in 2003-2004.

The operating profit margin ratio in PCB registered a decreasing trend during the first three years and an increasing trend during the next year, again a decreasing trend during the last three years of the study period. It decreased from 21.50 percent in 1997-98 to 12.60 percent in 1999-2000. It increased up to 19.86 percent in 2000-2001 which went down to 11.68 percent in 2001-2001. It was 9.79 percent in 2002-2003 and finally steeped down to 7.94 percent in 2003-2004.

On the basis of the above discussion it can be said that there was operating profit in all the selected banking units and registered a more than 10 percent during the first three years of the period of study except MCB, RNSB, UNSB, BMCB, DNSB. But amongst the banks under study, the MCB, MNSB, RNSB, AMCB, UNSB, DNSB, did not maintained the operating profit during the last three years of the study period. MONSB was able to generate operating profit through out study period followed by RNSB, HINSB, HNSB, INSB, and BMCB. The percentage of operating profit in 2001-2002 was the highest in MONSB. It increased during the last year of study period in MCB, SCCB, MNSB, VNSB, HINSB, BMCB, PPCB, and PCB. Hence, it can be said that the profitability of almost all the selected banks fluctuated during the period of study from the view point of operating profit.

#### **F- TEST of OPMR on Total Operating Income.**

When it is believed that two various independent factor (year, Bank) has an effect on response variable of interest, two way 'F' test is used to analyze the difference due to the effect of two factor simultaneously. A null hypothesis is taken that difference appeared is not significant. Alternative hypothesis is taken that the difference appeared is significant.

When calculated value is greater than table value of 'F' null hypothesis is rejected and alternative hypothesis is accepted. When calculated value is lower than table value of 'F' test null hypothesis is accepted and alternative hypothesis is rejected.

The statements of hypothesis are as under:

*Ho: OPMR on operating income do not differ significantly between the years.*

*H1: OPMR on operating income differ significantly between the years.*

*Ho: OPMR on operating income do not differ significantly between the banks*

*H1: OPMR on operating income not differ significantly between the banks*

**Table 4.2**  
**F'-TEST OF OPERATING PROFIT ON OPERATING INCOME**

| <b>Source of Variation</b> | <b>Sum of Squares</b> | <b>d. f. (V)</b> | <b>Mean Squares</b> | <b>F' Ratio</b> |
|----------------------------|-----------------------|------------------|---------------------|-----------------|
| Between years              | 279.26                | 6                | 46.54               | 0.94            |
| Between Bank               | 1960.35               | 19               | 103.18              | 2.08            |
| Residual                   | 5655.14               | 114              | 49.61               |                 |
| Total ss                   | 7894.75               | 139              |                     |                 |

Table Value  $V_1=6$  and  $V_2=114=2.18$  at 5% level of significance.

Table Value  $V_1=19$  and  $V_2=114= 1.66$  at 5% level of significance.

Table 4.2 represents the difference in OPMR on operating income in years is not significant because table value (2.18) is greater than calculated value (0.94) so null hypothesis is accepted i.e. there is no significant difference among the years so far OPMR in operating income is concerned.

Same way table value (1.66) is lower than the calculated value of 'F' (2.08) value for banks and so here also null hypothesis is rejected i.e. there is significant difference in OPMR in operating income amongst various banks.

#### Multiple Comparisons

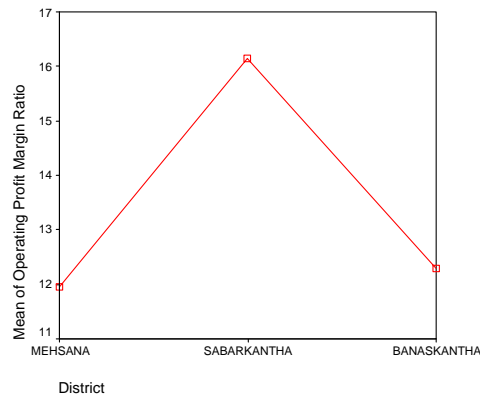
Dependent Variable: Operating Profit Margin Ratio  
Tamhane

| (I) District | (J) District | Mean Difference (I-J) | Std. Error | Sig. | 95% Confidence Interval |             |
|--------------|--------------|-----------------------|------------|------|-------------------------|-------------|
|              |              |                       |            |      | Lower Bound             | Upper Bound |
| MEHSANA      | SABARKANTHA  | -4.195476*            | 1.1309206  | .001 | -6.940283               | -1.450669   |
|              | BANASKANTHA  | -.339286              | 1.2802807  | .991 | -3.479605               | 2.801034    |
| SABARKANTHA  | MEHSANA      | 4.195476*             | 1.1309206  | .001 | 1.450669                | 6.940283    |
|              | BANASKANTHA  | 3.856190*             | 1.2758310  | .011 | .717937                 | 6.994444    |
| BANASKANTHA  | MEHSANA      | .339286               | 1.2802807  | .991 | -2.801034               | 3.479605    |
|              | SABARKANTHA  | -3.856190*            | 1.2758310  | .011 | -6.994444               | -.717937    |

\*. The mean difference is significant at the .05 level.

The mean difference is significant between Mehsana and sabarkanth at 5% level and Sabarkantha and Banaskantha at 5% level.

#### Means Plots



**Table 4.3**  
**Interest Earned To Total Funds Ratio of the Banks Under Study.**  
**(1997-98 to 2003-2004)**

| <b>BANKS</b>   | 97-98 | 98-99 | 99-00 | 00-01 | 01-02 | 02-03 | 03-04 | Average      |
|----------------|-------|-------|-------|-------|-------|-------|-------|--------------|
| <b>MCB</b>     | 17.67 | 17.59 | 16.30 | 16.61 | 16.75 | 16.02 | 15.99 | 16.70        |
| <b>MUCB</b>    | 15.57 | 16.81 | 17.34 | 18.49 | 12.59 | 14.13 | 11.24 | 15.17        |
| <b>SCCB</b>    | 12.69 | 12.53 | 13.04 | 12.08 | 13.93 | 13.05 | 10.81 | 12.59        |
| <b>KNSB</b>    | 11.83 | 10.60 | 11.90 | 16.06 | 15.89 | 13.13 | 11.21 | 12.95        |
| <b>MNSB</b>    | 10.63 | 10.71 | 10.97 | 11.81 | 12.39 | 14.94 | 12.18 | 11.95        |
| <b>RNSB</b>    | 13.36 | 15.67 | 15.12 | 15.41 | 14.26 | 14.48 | 12.91 | 14.46        |
| <b>HNSB</b>    | 13.97 | 12.88 | 12.54 | 13.03 | 12.86 | 12.06 | 10.38 | 12.53        |
| <b>AMCB</b>    | 17.89 | 10.59 | 11.20 | 12.36 | 12.25 | 12.94 | 13.63 | 12.98        |
| <b>UNSB</b>    | 17.12 | 14.89 | 15.46 | 16.62 | 14.41 | 11.71 | 11.45 | 14.52        |
| <b>VNSB</b>    | 10.03 | 11.65 | 10.92 | 10.93 | 13.99 | 11.24 | 8.96  | 11.10        |
| <b>BNSB</b>    | 12.58 | 12.66 | 12.22 | 11.56 | 12.91 | 15.32 | 13.93 | 13.03        |
| <b>KHNSB</b>   | 12.59 | 12.35 | 11.95 | 12.85 | 12.53 | 11.25 | 10.07 | 11.94        |
| <b>MONSB</b>   | 11.19 | 14.20 | 13.23 | 12.85 | 14.72 | 13.50 | 11.24 | 12.99        |
| <b>TNSB</b>    | 12.85 | 12.65 | 13.26 | 12.55 | 14.13 | 12.33 | 10.72 | 12.64        |
| <b>INSB</b>    | 12.93 | 12.90 | 12.86 | 13.43 | 13.75 | 11.01 | 10.88 | 12.54        |
| <b>HINSB</b>   | 15.34 | 12.81 | 13.79 | 14.07 | 12.92 | 12.17 | 10.80 | 13.13        |
| <b>BMCB</b>    | 15.93 | 16.31 | 15.65 | 16.39 | 15.19 | 14.68 | 13.14 | 15.33        |
| <b>DNSB</b>    | 13.17 | 13.05 | 14.47 | 17.22 | 17.66 | 17.95 | 10.77 | 14.90        |
| <b>PPCB</b>    | 12.50 | 11.95 | 10.73 | 12.83 | 12.29 | 12.40 | 10.53 | 11.89        |
| <b>PCB</b>     | 14.46 | 13.01 | 12.43 | 12.70 | 13.22 | 12.47 | 10.46 | 12.68        |
| <b>Average</b> | 13.72 | 13.29 | 13.27 | 13.99 | 13.93 | 13.34 | 11.57 | <b>13.30</b> |

**SOURCE :** *Computed from the Published Annual Reports of the selected Banks*

The table 4.3 shows the interest earned to total funds ratio. In MCB, the interest earned to total funds ratio registered a decreasing trends during the first three years and increasing trend during the next two years, again a decreasing trend during the last two years of the study period. It was the highest level of 17.67 percent in 1997-98 and the lowest level of 15.99 percent in 2003-2004. It was 16.61 percent in 2000-2001 which went up to 16.75 percent in 2001-2001. But there after, it was declined in 20002-2003 which was 16.02 percent.

In the MUCB the interest earned to total funds ratio registered an increasing trend during the first four years and sixth years and declining trend during the fifth and seventh years of the study period. It can be observed from the table 4.3; the IETFR fluctuated between 12.59 percent



in 2001-2002 to 18.49 percent in 2000-2001. Finally it was 11.24 percent in 2003-2004.

The interest earned to total funds ratio in SCCB registered a fluctuating trend during the study period under review. The average of this ratio was 12.59 percent during the study period. It decreased from 12.69 percent in 1997-98 to 12.53 percent in 1998-99. After an increasing to 13.04 percent in 1999-2000, it went down to 12.08 percent in 2000-2001. It was 13.93 percent in 2001-2002 the highest level. Finally, it decreased during the last two years and it stood at 10.81 percent in 2003-2004.

In the KNSB, the interest earned to total funds ratio registered a mixed trend during the study period. It fluctuated between 10.60 percent in 1998-99 to 16.06 percent in 2000-2001. A declining trend was there, during the last four years of the study period. It was 13.13 percent in 2002-2003 which went down to 11.21 percent in 2003-2004.

The interest earned to total funds ratio in MNSB registered an increasing trend during the first six years of the study period. It increased from 10.63 percent in 1997-98 to 14.94 percent in 2002-2003. But after that it came down to 12.18 percent in 2003-2004.

In the RNSB the interest earned to total funds ratio registered a fluctuating trend during the period of the study under review. It was 13.36 percent in 1997-98 which went up to 15.67 percent in 1998-99. It decreased in 1999-2000 when it was 15.12 percent and again an increasing trend during the fourth year as it was 15.41 percent which

came down to 14.26 percent. It was 14.48 percent in 2002-2003. Finally, it steeped down to 12.91 percent in 2003-2004.

In the HNSB, average of the interest earned to total funds ratio was 12.53 percent during the study period. The ratio was 12.88 percent in 1998-99 which decreased to 12.54 percent in 1999-2000 and reached at 13.03 percent in 2000-2001. There after it came down to 12.06 percent in 2002-2003 Finally, it was 10.38 percent in 2003-2004.

AMCB recorded a fluctuating trend in relation to the interest earned to total funds ratio during the period of the study. It was 10.59 percent in 1998-99 which went up to 11.20 percent in 1999-2000 and again it increased to 12.36 percent in 2000-2001. It slightly decreased in 2001-2002 as it was 12.25 percent. However, IETFR steeped up during the last two years which was 12.94 percent in 2002-2003 and finally it was 13.63 percent in 2003-2004.

In UNSB interest earned to total funds ratio witnessed a decreasing trend during the first two years and an increasing trend during the next two years, again a decreasing trend during the study period. It was 17.12 percent in 1997-98 which came down to 14.89 percent in 1998-99. But there after it increased from 15.46 percent in 1999-2000 to 16.62 percent in 2000 2001. It was 14.41 percent in 2001-2002 which stood at 11.45 percent in 2003-2004.

The interest earned to total funds ratio in VNSB registered a mixed trend during the period of the study. It was the highest level in 2001-2002 as it was 13.99 percent and the lowest level of 8.96 percent in 2003-2004.

In BNSB witnessed a decreasing trend during the first four years except in 1998-99 and an increasing trend during the next two years, again a decreasing trend during the last year of the study period. It was 12.58 percent in 1997-98 which came down to 11.56 percent in 2000-2001. However, it was 12.66 percent in 1998-99. It was 12.91 percent in 2001-2002 which reached at 15.32 percent in 2002-2003. Finally, it stood at 13.93 percent in 2003-2004.

In KHNSB, interest earned to total funds ratio registered a decreasing trend through out the study period except in 2000-2001. It was 12.59 percent in 1997-98 which stood at 12.35 percent in 1998-99. It increased to 11.95 percent in 1999-2000 which went down to 12.85 percent in 2000-2001 and 12.53 percent in 2001-2002. Finally it was 10.07 percent in 2003-2004 which was the lowest level.

In the MONSB registered a mixed trend during the period of the study. It was 11.19 percent in 1997-98 which went up to 14.20 percent in 1998-1999, again it came down to 13.23 percent in 1999-2000 and 12.85 percent in 2000-2001. However, it improved in 2001-2002 as it was 14.72 percent. Again it declined in 2002-2003 which was 13.50 percent. Finally, it steeped down to 11.24 percent in 2003-2004.

The interest earned to total funds ratio TNSB witnessed a mixed trend during the period of the study. It was the highest level in 2001-2002 which was 14.13 percent and lowest level of 10.72 percent in 2003-2004. It showed continuously decreasing trend during the last three years of study period.

Interest earned to total funds ratio in INSB registered a steady growth during the first three years and it improved during the next two years and a decreasing trend during the last two years. It was 12.93 percent in 1997-98 which slightly declined in 1999-2000 as it was 12.86 percent. It improved in 2000-2001 which was 13.43 percent in 2000-2001 and 13.75 percent in 2001-2002. It was 11.01 percent in 2002-2003 and finally, it stood at 10.88 percent in 2003-2004.

In HINSB interest earned to total funds ratio witnessed a mixed trend during the first three years and a decreasing trend during the last four years of the study period. It was 15.34 percent in 1997-98, which went down to 12.81 percent in 1998-99. But there after it increased up to 13.79 percent in 1999-2000 and 14.07 percent in 2000-2001. It decreased from 12.92 percent in 2001-2002 to 10.80 in 2003-2004

Interest earned to total funds ratio in BMCB registered an increasing trend during the first four years of the study period except in 1999-2000. It increased from 15.93 percent in 1997-98 to 16.31 percent in 2000-2001. But after that it decreased during the last three years during study period. It declined from 15.19 percent in 2001-2002 to 13.14 percent in 2003-2004.

DNSB registered continuous progressive trend in relation to the interest earned to total funds ratio during the study period except in 2003-2004. It was 13.17 in 1997-98 which went up to 14.47 percent in 1999-2000. The ratio improved during the next three years as it was 17.22 percent in 2000-2001 which rise to 17.95 percent in 2001-2003. But finally, it stood at 10.77 percent in 2003-2004.

In PPCB interest earned to total funds ratio witnessed a decreasing trend during the first three years and an increasing trend during the fourth year, again a decreasing trend during the next three years. It decreased from 12.50 in 1997-98 to 10.73 percent in 1999-2000. But it increased during the fourth year as it was 12.83 percent. But after that it declined from 12.29 percent in 2001-2002 to 10.53 percent in 2003-2004.

As far as PCB concerned the IETFR has average 12.68 percent during the period under study. The ratio decreased during the first three years and an increasing trend during the next two years, again a decreasing trend during the last two years of the study period. It was 14.46 percent in 1997-98 which came down to 12.43 percent in 1999-2000. There after it increased up to 12.70 percent in 2000-2001 which rise up to 13.22 percent in 2001-2002. Again it stepped down to 12.47 percent in 2002-2003. Finally, it was 10.46 percent in 2003-2004.

On the basis of above analysis it can be said that the interest earned to total funds ratio on an average between 11.10 percent in VNSB to 16.70 percent in MCB. It was nearly 12 percent in all the selected banks. The IETFR was the highest in MUCB followed by MCB during the 2000-2001 and 1997-98 respectively. This ratio increased during the last year of the study period in AMCB and showed a decreasing trend in remaining all the selected banks. It was the lowest in VNSB during the last year of the study period.

#### **F- Test Of Interest Earned On Total Funds**

*The statements of hypothesis are as under:*

*Ho: Interest earned on total fund do not differ significantly between the years.*

*H1: Interest earned on total fund differs significantly between the years.*

*Ho: Interest earned on total fund do not differ significantly between the banks*

*H1: Interest earned on total fund differs significantly between the banks*

**Table 4.4**  
**F'-TEST OF INTEREST EARNED TO TOTAL FUND**

| <b>Source of Variation</b> | <b>Sum of Squares</b> | <b>d. f. (V)</b> | <b>Mean Squares</b> | <b>F' Ratio</b> |
|----------------------------|-----------------------|------------------|---------------------|-----------------|
| Between years              | 81.29                 | 6                | 13.55               | 6.89            |
| Between Bank               | 267.10                | 19               | 14.06               | 7.15            |
| Residual                   | 224.08                | 114              | 1.97                |                 |
| Total ss                   | 572.47                | 139              |                     |                 |

Table Value  $V_1=6$  and  $V_2=114=2.18$  at 5% level of significance.

Table Value  $V_1=19$  and  $V_2=114= 1.66$  at 5% level of significance.

Table 4.4 represents the difference in years is significant because table value (2.18) is lower than calculated value (6.89) so null hypothesis is rejected i.e. there is significant difference among the years so far interest earned to total funds is concerned.

Same way table value (1.66) is lower than the calculated value of 'F' (7.15) value for banks and so here also null hypothesis is rejected i.e. there is significant difference in interest earned to total funds amongst various banks.

### **Post Hoc Tests**

### Multiple Comparisons

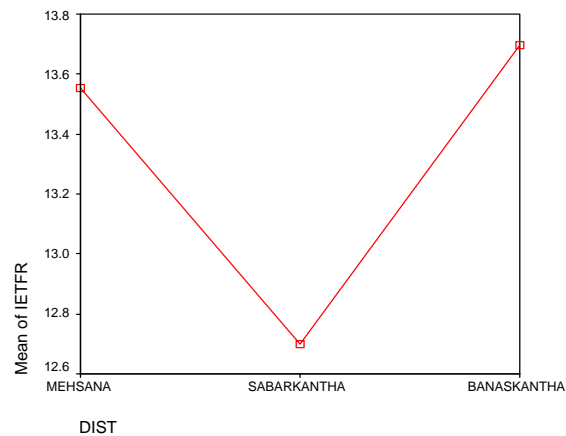
Dependent Variable: IETFR  
Tamhane

| (I) DIST    | (J) DIST    | Mean Difference (I-J) | Std. Error | Sig. | 95% Confidence Interval |             |
|-------------|-------------|-----------------------|------------|------|-------------------------|-------------|
|             |             |                       |            |      | Lower Bound             | Upper Bound |
| MEHSANA     | SABARKANTHA | .8512*                | .34199     | .042 | .0217                   | 1.6807      |
|             | BANASKANTHA | -.1464                | .49856     | .988 | -1.3743                 | 1.0814      |
| SABARKANTHA | MEHSANA     | -.8512*               | .34199     | .042 | -1.6807                 | -.0217      |
|             | BANASKANTHA | -.9976                | .44929     | .094 | -2.1191                 | .1239       |
| BANASKANTHA | MEHSANA     | .1464                 | .49856     | .988 | -1.0814                 | 1.3743      |
|             | SABARKANTHA | .9976                 | .44929     | .094 | -.1239                  | 2.1191      |

\*. The mean difference is significant at the .05 level.

The mean difference is significant between Mehsana and sabarkanth at 5% level of significance

### Means Plots



**Table 4.5**  
**Interest Paid To Total Funds Ratio of the Banks Under Study**

| <b>BANKS</b>   | <b>97-98</b> | <b>98-99</b> | <b>99-00</b> | <b>00-01</b> | <b>01-02</b> | <b>02-03</b> | <b>03-04</b> | <b>Average</b> |
|----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|
| <b>MCB</b>     | 14.46        | 14.92        | 14.58        | 15.26        | 14.76        | 13.70        | 13.71        | 14.48          |
| <b>MUCB</b>    | 12.79        | 14.47        | 15.11        | 16.61        | 9.97         | 9.84         | 7.81         | 12.37          |
| <b>SCCB</b>    | 7.65         | 8.19         | 9.03         | 8.00         | 7.96         | 7.96         | 6.23         | 7.86           |
| <b>KNSB</b>    | 7.32         | 7.74         | 9.45         | 12.95        | 14.27        | 12.14        | 10.43        | 10.61          |
| <b>MNSB</b>    | 6.88         | 7.43         | 8.02         | 8.88         | 10.16        | 12.49        | 10.25        | 9.16           |
| <b>RNSB</b>    | 10.96        | 13.25        | 13.12        | 13.75        | 12.64        | 12.28        | 11.62        | 12.52          |
| <b>HNSB</b>    | 8.62         | 8.26         | 8.22         | 8.90         | 9.16         | 8.17         | 7.60         | 8.42           |
| <b>AMCB</b>    | 9.04         | 6.88         | 7.58         | 7.99         | 8.05         | 8.37         | 8.39         | 8.04           |
| <b>UNSB</b>    | 13.70        | 12.01        | 13.36        | 14.94        | 12.64        | 9.82         | 8.80         | 12.18          |
| <b>VNSB</b>    | 6.43         | 6.92         | 5.17         | 5.49         | 9.52         | 7.85         | 6.09         | 6.78           |
| <b>BNSB</b>    | 9.32         | 9.21         | 8.66         | 8.05         | 9.3          | 11.62        | 11.24        | 9.63           |
| <b>KHNSB</b>   | 8.70         | 9.05         | 8.84         | 9.70         | 10.88        | 9.11         | 8.45         | 9.25           |
| <b>MONSB</b>   | 9.47         | 9.71         | 9.21         | 8.91         | 8.27         | 8.21         | 6.72         | 8.64           |
| <b>TNSB</b>    | 9.53         | 9.95         | 10.27        | 10.12        | 9.64         | 8.87         | 8.01         | 9.48           |
| <b>INSB</b>    | 8.20         | 10.16        | 9.35         | 9.81         | 10.23        | 7.55         | 7.42         | 8.96           |
| <b>HINSB</b>   | 9.74         | 8.90         | 9.60         | 9.91         | 8.94         | 8.41         | 7.05         | 8.94           |
| <b>BMCB</b>    | 11.95        | 12.80        | 12.86        | 13.46        | 12.11        | 11.59        | 10.31        | 12.16          |
| <b>DNSB</b>    | 10.02        | 10.13        | 11.19        | 13.09        | 13.39        | 13.83        | 13.47        | 12.16          |
| <b>PPCB</b>    | 6.01         | 6.81         | 6.33         | 6.99         | 7.41         | 8.35         | 6.47         | 6.91           |
| <b>PCB</b>     | 8.57         | 8.41         | 8.29         | 7.60         | 8.93         | 8.93         | 8.03         | 8.39           |
| <b>Average</b> | 9.47         | 9.76         | 9.91         | 10.52        | 10.41        | 9.95         | 8.90         | <b>9.85</b>    |

*SOURCE : Computed from the Published Annual Reports of the Selected Banks*

The table 4.5 shows the interest paid to total funds ratio. In MCB, the interest paid to total funds ratio was registered an increasing trends during the first four years except 1999-2000 and decreasing trend during the next years. It was the highest level of 15.26 percent in 2000-2001 and the lowest level of 13.70 percent in 2002-2003. It was 14.46 percent in 1997-98 which went up to 14.92 percent in 1997-98. But there after, it declined in 1999-2000 which was 14.58 percent. Finally, it was 13.71 percent in 2003-2004.

In the MUCB the interest paid to total funds ratio registered an increasing trend during the first four years and decreasing trend during the next three years of the study period. It can be observed from the table 4.4 that the IPTFR increased from 12.79 percent in 1997-98 to 16.61



percent in 2000-2001. But there after it decreased from 9.97 percent in 2001-2002 to 7.81 percent in 2003-2004.

The interest paid to total funds ratio in SCCB registered an increasing trend during the first three years and a decreasing trend during the last four years of the study period. The average of this ratio during the study period was 7.86 percent. It increased from 7.65 percent in 1997-98 to 9.03 percent in 1999-2000. It was of 8.0 percent in 2000-2001, which went down to 6.23 percent in 2003-2004.

In the KNSB, the interest paid to total funds ratio registered an increasing trend during the first five years and decreasing trend during the last two years of the study period. It was 7.32 percent in 1997-98 which rise up to 14.27 percent in 2001-2002. It declined in 2002-2003 as it was 12.14 percent. Finally, it stood at 10.43 percent in 2003-2004 which was the lower than the average ratio of 10.61 percent.

It is apparent from the table 4.5 in MNSB registered an increasing trend during the first six years of the study period. It increased from 6.88 percent in 1997-98 to 12.49 percent in 2002-2003. But there after it went to 10.25 percent in 2003-2004.

In RNSB the interest paid to total funds ratio registered a fluctuating trend during the period of the study. It was 10.96 percent in 1997-98 which went up to 13.25 percent in 1998-99. It decreased in 1999-2000 when it was 13.12 percent and again an increasing trend during the fourth year as it was 13.75 percent which came down to 12.64 percent. It was 12.28 percent in 2002-2003. Finally, it stepped down to 11.62 percent in 2003-2004.

In HNSB, the interest paid to total funds ratio showed an average of 8.42 percent during the study period. It ranged between 7.60 percent in 2003-2004 to 9.16 percent in 2001-2002. The ratio was 8.62 percent in 1997-98 which decreased to 8.22 percent in 1999-2000 and reached at 8.90 percent in 2000-2001. There after it came down to 8.17 percent in 2002-2003.

In AMCB recorded an increasing trend during last six years of the study period. It was 7.58 percent in 1999-2000 which went up to 7.99 percent in 2000-2001 and again it increased to 8.05 percent in 2001-2002. It slightly increased in 2002-2003 as it was 8.37 percent. However, IPTFR steeped up during the last year which was 8.39 percent in 2003-2004. It can be noted that the ratio of last three years was higher than the average ratio.

In UNSB interest paid to total funds ratio witnessed a decreasing trend during the first two years and an increasing trend during the next two years, again a decreasing trend during last three years of the study period. It was 13.70 percent in 1997-98 which came down to 12.01 percent in 1998-99. But there after it increased from 13.36 percent in 1999-2000 to 14.94 percent in 2000-2001. It decreased from 12.64 percent in 2001-2002 to 8.80 percent in 2003-2004.

The interest paid to total funds ratio in VNSB registered a mixed trend during the period of the study. It was 6.43 percent in 1997-98 which went up to 6.92 percent in 1998-99 but it came down to 5.17 percent in 1999-2000 which was the lowest level. Again it rose up from 5.49 percent in 2001-2002 to 9.52 percent in 2001-2002, the highest level. But there after

it steeped down to 7.85 percent in 2002-2003. Finally, it stood at 6.09 percent in 2003-2004.

In BNSB witnessed a decreasing trend during the first four years and an increasing trend during the next two years, again a decreasing trend during the last year of the study period. It was 9.32 percent in 1997-98 which came down to 8.05 percent in 2000-2001. It was 9.30 percent in 2001-2002 which increased to 11.62 percent in 2002-2003. Finally, it stood at 11.24 percent in 2003-2004.

In KHNSB, interest paid to total funds ratio registered a fluctuating trend through out the study period. It was 8.70 percent in 1997-98 which increased to 9.05 percent in 1998-99. It decreased to 8.84 percent in 1999-2000 which went up to 9.70 percent in 2000-2001 and 10.88 percent in 2001-2002. Finally it was 9.11 percent in 2002-2003 and 8.45 percent in 2003-2004 which was the lowest level.

In MONSB the IPTFR registered an increasing trend during the first two years and declining trend during the last five years of the period under review. It was 9.47 percent in 1997-98 which went up to 9.71 percent in 1998-1999. It came down to 9.21 percent in 1999-2000 and 8.91.percent in 2000-2001. However, it was 8.27 percent in 2001-2002. It declined in 2002-2003 which was 8.21 percent. Finally, it steeped down to 6.72 percent in 2003-2004.

The interest paid to total funds ratio in TNSB witnessed an increasing trend during the first three years and decreasing trend during the last four years of the study period. It was the highest level of 10.27 percent in

1999-2000 and lowest level of 8.01 percent in 2003-2004. It showed continuously decreasing trend during the last three years of study period.

Interest paid to total funds ratio in INSB registered a fluctuating trend during the period of the period under review. It was 8.20 percent in 1997-98 which increased in 1998-99 as it was 10.16 percent. It went down in 1999-2000 which was 9.35 and rose up to 9.81 percent in 2000-2001, again it increased in 2001-2002 which was 10.23 percent. There after it was 7.55 percent in 2002-2003 and finally, it stood at 7.42 percent in 2003-2004.

In HINSB interest paid to total funds ratio witnessed a mixed trend during the first three years and a decreasing trend during the last four years of the study period. It was 9.74 percent in 1997-98 which went down to 8.90 percent in 1998-99. It was 9.60 percent in 1999-2000, but there after it increased up to 9.91 percent in 2000-2001. It decreased from 8.94 percent in 2001-2002 to 7.05 in 2003-2004.

Interest paid to total funds ratio in BMCB registered an increasing trend during the first four years and a decreasing during the last three years of the study period. It increased from 11.95 percent in 1997-98 to 13.46 percent in 2000-2001. But after that it declined from 12.11 percent in 2001-2002 to 10.31 percent in 2003-2004.

DNSB registered continuously an increasing trend in relation to the interest paid to total funds ratio during the study period except in 2003-2004. It was 10.02 in 1997-98 which rise up to 13.83 percent in 2002-2003. But finally, it stood at 13.47 percent in 2003-2004.

In PPCB interest paid to total funds ratio witnessed a mixed trend during the period of the period under review. It decreased from 6.01 percent in 1997-1998 which went up to 6.81 percent in 1998-99. But it was 6.33 percent in 1999-2000. It increased from 6.99 percent in 2000-2001 to 8.35 percent in 2002-2003. But after that it stood at 6.47 percent in 2003-2004.

As regards to PCB in relation to the IPTFR the ratio decreased during the first four years and an increasing trend during the next two years, again a decreasing trend during the last year of the study period. It was 8.57 percent in 1997-98 which came down to 7.60 percent in 2000-2001. There after it increased up to 8.93 percent in 2001-2002 and 2002-2003. Finally, it stood at 8.03 percent in 2003-2004.

On the basis of above analysis it can be observed that the interest paid to total funds ratio on average between 7.86 percent in SCCB to 14.48 percent in MCB. The IPTFR decreased during the last year of the study period in all the selected banks except MCB and AMCB which is the favorable circumstances in future for all selected UCBs. MCB paid the highest interest on deposits other than selected banks.

#### **F- TEST of Interest Paid to Total Funds**

*The statements of hypothesis are as under:*

*Ho: Interest paid on total fund do not differ significantly between the years.*

*H1: Interest paid on total fund differs significantly between the years.*

*Ho: Interest paid on total fund do not differ significantly between the banks*

*H1: Interest paid on total fund differs significantly between the banks*

**Table 4.6**  
**F- TEST of Interest Paid to Total Funds**

| <b>Source of Variation</b> | <b>Sum of Squares</b> | <b>d. f. (V)</b> | <b>Mean Squares</b> | <b>F' Ratio</b> |
|----------------------------|-----------------------|------------------|---------------------|-----------------|
| Between years              | 36.52                 | 6                | 6.09                | 3.20            |
| Between Bank               | 596.62                | 19               | 31.40               | 16.52           |
| Residual                   | 216.63                | 114              | 1.90                |                 |
| Total ss                   | 849.77                | 139              |                     |                 |

Table Value  $V_1=6$  and  $V_2=114=2.18$  at 5% level of significance.

Table Value  $V_1=19$  and  $V_2=114= 1.66$  at 5% level of significance.

Table 4.6 represents the difference in interest paid to total fund in years not significant because table value (2.18) is lower than calculated value (3.20) so null hypothesis is rejected i.e. there is significant difference among the years so far interest paid to total funds is concerned.

Same way table value (1.66) is lower than the calculated value of 'F' (16.52) value for banks and so here also null hypothesis is rejected i.e. there is significant difference in interest paid to total funds amongst various banks.

## Post Hoc Tests

### Multiple Comparisons

Dependent Variable: IPTFR

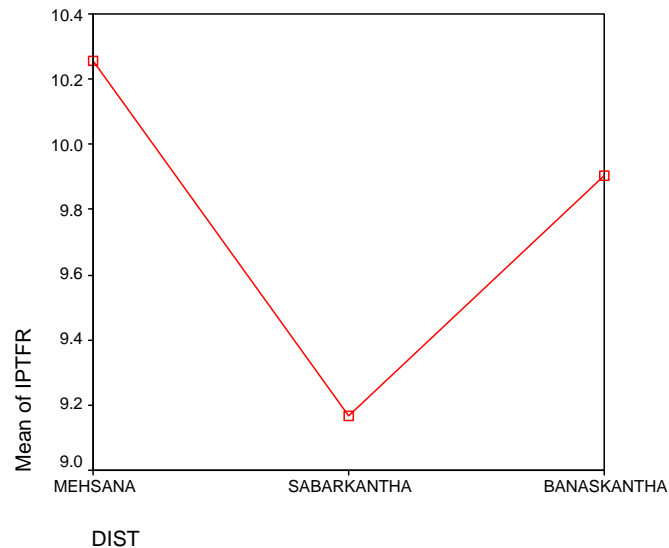
Tamhane

| (I) DIST    | (J) DIST    | Mean Difference (I-J) | Std. Error | Sig. | 95% Confidence Interval |             |
|-------------|-------------|-----------------------|------------|------|-------------------------|-------------|
|             |             |                       |            |      | Lower Bound             | Upper Bound |
| MEHSANA     | SABARKANTHA | 1.0911*               | .38305     | .016 | .1598                   | 2.0224      |
|             | BANASKANTHA | .3537                 | .59705     | .912 | -1.1155                 | 1.8230      |
| SABARKANTHA | MEHSANA     | -1.0911*              | .38305     | .016 | -2.0224                 | -.1598      |
|             | BANASKANTHA | -.7374                | .50976     | .402 | -2.0198                 | .5451       |
| BANASKANTHA | MEHSANA     | -.3537                | .59705     | .912 | -1.8230                 | 1.1155      |
|             | SABARKANTHA | .7374                 | .50976     | .402 | -.5451                  | 2.0198      |

\*. The mean difference is significant at the .05 level.

The mean difference is significant between Mehsana and sabarkanth at 5% level of significance.

### Means Plots



## RETURN ON TOTAL FUNDS RATIO OF THE BANKS UNDER STUDY

The return on total funds ratio is the ratio of the earning to the total funds. It gives the indication of the efficiency of the utilization of the total

funds as well as the intensity of utilization. The return on total funds ratio indicates how well management has used the funds supplied by the depositors and owners capital. The higher the ratio more efficient the enterprise is using entrusted to it. The ratio will also be helpful in inter firm comparison within the same units. The term total funds mean the total deposits and total owner's capital and other liabilities. It means total assets. A continuous rise in the ratio will indicate better utilization of total funds and a decline in the ratio will suggested an adverse situation.

**Table 4.7**  
**Return on Total Funds Ratio of the Banks Under Study**

| <b>BANKS</b>   | <b>97-98</b> | <b>98-99</b> | <b>99-00</b> | <b>00-01</b> | <b>01-02</b> | <b>02-03</b> | <b>03-04</b> | <b>Average</b> |
|----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|
| <b>MCB</b>     | 1.30         | 1.19         | 0.62         | 0.53         | 1.65         | 1.51         | 1.88         | 1.24           |
| <b>MUCB</b>    | 2.03         | 1.68         | 1.54         | 1.34         | 1.98         | 3.63         | 2.66         | 2.12           |
| <b>SCCB</b>    | 2.51         | 1.63         | 1.33         | 1.03         | 2.91         | 1.78         | 1.73         | 1.85           |
| <b>KNSB</b>    | 3.64         | 2.06         | 1.75         | 2.13         | 2.28         | 1.14         | 0.88         | 1.98           |
| <b>MNSB</b>    | 1.89         | 1.52         | 1.23         | 0.93         | 0.57         | 0.58         | 0.94         | 1.09           |
| <b>RNSB</b>    | 1.01         | 0.99         | 0.79         | 0.69         | 0.77         | 0.94         | 0.14         | 0.76           |
| <b>HNSB</b>    | 3.87         | 3.42         | 3.27         | 3.12         | 2.63         | 2.73         | 1.42         | 2.92           |
| <b>AMCB</b>    | 2.72         | 0.82         | 1.28         | 1.67         | 1.08         | 0.94         | 0.98         | 1.36           |
| <b>UNSB</b>    | 1.11         | 0.84         | 0.67         | 0.56         | 1.19         | 1.24         | 1.38         | 1.00           |
| <b>VNSB</b>    | 1.17         | 1.59         | 2.16         | 2.06         | 1.89         | 0.91         | 1.03         | 1.54           |
| <b>BNSB</b>    | 1.70         | 1.92         | 2.24         | 2.33         | 2.39         | 2.33         | 1.35         | 2.04           |
| <b>KHNSB</b>   | 2.74         | 2.40         | 2.18         | 2.22         | 0.92         | 1.05         | 0.52         | 1.72           |
| <b>MONSB</b>   | 3.17         | 2.60         | 2.48         | 2.19         | 4.89         | 3.47         | 2.77         | 3.08           |
| <b>TNSB</b>    | 1.96         | 1.61         | 1.81         | 1.14         | 2.70         | 1.77         | 1.27         | 1.75           |
| <b>INSB</b>    | 2.97         | 2.28         | 1.79         | 1.43         | 1.65         | 1.55         | 1.44         | 1.87           |
| <b>HINSB</b>   | 3.37         | 2.13         | 2.27         | 2.14         | 2.02         | 1.83         | 1.65         | 2.20           |
| <b>BMCB</b>    | 1.42         | 1.22         | 0.97         | 1.16         | 2.47         | 2.76         | 2.63         | 1.80           |
| <b>DNSB</b>    | 1.15         | 0.86         | 1.20         | 2.29         | 2.13         | 1.54         | 0.84         | 1.43           |
| <b>PPCB</b>    | 2.95         | 1.90         | 1.57         | 2.52         | 2.15         | 0.87         | 0.74         | 1.81           |
| <b>PCB</b>     | 3.15         | 2.13         | 1.59         | 2.57         | 1.57         | 1.33         | 0.95         | 1.90           |
| <b>Average</b> | 2.29         | 1.74         | 1.64         | 1.70         | 1.99         | 1.70         | 1.36         | <b>1.77</b>    |

**SOURCE :** *Computed from the Published Annual Reports of the Selected Banks*

It is clear from above table 4.7 that the return on total funds in MCB registered a declining trend during the first four years and an increasing trend during the next three years of the study period. The ratio was 1.30 percent in 1997-98 which came down to 0.62 percent in 1999-2000 and



again came down to 0.53 percent in 2000-2001. However the ratio improved in last three years. It was 1.65 percent in 2001-2002 which went down to 1.51 percent in 2002-2003. Finally, it reached at 1.88 percent.

The rate of return on total funds in MUCB showed a decreasing trend during the first four years and an increasing trend during the next three years. It was 2.03 percent in 1997-98 which decreased to 1.34 percent in 2000-2001. However it reached at 1.98 percent in 2001-2002 which again increased in 2002-2003 as it was 3.63 percent. Finally, the ratio was stepped down to 2.66 percent in 2003-2004.

In SCCB witnessed a fluctuating trend during the study period. The ratio was 2.51 percent in 1997-98 which decreased to 1.03 percent in 2000-2001. It showed an increasing trend in 2001-2002 which stood at 2.91 percent. It again went down to 1.78 percent in 2002-2003. Finally, it came down to 1.73 percent.

The ROTFR in KNSB registered a fluctuating trend during the study period study period. The average of this ratio during the study period was 1.98. It was 2.06 percent in 1998-99. After declining to 1.75 percent in 1999-2000; it went up to 2.13 percent in 2000-2001. It was 2.28 percent in 2001-2002 and went down to 1.14 percent in 2002-2003. Finally it stood at 0.88 percent in 2003-2004.

In the MNSB the average return on total funds ratio during the study period was 1.09 percent. It ranged between 0.57 percent in 2001-2002 to 1.89 percent in 1997-98. It showed a decreasing trend during the first five years. It decreased from 1.89 percent in 1997-98 to 0.57 percent in 2001-

2002. However, the ratio steeped up to 0.58 percent in 2002-2003 which increased to 0.94 percent in 2003-2004.

It is clear from the table that in RNSB the return on total funds ratio was less than one percent during the last six years of the study period. It should be remarked here that the ratio decreased during the year 1997-98 to 2000-2001. There after it improved during the year 2001-2002 and 2002-2003. It was the highest in 1997-98 which was 1.01 percent and lowest in 2003-2004 as it was 0.14 percent. It can be said that the performance of the bank was poor during the study period.

HNSB recorded a decreasing trend in relation to return on total funds ratio during the first five years and increasing trend during the next years, again a decreasing trend during the last years of the study period. It decreased from 3.87 percent in 1997-98 to 2.63 percent in 2001-2002. However, it went up to 2.73 percent in 2002-2003 which steeped down to 1.42 percent in 2003-2004. It can be said that from this view point there was not satisfactory performance of the bank during the period of the study.

In AMCB, the return on total funds ratio was an average of 1.36 percent ranging from 0.82 percent in 1998-99 to 2.72 percent in 1997-98. The ratio was 1.28 percent in 1999-2000 which reached at 1.67 percent in 2000-2001. There after it declined to 1.08 percent in 2001-2002 to 0.94 percent in 2002-2003. Finally, it was 0.98 percent in 2003-2004. The performance of the bank was poor from the view point of the ROTFR.

UNSB recorded a fluctuating trend in relation to return on total funds during the period under study. It was an average of one percent ranging from 0.56 percent in 2000-2001 to 1.38 percent in 2003-2004. It

improved during the last three years of the study period. It was 1.11 percent 1997-98 which steeped down to 0.84 percent in 1998-99 and 0.67 percent in 1999-2000. It was the lowest in 2000-2001 which steeped up to 1.24 percent in 2002-2003 and reached at 1.38 percent in 2003-2004. It can be said that the performance of the bank improved during the last three years of the study period.

VNSB recorded a fluctuating trend in relation to return on total funds during the period of the study. It was an average of 1.54 percent ranging from 0.91 percent in 2002-2003 to 2.16 percent in 1999-2000. It was 1.17 percent in 1997-98 which went up to 1.59 percent in 1998-99. It was 2.06 percent in 2000-2001. It also decreased in 2001-2002 which stood at 1.89 percent. It was 0.91 percent in 2002-2003. Finally, it was reached at 1.03 percent in 2003-2004.

In BNSB registered an increasing trend during the first five years and decreasing trend during the last two years of the study period in relation to ROFTR. It was 1.70 percent in 1997-98 which increased to 2.39 percent in 2001-2002. It decreased from 2.33 percent in 2002-2003 to 1.35 percent in 2003-2004. The average ratio was 2.04 during the period of the study. It can be said that the performance of the bank was favorable during the study period except 2003-2004.

KHNSB recorded a fluctuating trend in relation to return on total funds during the period of the study. It was an average of 1.72 percent during the study period. It ranged between 0.52 percent in 2003-2004 to 2.74 percent in 1997-1998. It was 2.40 percent in 1998-99 which went down to 2.18 percent in 1999-2000. It increased in 2000-2001 as it was 2.22 percent. It decreased in 2001-2002 when it was 0.92 percent. It was

1.05 percent in 2002-2003. Finally, it reached at 0.52 percent in 2003-2004. It can be said that the performance of the bank was not satisfactory during the last three years of the study period.

The rate of return on total funds in MONSB decreased during the first four years and an increasing trend during the next years and again a decreasing trend during the last two years. It decreased from 3.17 percent in 1997-98 to 2.19 percent in 2000-2001. However it reached at 4.89 percent in 2001-2002. It decreased in 2002-2003 as it was 3.47 percent. Finally, the ratio steeped down to 2.77 percent in 2003-2004. It can observe from the above analysis that the performance of the bank was satisfactory during the period of the study.

TNSB recorded a fluctuating trend in relation return on total funds during the period of the study. It was on an average of 1.75 percent ranging between 1.14 percent in 2000-2001 to 2.70 percent in 2000-2001. It was 1.96 percent in 1997-98 which went down to 1.61 percent in 1998-99. It again increased in 1999-2000 as it was 1.81 percent. It decreased in 2000-2001 which stood at 1.14 percent. It was 2.70 percent in 2001-2002. It steeped down to 1.77 percent in 2002-2004. Finally, it stood at 1.27 percent in 2003-2004.

It is clear from above table that the return on total funds in INSB registered a declining trend during the first four years and an increasing trend during the next year and again a decreasing trend during the last two years of the study period. It decreased from 2.97 percent in 1997-98 to 1.43 percent in 2000-2001 and again it increased to 1.65 percent in 2001-2002. It was 1.55 percent in 2002-2003 which went down to 1.44

percent in 2003-2004. It can be said that the performance of bank was not satisfactory from the view point of ROTFR.

The ROTFR in HINSB registered a fluctuating trend during the study period. It was on an average of 2.20 percent ranging between 1.65 percent in 2003-2004 to 3.37 percent in 1997-98. It was 2.13 percent in 1998-99. It was 2.27 percent in 1999-2000. After declining to 2.14 percent in 2000-2001, it again went down to 2.02 percent in 2001-2002. It was 1.83 percent in 2002-2003 and went down to 1.65 percent in 2003-2004. It can be said that the performance of bank was not satisfactory during the period of study but the must be improved its ROTFR.

The rate of return on total funds in BMCB decreased during the first three years and increased during the next three years and declined during the last year of the study period. It was 1.42 percent in 1997-98 which decreased to 0.97 percent in 1999-2000. However it reached at 1.16 percent in 2000-2001 which again increased in 2001-2002 as it was 2.47percent. It steeped up to 2.76 percent in 2002-2003. Finally, the ratio went down to 2.63 percent in 2003-2004. It can be observed that the ratio improved during the last fours years of the study period. The performance of the bank shows good result.

DNSB recorded a fluctuating trend in relation to return on total funds during the period of the study. It was on an average of 1.43 percent ranging between 0.84 percent in 2003-2004 to 2.29 percent in 2000-2001. It was 1.15 percent in 1997-98 which went down to 0.86 percent in 1998-99. It was again increased in 1999-2000 as it was 1.20 percent. It increased in 2000-2001 when it stood at 2.29 percent. It was 2.13 percent in 2001-2002 which came down to 1.54 percent. Finally, it stood at 0.84 percent in 2003-2004. It can be said that the performance of the bank was not satisfactory during the last year of the study period.

It is clear from above table that the return on total funds in PPCB registered a declining trend during the first three years and an increasing trend during the next year and again a decreasing trend during the last three years of the study period. It decreased from 2.95 percent in 1997-98 to 1.57 percent in 1999-2000 and again it increased up to 2.52 percent in 2000-2001. It was 2.15 percent in 2001-2002 which went down to 0.87 percent in 2002-2003. Finally, it stood at 0.74 percent in 2003-2004. It can be said that the performance of bank was not satisfactory from the view point of the return on total funds.

The return on total funds in PCB registered a declining trend during the first three years and an increasing trend during the next year and again a decreasing trend during the last three years of the study period. It decreased from 3.15 percent in 1997-98 to 1.59 percent in 1999-2000 and it increased up to 2.57 percent in 2000-2001. It was 1.57 percent in 2001-2002 which went down to 1.33 percent in 2002-2003. Finally, it steeped down to 0.95 percent in 2003-2004. It can be said that the performance of bank was not satisfactory from the view point of ROTFR

An inter firm comparison of return on total funds ratio in selected banks under study revealed that the MONSB was utilization on total funds through out the study period followed by BMCB, SCCB, HINSB, AND INSB. To conclude it is suggested that the banking unites under study try to improve their return on total funds by making proper utilization of funds and reducing operating expenses.

## F- TEST of Return on Total Funds

*The statements of hypothesis are as under:*

*Ho: Return on total fund does not differ significantly between the years.*

*H1: Return on total fund differs significantly between the years.*

*Ho: Return total fund do not differ significantly between the banks*

*H1: Return on total fund differ significantly between the banks*

**Table 4.8**  
**F'-TEST OF Return on Total Funds**

| <b>Source of variation</b> | <b>Sum of Squares</b> | <b>d. f. (V)</b> | <b>Mean Squares</b> | <b>F' Ratio</b> |
|----------------------------|-----------------------|------------------|---------------------|-----------------|
| Between years              | 10.35                 | 6                | 1.73                | 4.72            |
| Between Bank               | 43.43                 | 19               | 2.29                | 6.26            |
| Residual                   | 41.63                 | 114              | 0.37                |                 |
| Total ss                   | 95.41                 | 139              |                     |                 |

Table Value  $V_1=6$  and  $V_2=114=2.18$  at 5% level of significance.

Table Value  $V_1=19$  and  $V_2=114= 1.66$  at 5% level of significance.

Table 4.8 represents the difference in return on total funds in years significant because table value (2.18) is lower than calculated value (4.72) so null hypothesis is rejected i.e. there is significant difference among the years so far return on total funds is concerned.

Same way table value (1.66) is lower than the calculated value of 'F' (6.26) value for banks and so here also null hypothesis is rejected i.e. there is significant difference in return on total funds amongst various banks.

## Post Hoc Tests

### Multiple Comparisons

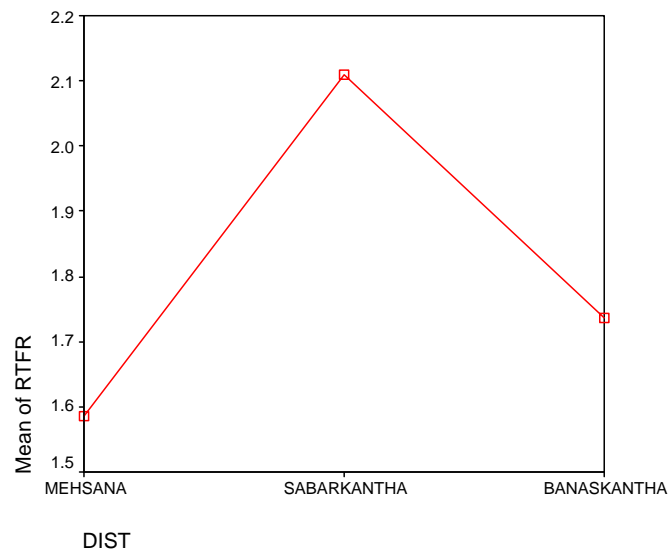
Dependent Variable: RTFR  
Tamhane

| (I) DIST    | (J) DIST    | Mean Difference (I-J) | Std. Error | Sig. | 95% Confidence Interval |             |
|-------------|-------------|-----------------------|------------|------|-------------------------|-------------|
|             |             |                       |            |      | Lower Bound             | Upper Bound |
| MEHSANA     | SABARKANTHA | -.522*                | .1568      | .004 | -.904                   | -.141       |
|             | BANASKANTHA | -.150                 | .1699      | .763 | -.568                   | .268        |
| SABARKANTHA | MEHSANA     | .522*                 | .1568      | .004 | .141                    | .904        |
|             | BANASKANTHA | .373                  | .1818      | .128 | -.074                   | .819        |
| BANASKANTHA | MEHSANA     | .150                  | .1699      | .763 | -.268                   | .568        |
|             | SABARKANTHA | -.373                 | .1818      | .128 | -.819                   | .074        |

\*. The mean difference is significant at the .05 level.

The mean difference is significant between Mehsana and sabarkanth at 5% level of significance

### Means Plots



### RETURN ON CAPITAL EMPLOYED

The return on capital employed shows the profitability of the owner's investment and long term liabilities. It helps to compare the profitability of business. It is also an indicator of proper utilization of capital employed towards achieving desirable profit. The ratio is more appropriate for evaluating the efficiency of internal management. It enables the management to show weather the fund properly used or not.



A higher ratio is an indication of better performance and a low ratio is an indication of poor performance. This ratio is the most important for studying the management efficiency of the enterprise. It is used to study the operational efficiency of the enterprise. It shows the earning capacity of the capital employed. The capital employed means shareholders funds plus long term liabilities. Return on capital employed has been computed by dividing the profit before provisions.

**TABLE 4.9**  
**Return On Capital Employed of the Banks Under study**

| <b>BANKS</b>   | <b>97-98</b> | <b>98-99</b> | <b>99-00</b> | <b>00-01</b> | <b>01-02</b> | <b>02-03</b> | <b>03-04</b> | <b>Average</b> |
|----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|
| <b>MCB</b>     | 1.69         | 1.61         | 0.96         | 0.82         | 2.43         | 2.46         | 2.74         | 1.82           |
| <b>MUCB</b>    | 10.68        | 9.34         | 8.52         | 1.61         | 2.86         | 5.38         | 4.18         | 6.08           |
| <b>SCCB</b>    | 3.52         | 2.36         | 1.98         | 1.57         | 4.17         | 2.58         | 2.52         | 2.67           |
| <b>KNSB</b>    | 6.7          | 3.44         | 3.18         | 3.09         | 3.24         | 1.79         | 1.41         | 3.26           |
| <b>MNSB</b>    | 2.84         | 2.37         | 1.82         | 1.33         | 0.85         | 0.84         | 1.41         | 1.64           |
| <b>RNSB</b>    | 1.21         | 1.21         | 1.02         | 0.86         | 1            | 1.15         | 0.18         | 0.95           |
| <b>HNSB</b>    | 4.92         | 5.16         | 4.79         | 4.38         | 3.81         | 3.87         | 2.14         | 4.15           |
| <b>AMCB</b>    | 3.8          | 0.96         | 1.46         | 1.84         | 1.17         | 1.06         | 1.09         | 1.63           |
| <b>UNSB</b>    | 1.43         | 1.17         | 1            | 0.8          | 1.66         | 1.95         | 1.95         | 1.42           |
| <b>VNSB</b>    | 2.06         | 2.34         | 3.14         | 2.82         | 2.72         | 1.43         | 1.44         | 2.28           |
| <b>BNSB</b>    | 2.07         | 2.35         | 2.61         | 2.77         | 3.18         | 2.85         | 1.63         | 2.49           |
| <b>KHNSB</b>   | 3.28         | 2.85         | 2.58         | 2.56         | 1.14         | 1.26         | 0.63         | 2.04           |
| <b>MONSB</b>   | 3.97         | 3.28         | 3.08         | 2.77         | 6.18         | 4.42         | 3.7          | 3.91           |
| <b>TNSB</b>    | 2.1          | 1.75         | 1.97         | 1.24         | 2.99         | 2.26         | 1.61         | 1.99           |
| <b>INSB</b>    | 4.01         | 2.96         | 2.3          | 1.85         | 2.1          | 2.05         | 1.91         | 2.45           |
| <b>HINSB</b>   | 4.74         | 3.29         | 3.22         | 3.09         | 2.86         | 2.79         | 2.42         | 3.20           |
| <b>BMCB</b>    | 2.22         | 1.98         | 1.63         | 1.95         | 4.37         | 4.74         | 4.74         | 3.09           |
| <b>DNSB</b>    | 1.84         | 1.35         | 2.11         | 3.88         | 3.64         | 2.64         | 1.39         | 2.41           |
| <b>PPCB</b>    | 4.53         | 2.91         | 2.38         | 3.85         | 3.39         | 1.21         | 1.03         | 2.76           |
| <b>PCB</b>     | 5.04         | 3.43         | 2.57         | 4.14         | 2.43         | 2.16         | 1.25         | 3.00           |
| <b>Average</b> | 3.63         | 2.81         | 2.62         | 2.36         | 2.81         | 2.44         | 1.97         | 2.66           |

**SOURCE :** *Computed from the Published Annual Reports of the Selected Banks*

Table shows the return on capital employed. In MCB the return on capital employed was on average of 1.82 percent ranging between 0.82 percent in 2000-2001 to 2.74 percent in 2003-2004. It was 1.69 percent in 1997-98 which decreased to 1.61 percent in 1998-99. It was 0.96 percent in 1999-2000 and steeped down to 0.82 percent in 2000-2001 which was the lowest level. It was 2.43 percent in 2001-2002 and shown a rising

trend from 2002-2003 to 2003-2004. It showed a progressive trend in the fund utilization. It was stood at 2.46 percent in 2002-2003 and 2.74 percent in 2003-2004.

The rate or return on capital employed in MUCB represented a fluctuating trend during the period under review. The ROCE was on an average of 6.08 percent ranging between 1.61 percent in 2000-2001 to 10.70 percent in 1997-98. It was 9.34 percent in 1998-99. It showed a decreasing trend in 1999-2000 which was 8.52 percent but after that it remarkably decreased to 1.61 percent in 2000-2001. Finally it stood at 4.18 percent in 2003-2004.

In SCCB the return on capital employed was on an average of 2.67 percent ranged between 1.57 percent in 2000-2001 to 4.17 percent in 2001-2002. In 197-98, the ratio was 3.52 percent. and again declined in 1999-2000 which was 1.98 percent. It was 4.17 percent in 2001-2002 which went down to 2.58 percent 2002-2003. There after, it stood at 2.52 percent in 2003-2004.

KNSB recorded decreasing trend during the first four years of the study period with respect to the rate of return on capital employed. It decreased from 6.70 percent in 1997-98 to 3.09 percent in 2000-2001. It was 3.24 percent in 2001-2002 and decreased to 1.79 percent in 2002-2003. It again decreased to 1.41 percent in 2003-2004.

In MNSB recorded decreasing trend during first six years of study period and increasing trend during the last year. It decreased from 2.84 percent in 1997-98 to 0.84 percent in 2002-2003. Finally, it was up to 1.41 percent in 2003-2004.

The return on capital employed in RNSB recorded a decreasing trend during the first four years. It decreased from 1.21 percent in 1997-98 to 0.86 percent in 2000-2001. But after that it slightly increased during the next two years and again it remarkably decreased in 2003-2004 which was 0.18 percent.

The return on capital employed in HNSB averaged 4.15 percent during the period under review, minimum and maximum ratio being 2.14 percent in 2003-2004 and 5.16 percent in 1998-99, respectively. It showed fluctuating trend during the period under review. It was 4.92 percent in 1997-98.

The ratio of return on capital employed in AMCB ranged between 0.96 percent in 1998-99 and 3.8 percent in 1997-98 during the study period. It was 1.46 percent in 1999-2000 which reached to 1.84 percent in 2000-2001. The ratio was 1.17 percent in 2001-2002 which declined to 1.06 percent in 2003-2004. The performance of bank was not satisfactory during the study period.

UNSB recorded decreasing trend during the first four years of the study period and increasing trend during the last three years. It ranged between 0.8 percent in 2000-2001 and 1.95 percent in 2003-2004. The ratio was 1.43 percent in 1997-98 which went down to 1.17 percent in 1998-99. It was one percent in 1999-2000 which rose to 1.95 percent in 2002-2003 and 2003-2004. The ratio improved during the last three years which is a positive sign in future.

The return on capital employed in VNSB registered a fluctuating trend during the study period. The ratio was 2.06 percent in 1997-98 which went up to 2.34 percent in 1998-99 and it increased in 1999-2000 as it

was 3.14 percent. It was 2.82 percent in 2000-2001 which decreased to 2.72 percent in 2001-2002 and 1.43 percent 20002-2003. Finally, it stood at 1.44 percent in 2003-2004.

BNSB recorded an increasing trend during the first five years and a decreasing trend during the last two years during the study period. It ranged between 3.18 percent in 2001-2002 and 1.63 percent in 2003-2004. The ratio was 2.07 percent in 1997-98 which went up to 2.35 percent in 1998-99. It was 2.61 percent in 1999-2000 which rose up to 2.77 percent in 2000-2001 and 3.18 percent in 2001-2002 which was the highest level. But there after it decreased from 2.85 percent to 1.63 percent in 2003-2004.

KHNSB registered a decreasing trend during the study period. It increased from 3.28 percent in 1997-98 to 0.63 percent in 2003-2004. The performance of bank was not satisfactory during the study period.

The rate of return on capital employed in MONSB showed a decreasing trend during the first four years and an increasing trend during the next year and again a decreasing trend during the last two years. It decreased from 3.97 percent in 1997-98 to 2.77 percent in 2000-2001. It reached at 6.18 percent in 2001-2002 which the highest level and again it decreased in 2002-2003 as it was 4.42 percent. Finally, the ratio steeped down to 3.37 percent in 2003-2004. It can observed from the above analysis the performance of the bank was satisfactory during the period of the study.

The ROCE in TNSB registered a fluctuating trend during the study period study period. It was 2.10 percent in 1997-98. It was 1.97 percent in

1999-2000. After declining to 1.24 percent in 2000-2001, it went up to 2.99 percent in 2001-2002. It was 2.26 percent in 2002-2003 and went down to 1.61 percent in 2003-2004. It can be said that the performance of bank was satisfactory during the period of study.

The rate of return on capital employed in INSB registered a fluctuating trend during the period of study. It decreased from 4.01 percent in 1997-98 to 1.85 percent in 2000-2001. It was 2.1 percent in 2001-2002 and 2.05 percent in 2003-2004. On the above analysis, it can be said that the performance of the bank was not satisfactory during the period of the study.

It is apparent from the table in HINSB registered a decreasing trend during the study period. In HINSB the ROCE was on an average of 3.20 percent during the study period. It decreased from 4.74 percent in 1997-98 to 2.42 percent in 2003-2004. The performance of bank was not satisfactory during the study period.

In BMCB the return on capital employed was on an average of 3.09 percent during the study period. It ranged between 1.63 percent in 1999-2000 and 4.74 percent 2003-2004. It decreased from 2.22 percent in 1997-98 to 1.63 percent in 1999-2000. There after it was 1.95 percent in 2000-2001 which rose up to 4.37 percent in 2001-2002. Finally, it reached at 4.74 percent in 2003-2004. It improved during the last three years.

The ROCE in DNSB registered a fluctuating trend during the study period study period. It was on an average of 2.41 percent during the study period. It decreased from 1.84 percent in 1997-98 to 1.35 percent in 1998-99. It was 2.11 percent in 1999-2000 and 3.88 percent in 2000-

2001. It decreased from 3.64 percent in 2001-2002 to 1.39 percent in 2003-2004. On the above analysis, it can be said that the performance of the bank was not satisfactory during the period.

The return on ROCE in PPCB showed a decreasing trend during the first three years and an increasing trend during the next year and declining trend during the last two years of the study period. It was 4.53 percent in 1997-98 which decreased to 2.38 percent in 1999-2000. However it reached at 3.85 percent in 2000-2001 which again decreased in 2001-2002 as it was 3.39 percent. It steeped down to 1.03 percent in 2003-2004 which was the lowest level during the study period. It can be said that the ratio remarkably reduced during the last two years of the study period. The performance of the bank was poor during the last two years of the study period.

The ROCE in PCB recorded a fluctuating trend during the study period. It decreased 5.04 percent in 1997-98 to 3.43 percent in 1998-99. It was 2.57 percent in 1999-2000 which went up to 4.14 percent 2000-2001. It declined from 2.43 percent in 2001-2002 to 2.16 percent in 2002-2003 and finally it went down to 1.25 percent in 2003-2004. It can be said that the performance of bank was not satisfactory during the period of study.

The table 4.9 shows the return on capital employed ratio. It can be generalized on the basis of above analysis that management of RNSB during the all the years, KNSB during the last year, AMCB during the second and last three years of the study period were unable to get return on capital employed on account of inefficient management. The management of MUCB and MONSB are able to manage their funds efficiently.

## F- TEST of Return on Capital Employed

*The statements of hypothesis are as under:*

*Ho: Return on capital employed does not differ significantly between the years.*

*H1: Return on capital employed differs significantly between the years.*

*Ho: Return on capital employed do not differ significantly between the banks*

*H1: Return on capital employed differ significantly between the banks*

Table 4.10  
RETURN ON CAPITAL EMPLOYED

| <b>Source of Variation</b> | <b>Sum of Squares</b> | <b>d. f.</b> | <b>Mean Squares</b> | <b>F' Ratio</b> |
|----------------------------|-----------------------|--------------|---------------------|-----------------|
| Between years              | 32.10                 | 6            | 5.35                | 4.07            |
| Between Bank               | 174.18                | 19           | 9.17                | 6.98            |
| Residual                   | 149.74                | 114          | 1.31                |                 |
| Total ss                   | 356.02                | 139          |                     |                 |

Table Value  $V_1=6$  and  $V_2=114=2.18$  at 5% level of significance.

Table Value  $V_1=19$  and  $V_2=114= 1.66$  at 5% level of significance.

Table 4.10 represents the difference in return on capital employed in years significant because table value (2.18) is lower than calculated value (4.07) so null hypothesis is rejected i.e. there is significant difference among the years so far return on capital employed is concerned.

Same way table value (1.66) is lower than the calculated value of 'F' (6.98) value for banks and so here also null hypothesis is rejected i.e. there is significant difference in return on capital employed amongst various banks.

## Post Hoc Tests

### Multiple Comparisons

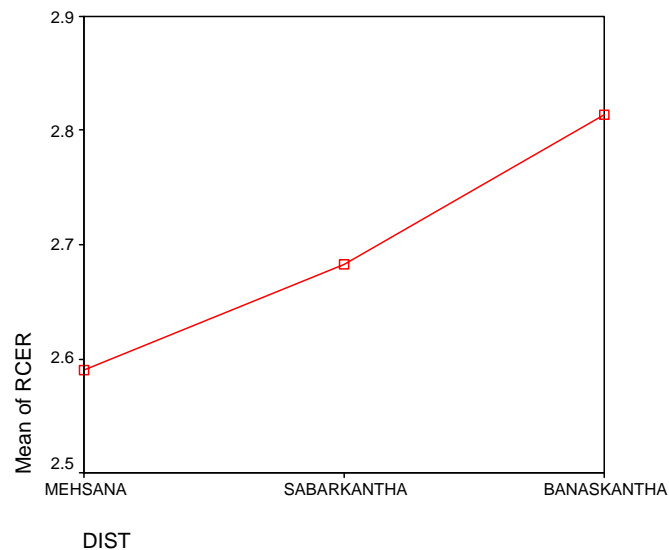
Dependent Variable: RCER

Tamhane

| (I) DIST    | (J) DIST    | Mean Difference (I-J) | Std. Error | Sig. | 95% Confidence Interval |             |
|-------------|-------------|-----------------------|------------|------|-------------------------|-------------|
|             |             |                       |            |      | Lower Bound             | Upper Bound |
| MEHSANA     | SABARKANTHA | -.0926                | .28538     | .984 | -.7847                  | .5995       |
|             | BANASKANTHA | -.2236                | .33203     | .877 | -1.0336                 | .5864       |
| SABARKANTHA | MEHSANA     | .0926                 | .28538     | .984 | -.5995                  | .7847       |
|             | BANASKANTHA | -.1310                | .28222     | .955 | -.8277                  | .5658       |
| BANASKANTHA | MEHSANA     | .2236                 | .33203     | .877 | -.5864                  | 1.0336      |
|             | SABARKANTHA | .1310                 | .28222     | .955 | -.5658                  | .8277       |

There is no mean difference between districts at 5% level of significance.

## Means Plots



## COST OF EXTERNAL FUNDS RATIO

Cost of external fund ratio is an important measure of evaluating the cost of obtaining external funds. The ratio is more appropriate for evaluating the efficiency of internal management. A lower ratio is a set of better performance and higher the ratio is an indication of poor performance. The external fund means the total of deposits and



borrowing from outsiders. Cost of external funds ratio has been computed by dividing the interest paid on deposits and borrowings to outsiders.

**Table 4.11**  
**Cost of External Funds Ratio of the Banks Under Study**

| <b>BANKS</b>   | <b>97-98</b> | <b>98-99</b> | <b>99-00</b> | <b>00-01</b> | <b>01-02</b> | <b>02-03</b> | <b>03-04</b> | <b>Average</b> |
|----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|
| <b>MCB</b>     | 19.74        | 17.57        | 20.82        | 21.48        | 20.09        | 18.39        | 19.45        | 19.65          |
| <b>MUCB</b>    | 14.4         | 16.04        | 17.07        | 18.7         | 11.46        | 11.91        | 9.64         | 14.17          |
| <b>SCCB</b>    | 9.38         | 9.9          | 10.79        | 9.56         | 9.87         | 10.19        | 8.24         | 9.70           |
| <b>KNSB</b>    | 9.23         | 9.58         | 11.7         | 17           | 19.61        | 17.59        | 15.08        | 14.26          |
| <b>MNSB</b>    | 8.82         | 9.85         | 10.56        | 11.41        | 13.27        | 15.7         | 13.33        | 11.85          |
| <b>RNSB</b>    | 12.23        | 14.57        | 14.38        | 14.96        | 14.17        | 14.24        | 13.59        | 14.02          |
| <b>HNSB</b>    | 13.46        | 12.4         | 13.12        | 14.3         | 15.05        | 14.28        | 13.94        | 13.79          |
| <b>AMCB</b>    | 17.07        | 8.69         | 8.93         | 9.24         | 9.22         | 10.13        | 10.44        | 10.53          |
| <b>UNSB</b>    | 19.17        | 16.54        | 19.34        | 21.42        | 14.44        | 11.21        | 10.35        | 16.07          |
| <b>VNSB</b>    | 7.64         | 8.82         | 6.65         | 6.97         | 12.03        | 9.62         | 7.66         | 8.48           |
| <b>BNSB</b>    | 11.54        | 11.33        | 10.47        | 9.61         | 11.19        | 14.49        | 14.15        | 11.83          |
| <b>KHNSB</b>   | 10.27        | 10.7         | 10.22        | 11.38        | 13.83        | 11.02        | 10.16        | 11.08          |
| <b>MONSB</b>   | 11.53        | 11.62        | 10.94        | 10.49        | 10.13        | 10.34        | 8.65         | 10.53          |
| <b>TNSB</b>    | 10.86        | 11.2         | 11.55        | 11.32        | 11.12        | 10.62        | 9.83         | 10.93          |
| <b>INSB</b>    | 10.08        | 12.63        | 11.46        | 11.98        | 12.82        | 9.38         | 9.34         | 11.10          |
| <b>HINSB</b>   | 12.03        | 12.54        | 11.67        | 12.4         | 11.56        | 11.05        | 9.7          | 11.56          |
| <b>BMCB</b>    | 14.84        | 16.41        | 17.29        | 18.21        | 15.71        | 16.06        | 14.54        | 16.15          |
| <b>DNSB</b>    | 13.31        | 13.49        | 15.39        | 20.23        | 20.05        | 19.97        | 19.21        | 17.38          |
| <b>PPCB</b>    | 8.15         | 9.14         | 8.39         | 9.56         | 10.31        | 10.46        | 7.94         | 9.14           |
| <b>PCB</b>     | 12.27        | 12.05        | 11.66        | 10.69        | 13.22        | 13.5         | 9.81         | 11.89          |
| <b>Average</b> | 12.30        | 12.25        | 12.62        | 13.55        | 13.46        | 13.01        | 11.75        | <b>12.71</b>   |

**SOURCE:** *Computed from the Published Annual Reports of the selected Bank*

Table 4.11 shows the external funds ratio. In MCB, the ratio was on an average of 19.65 percent during the study period. It ranged 17.57 percent in 1998-99 and 21.48 percent in 2000-2001. It was 19.74 percent in 1997-98 which went down to 17.57 percent in 1998-99. But after that it rose up to 20.82 percent in 1999-2000 and 21.48 percent in 2000-2001 which was the highest level. However, it decreased from 20.09 percent in 2001-2002 to 18.39 percent in 2002-2003. Finally, it stood at 19.45 percent in 2003-2004.

The rate of external fund in MUCB represented an increasing trend during the first four years and a decreasing trend during the last three

years except in 2001-2002. It increased from 14.40 percent in 2000-2001 to 18.70 percent in 2000-2001. The external funds ratio was on an average of 14.17 percent during the period of study. It decreased in 2001-2002 but after that it showed an increasing trend during the next year. It was 11.91 percent in 2002-2003. Finally, it was favorable for the bank. It was 9.64 percent in 2003-2004. It reduced the cost of the external funds during the last year of the study period.

In SCCB recorded a fluctuating trend in the cost of external fund ratio during the period under review. It ranged between 8.24 percent in 2003-2004 to 10.79 percent in 1999-2000. In 1997-98, the ratio was 9.38 percent which went up to 9.90 percent 1998-99. Again it increased to 10.79 percent which was the highest level in 1999-2000. But after that it gone down to 9.56 percent in 2000-2001, again it increased up to 9.87 percent in 2001-2002. It was 10.19 percent in 2002-2003. Finally, it steeped down to 8.24 percent in 2003-2004 which was the lowest level.

The cost of external fund ratio KNSB registered an increasing trend during the first five years of the study period. It increased from 9.23 percent in 1997-98 to 19.61 percent in 2001-2002. There after it decreased during the next two years. It stood at 15.08 percent in 2003-2004. The average ratio was 14.26 percent during the period under study.

MNSB recorded an increasing trend in the cost of external funds ratio during the first six years of the period under review. It was 8.82 percent 1997-98 which went up to 15.70 percent in 2002-2003. Finally, it steeped down to 13.33 percent in 2003-2004. The ratio was higher than the average ratio during the last three years of study period. It adversely affected to bank.

RNSB recorded a fluctuating trend during the period of the study. It was 12.23 percent which was the lowest level. It went up to 14.57 percent in 1998-99. It decreased to 14.38 percent in 1999-2000 which again an increase to 14.96 percent in 2000-2001 which was the highest level. Again, it decreased during the fifth year of the study period as it was 14.17 percent. There after it slightly stepped up to 14.24 percent in 2002-2003. Finally, it went down to 13.59 percent in 2003-2004. The cost of external funds ratio was much high which affected adversely.

The cost of external fund ratio in AMBC registered a fluctuating trend during the study period. The ratio was 17.07 percent in 1997-98 which was the highest level. It decreased to 8.69 percent in 1998-99 which was the lowest level. The ratio increased during the next year as it was 8.93 percent in 1999-2000 and stood at 9.24 percent in 2000-2001. It was 9.22 percent 2001-2002. But there after it increased up to 10.13 percent in 2002-2003. Finally, it went up to 10.44 percent. Thus the cost of external ratio was around the 10 percent during the study period.

UNSB recorded an increasing trend during the third and fourth years and decreasing trend during the last three years during the period of study. It ranged between 10.35 percent in 2003-2004 to 21.42 percent in 2000-2001. It decreased from 19.17 percent 1997-98 to 16.54 percent in 1998-99. It was 19.34 percent in 1999-2000 which went up to 21.42 percent in 2000-2001 which was the highest level. But there after it decreased from 14.44 percent in 2001-2002 to 10.35 percent in 2003-2004. It shows the mismanagement of external funds during the first four years of the study period. Besides it higher the rate of interest rates of deposits and borrowings during the period up to 1999-2000.

In VNSB the average cost of the external funds ratio was 8.48 percent during the period under review, minimum and maximum ratio being 6.65 percent in 1999-2000 and 12.03 percent in 2001-2002 respectively. It showed fluctuating trend during the period under review. It was 7.64 percent in 1997-98 which went up to 8.82 percent in 1998-99. It was 6.65 percent in 1999-2000. After rising up to 6.97 percent in 2000-2001 the ratio was 12.03 percent in 2001-2002 which steeped down to 9.62 percent in 2002-2003. Finally, it went down to 7.66 percent in 2003-2004. The bank's performance is satisfactory during the study period except in 2001-2002.

Cost of external fund ratio in BNSB witnessed a decreasing trend during the first four years and an increasing trend during the next two years, again a decreasing trend during the last year of the study period. It was on an average of 11.83 percent. It ranged between 9.61 percent in 2000-2001 to 14.49 in 2002-2003. It was 11.54 percent in 1997-98 which came down to 9.61 percent in 2000-2001. It was 11.19 percent in 2001-2002 which reached at 14.49 percent in 2002-2003. Finally, it stood at 14.15 percent in 2003-2004.

In KHNSB, cost of external funds ratio registered a fluctuating trend through out the study period. It ranged between 10.16 percent in 2003-2004 to 13.83 percent in 2001-2002. It was 10.27 percent in 1997-98 which stood at 10.70 percent in 1998-99. It decreased to 10.22 percent in 1999-2000 which went up to 11.38 percent in 2000-2001 and 13.83 percent in 2001-2002. It was 11.02 percent in 2002-2003. Finally, it steeped down 10.16 percent.

In the MONSB cost of external funds ratio registered an increasing trend during the first two years and declining trend during the last five years of the period of the study except in 2002-2003. It ranged between 8.65 percent in 2003-2004 to 11.62 in 1988-99. It was 11.53 percent in 1997-98 which went up to 11.62 percent in 1998-99; again it came down to 10.94 percent in 1999-2000 and 10.49 percent in 2000-2001. However, it was 10.13 percent in 2001-2002. It went up to 10.34 percent in 2002-2003 which was 10.34 percent. Finally, it steeped down up to 8.65 percent in 2003-2004. The performance of bank was satisfactory during the study period.

The cost of external funds ratio in TNSB witnessed an increasing trend during the first three years and a declining trend during the last four years of the study period. It was the highest level in 1999-2000 which was 11.55 percent and the lowest level of 9.83 percent in 2003-2004. It showed continuously decreasing trend during the last three years of study period. It increased from 10.86 percent in 1997-98 to 11.55 percent in 1999-2000. But there after it decreased from 11.32 percent in 2000-2001 to 9.83 percent in 2003-2004. It is favorable for the bank efficiency.

The cost of external funds ratio in INSB registered a fluctuating trend during the period of the study. It ranged between 9.34 percent in 2003-2004 o 12.82 percent in 2001-2002. It was 10.08 percent in 1997-98 which increased in 1998-99 as it was 12.63 percent. It was gone down to 11.46 percent in 1999-2000 and rose up to 11.98 percent in 2000-2001; again it increased to 12.82 percent in 2001-2002. It was 9.38 percent in 2002-2003 and finally, it stood at 9.34 percent in 2003-2004. It can be said that the performance of bank is satisfactory from the view point of cost of external funds during the study period

In HINSB cost of external fund ratio witnessed a mixed trend during the first four years and a decreasing trend during the last three years of the study period. It ranged between 9.07 percent in 2003-2004 to 12.54 percent in 1998-99. It was 12.03 percent in 1997-98 which went up to 12.54 percent in 1998-99. It was 11.67 percent in 1999-2000, but there after it increased up to 12.40 percent in 2000-2001. It decreased from 11.56 percent in 2001-2002 to 9.70 in 2003-2004. The performance of bank is satisfactory from the view point of cost of external ratio.

Cost of external funds ratio in BMCB registered an increasing trend during the first four years and a decreasing during the next year and again an increasing trend during sixth year and decreasing trend during the last year of the study. It increased from 14.84 percent in 1997-98 to 18.21 percent in 2000-2001. But after that it was 15.71 percent in 2001-2002 which reached to 16.06 percent in 2002-2003. Finally, it stood at 14.54 percent in 2003-2004. On the above analysis it can be said that the performance of bank is poor from the view point of the external funds cots.

DNSB registered continuously an increasing trend in the cost of external funds ratio during the first four years and a declining trend during the last three years of the study period. It increased from 13.31 percent in 1997-98 to 20.23 percent in 2000-2001. But there after it decreased from 20.05 percent in 2001-2002 to 19.21 percent in 2003-2004. The management of the bank in view of borrowing money is poor during the study period.

In PPCB external funds ratio witnessed a mixed trend during the period of the study under review. It was on an average of 9.14 percent. It ranged between 7.94 percent in 2003-2004 to 10.46 percent in 2002-2003. It was 8.15 percent in 1997-1998 which went up to 9.14 percent in 1998-99. But it was 8.39 percent in 1999-2000 which went up to 9.56 percent in 2000-2001. It increased from 10.31 percent in 2001-2002 to 10.46 percent in 2002-2003. But after that it stood at 7.94 percent in 2003-2004. The management of the bank is economy from the view point of the cost of the external funds.

As regards to PCB concerned the cost of external fund ratio decreased during the first four years and showed an increasing trend during the next two years, again a decreasing trend during the last year of the study period. It was 12.27 percent in 1997-98 which came down to 12.05 percent in 1998-99. It was 11.66 percent in 1999-2000 which came down to 10.69 percent in 2000-2001. There after it increased from 13.22 percent in 2001-2002 and 13.50 percent in 2002-2003. Finally, it stood at 9.81 percent in 2003-2004. The performance of bank is satisfactory from the view point of cost of external ratio.

It is observed from the above analysis that the management of VNSB is quite efficient and able to get low cost deposits. It followed by PPCB and SCCB. The cost of deposits was the highest in MCB and MUCB during the study period while it was the lowest in VNSB, PPCB and SCCB. The average ratio of above twelve selected UCBs, remained lower than the consolidated average. But almost all these UCBs showed a fluctuated trend of the cost of the external funds. It can also be analyzed

that the selected UCBs increased their funds through obtaining high cost of deposits of longer period, which resulted in decrease in profitability.

### **F- TEST cost of external funds ratio**

*The statements of hypothesis are as under:*

*Ho: Cost of external fund does not differ significantly between the years.*

*H1: Cost external fund differ significantly between the years.*

*Ho: Cost of external fund do not differ significantly between the banks*

*H1: Cost of external fund differ significantly between the banks*

**Table 4.12**  
**F-TEST OF COST OF EXTERNAL FUND RATIO**

| <b>Source of Variation</b> | <b>Sum of Squares</b> | <b>d. f. (V)</b> | <b>Mean Squares</b> | <b>F' Ratio</b> |
|----------------------------|-----------------------|------------------|---------------------|-----------------|
| Between years              | 52.92                 | 6                | 8.82                | 2.02            |
| Between Bank               | 1131.06               | 19               | 59.53               | 13.62           |
| Residual                   | 498.38                | 114              | 4.37                |                 |
| Total ss                   | 1682.35               | 139              |                     |                 |

Table Value  $V_1=6$  and  $V_2=114=2.18$  at 5% level of significance.

Table Value  $V_1=19$  and  $V_2=114= 1.66$  at 5% level of significance.

Table 4.12 represents the difference in cost of external fund in years not significant because table value (2.18) is greater than calculated value (2.02) so null hypothesis is accepted i.e. there is no significant difference among the years so far cost of external fund is concerned.



Same way table value (1.66) is lower than the calculated value of 'F' (13.62) value for banks and so here also null hypothesis is rejected i.e. there is significant difference in cost of external fund amongst various banks.

## Post Hoc Tests

### Multiple Comparisons

Dependent Variable: CEFR

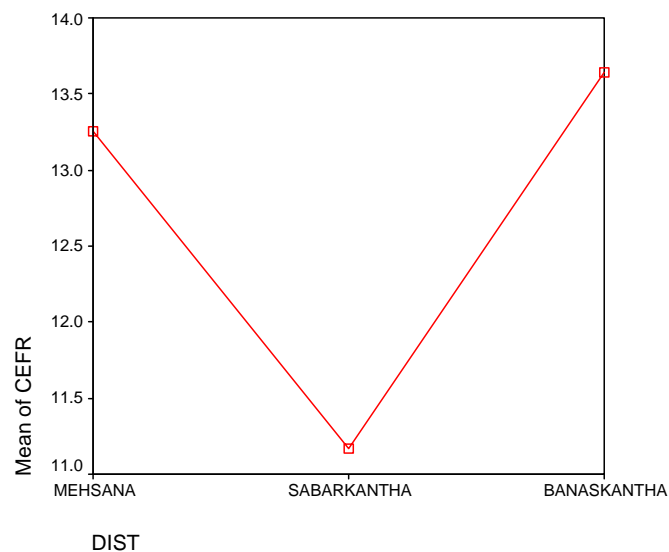
Tamhane

| (I) DIST    | (J) DIST    | Mean Difference (I-J) | Std. Error | Sig. | 95% Confidence Interval |             |
|-------------|-------------|-----------------------|------------|------|-------------------------|-------------|
|             |             |                       |            |      | Lower Bound             | Upper Bound |
| MEHSANA     | SABARKANTHA | 2.0789*               | .51102     | .000 | .8355                   | 3.3223      |
|             | BANASKANTHA | -.3859                | .86243     | .959 | -2.5142                 | 1.7425      |
| SABARKANTHA | MEHSANA     | -2.0789*              | .51102     | .000 | -3.3223                 | -.8355      |
|             | BANASKANTHA | -2.4648*              | .74667     | .007 | -4.3494                 | -.5801      |
| BANASKANTHA | MEHSANA     | .3859                 | .86243     | .959 | -1.7425                 | 2.5142      |
|             | SABARKANTHA | 2.4648*               | .74667     | .007 | .5801                   | 4.3494      |

\*. The mean difference is significant at the .05 level.

The mean difference is significant between Mehsana and Sabarkantha and Banaskantha and Sabarkantha at 5% level of significance.

## Means Plots



## NET PROFIT TO TOTAL ASSETS RATIO

A higher ratio indicates handsome return on funds employed and the bank's ability to maintain reserves and provide dividend to its members. While a lower ratio indicates inefficient utilization of funds and increasing proportion of operating cost. It helps to compare the profitability of the business. It is also an indicator of proper utilization of total assets employed towards achieving desirable profit. The ratio is more appropriate for evaluating the efficiency of internal management. . The determination of this ratio is the net profit after provisions to total assets. Table 4.13 shows the net profits in relative terms as percentage of total assets.

**Table 4.13**  
**Net Profit To Total Assets Ratio**

| <b>BANKS</b>   | <b>97-98</b> | <b>98-99</b> | <b>99-00</b> | <b>00-01</b> | <b>01-02</b> | <b>02-03</b> | <b>03-04</b> | <b>Average</b> |
|----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|
| <b>MCB</b>     | 0.82         | 1.07         | 0.38         | 0.30         | 0.60         | 0.92         | 0.61         | 0.67           |
| <b>MUCB</b>    | 1.81         | 1.53         | 1.38         | 1.16         | 1.33         | 0.87         | 0.90         | 1.28           |
| <b>SCCB</b>    | 0.94         | 0.82         | 0.78         | 0.82         | 0.90         | 0.97         | 1.03         | 0.90           |
| <b>KNSB</b>    | 2.28         | 1.50         | 1.05         | 1.02         | 1.01         | 0.72         | 0.40         | 1.14           |
| <b>MNSB</b>    | 1.67         | 1.31         | 1.13         | 0.82         | 0.57         | 0.45         | 0.68         | 0.95           |
| <b>RNSB</b>    | 1.01         | 0.98         | 0.79         | 0.69         | 0.77         | 0.94         | 0.14         | 0.76           |
| <b>HNSB</b>    | 3.24         | 2.55         | 2.38         | 2.15         | 2.23         | 2.47         | 1.42         | 2.35           |
| <b>AMCB</b>    | 2.30         | 0.58         | 0.77         | 0.95         | 0.93         | 0.00         | 0.00         | 0.79           |
| <b>UNSB</b>    | 1.11         | 0.84         | 0.66         | 0.56         | 0.83         | 0.83         | 0.93         | 0.82           |
| <b>VNSB</b>    | 1.17         | 1.59         | 2.16         | 2.06         | 1.83         | 0.86         | 1.03         | 1.53           |
| <b>BNSB</b>    | 1.70         | 1.70         | 2.24         | 2.31         | 2.28         | 1.91         | 1.07         | 1.89           |
| <b>KHNSB</b>   | 2.18         | 1.98         | 1.78         | 1.67         | 0.77         | 0.89         | 0.45         | 1.39           |
| <b>MONSB</b>   | 3.17         | 2.60         | 2.48         | 2.19         | 3.48         | 3.20         | 2.68         | 2.83           |
| <b>TNSB</b>    | 0.79         | 0.68         | 0.65         | 0.57         | 0.60         | 0.61         | 0.65         | 0.65           |
| <b>INSB</b>    | 2.08         | 1.90         | 1.60         | 1.43         | 1.39         | 1.34         | 1.33         | 1.58           |
| <b>HINSB</b>   | 1.55         | 1.16         | 1.12         | 1.02         | 1.04         | 0.99         | 1.01         | 1.13           |
| <b>BMCB</b>    | 1.25         | 1.07         | 0.86         | 0.42         | 0.39         | 0.38         | 0.36         | 0.68           |
| <b>DNSB</b>    | 1.08         | 0.81         | 1.04         | 0.48         | 0.33         | 0.36         | 0.27         | 0.62           |
| <b>PPCB</b>    | 1.75         | 0.78         | 0.66         | 0.59         | 0.47         | 0.17         | 0.17         | 0.66           |
| <b>PCB</b>     | 2.33         | 1.89         | 1.59         | 1.54         | 1.02         | 1.12         | 0.95         | 1.49           |
| <b>Average</b> |              |              |              |              |              |              |              | <b>1.21</b>    |

**SOURCE:** *Computed from the Published Annual Reports of the selected Bank*

In the MCB net profit on total assets was on an average of 0.67 percent. It ranged between 0.30 percent in 2000-2001 to 1.07 percent in 1998-99. It was 0.82 percent in 1997-98 which increased in 1998-99 as it

was 1.07 percent. But after that it was 0.38 percent in 1999-2000 which steeped down to 0.30 percent in 2000-2001, again it went up to 0.60 percent in 2001-2002. It reached at 0.92 percent in 2002-2003 which gone down to 0.61 percent in 2003-2004.

The net profit on total assets in MUCB represented a decreasing trend during the period of the study except in 20001-2002. The net profit to total assets was on an average of 1.28 percent during the study period. It ranged between 0.87 percent in 2002-2003 to 1.81 percent in 1997-98. It decreased from 1.81 percent in 1997-98 to 1.16 percent in 2000-2001. But after that there was an increasing trend during the fifth year as it was 1.33 percent. The ratio was 0.87 percent in 2002-2003. Finally, it reached at 0.90 percent in 2003-2004.

In the SCCB, net profit to total asset was on an average of 0.90 percent during the study period. It ranged 0.78 percent in 1999-2000 to 1.03 percent in 2003-2004. Table 4.13 represented a decreasing trend during the first three years and an increasing trend during the last four years which is a positive sign for bank's efficiency. It decreased from 0.94 percent in 1997-98 to 0.78 percent in 1999-2000. But after that it increased from 0.82 percent in to 1.03 percent in 2003-2004.

The net profit to total funds ratio in KNSB registered a decreasing trend during the study period. It decreased from 2.28 percent in 1997-98 to 0.40 percent in 2003-2004. It was 1.50 percent in 1998-99 and 1.05 percent in 1999-2000. It was remarkably reduction during the sixth and seventh years. It was 0.72 percent in 2002-2003 and 0.40 percent in 2003-2004. It can be said that internal management is poor of the bank during the period of study.

The NPTAR in MNSB recorded a decreasing trend during the first six years and later an increasing trend during the last years. The ratio was 1.67 percent in 1997-98 which decreased in 1.31 percent in 1998-99. It steeped down to 1.13 in 1999-2000 and stood at 0.82 percent in 2000-2001. It was 0.57 percent in 2001-2002. After declining to 0.45 percent in 2002-2003, it improved 0.68 percent in 2003-2004.

RNSB witnessed a fluctuating trend during the study period. The ratio was on an average of 0.95 percent during the study period. It ranged between 0.14 percent in 2003-2004 to 1.01 percent in 1997-98. It was 0.98 percent in 1998-99 which came down to 0.79 percent in 1999-2000. It was 0.69 percent in 2000-2001 which increased to 0.77 percent in 2001-2002 and reached at 0.94 percent in 2002-2003. Finally, it steeped down to 0.14 percent in 2003-2004.

HNSB witnessed a decreasing trend during the first four years of the study. It was 3.24 percent in 1997-98 which decreased to 2.15 percent in 2000-2001. It was 2.23 percent in 2001-2002 which rise up to 2.47 percent in 2001-2002. Finally, it stood at 1.42 percent in 2003-2004.

In AMCB the net profit on total assets ratio was nil during 2002-2003 and 2003-2004 due to zero profit. It was 2.30 percent in 1997-98 which declined to 0.58 percent in 1998-99 and reached at 0.77 percent in 1999-2000. It increased to 0.95 percent in 2000-2001. It was 0.93 percent in 2001-2002. Finally, it turned to zero in 2002-2003 and 2003-2004.

In UNSB registered a decreasing trend during the first four years and an increasing trend during the last three years of the study period. It

decreased from 1.11 percent in 1997-98 to 0.56 percent in 2000-2001. After that it increased from 0.83 percent in 2001-2002 to 0.93 percent in 2003-2004.

The net profit to total assets ratio in VNSB registered an increasing trend during the first three years and later decreasing during the next three years and again an increasing trend during the last years. It increased from 1.17 percent in 1997-98 to 2.16 percent in 1999-2000. But after that it decreased from 2.06 in 2000-2001 to 0.86 percent in 2002-2003. Finally, it stood at 1.03 percent in 2003-2004.

In BNSB registered an increasing trend during the first four years and a decreasing trend during the last three years of the study period. It increased from 1.70 percent in 1997-98 to 2.31 percent in 2000-2001. After that it decreased from 2.28 percent in 2001-2002 to 1.07 percent in 2003-2004. It was the highest in 2000-2001 as it was 2.31 percent and 1.07 percent in 2003-2004 which was the lowest level. The ratio was on an average of 1.89 percent during the period of study.

The NPSTAR in KHNSB recorded a decreasing trend during the first five years and later an increasing trend during the next year and a decreasing trend during the last year. The ratio was 2.18 percent in 1997-98 which decreased to 1.98 percent in 1998-99. It stepped down to 1.78 in 1999-2000 and stood at 1.67 percent in 2000-2001. It was 0.77 percent in 2001-2002. After declining to 0.77 percent in 2001-2002 which improved to 0.89 percent in 2002-2003. Finally, it stood at 0.45 percent in 2003-2004. The ratio was on an average of 1.39 percent during the period of study.

In MONSB registered a decreasing trend during the first four years and an increasing trend during the next year and again a declining trend during the last two years of the study period. It decreased from 3.17 percent in 1997-98 to 2.19 percent in 2000-2001. After that it increased to 3.48 percent in 2001-2002. But finally it was 3.20 percent in 2002-2003 and 2.68 percent in 2003-2004. It was on an average of 2.83 percent during the period of the study. It was the highest level in 2001-2002 as it was 3.48 percent while the lowest level of 2.19 percent in 2000-2001. The net profit total funds ratio was more than two percent during the period of the study.

The NPTAR in TNSB recorded a decreasing trend during the four years and later an increasing trend during the last three years of the study period. The ratio was 0.79 percent in 1997-98 which decreased to 0.68 percent in 1998-99. It stepped down to 0.65 in 1999-2000. It declined to 0.57 percent in 2000-2001 which improved to 0.60 percent in 2001-2002 and 0.61 percent in 2002-2003. Finally, it stood at 0.65 percent in 2003-2004. The ratio was on an average of 0.65 percent during the period of study.

The net profit on total assets in INSB represented a decreasing trend during the period of the study. The net profit to total assets was on an average of 1.58 percent. It ranged between 1.33 percent in 2003-2004 to 2.08 percent in 1997-98. It decreased from 2.08 percent in 1997-98 to 1.90 percent in 1998-99. It was 1.60 percent in 1999-2000 and 1.43 percent in 2000-2001. It stepped down to 1.39 percent in 2001-2002 which again went down to 1.34 percent in 2002-2003. Finally, it stood at 1.33 percent in 2003-2004

HINSB witnessed a fluctuating trend during the study period. The ratio was on an average of 1.13 percent during the study period. It ranged between 0.99 percent in 2002-2003 to 1.55 percent in 1997-98. It was 1.16 percent in 1998-99 which came down to 1.12 percent in 1999-2000. It was 1.02 percent in 2000-2001 which increased to 1.04 percent in 2001-2002 and steeped down to 0.99 percent in 2002-2003. Finally, it went up to 1.01 percent in 2003-2004.

The net profit on total assets in BMCB represented a decreasing trend during the period of the study. The net profit to total assets has been on average of 0.68 percent during the study period. It ranged between 0.36 percent in 2003-2004 to 1.25 percent in 1997-98. It decreased from 1.25 percent in 1997-98 to 1.07 percent in 1998-99. It was 0.86 percent in 1999-2000 and 0.42 percent in 2000-2001. It steeped down to 0.39 percent in 2001-2002 which again went down to 0.38 percent in 2002-2003. Finally, it stood at 0.38 percent in 2003-2004.

In the DNSB, net profit on total assets was on an average of 0.62 percent during the study period. It ranged between 0.27 percent in 2003-2004 to 1.08 percent in 1997-98. It was 0.81 percent in 1998-99 which increased in 1999-2000 as it was 1.04 percent. But after that it was 0.48 percent in 2000-2001 which steeped down to 0.33 percent in 2001-2002, again it went up to 0.36 percent in 2002-2003. It stood at 0.27 percent in 2003-2004.

In the PPCB, net profit to total asset was on an average of 0.66 percent during the study period. It ranged between 0.17 percent in 2003-2004 to 1.75 percent in 1997-98. Table 4.13 represented a decreasing

trend during the period of study which is a negative sign for bank's efficiency. It decreased from 1.75 percent in 1997-98 to 0.17 percent in 2003-2004. It was 0.78 percent in 1998-99 and 0.66 percent in 1999-2000. It went down in 2000-2001 as it was 0.59 percent. It was 0.47 percent in 2002-2003. It was 0.17 percent during the last two years.

The net profit on total assets in PCB represented a decreasing trend during the period of the study, except in 2002-2003. The net profit to total assets was on an average of 1.49 percent during the study period. It ranged between 0.95 percent in 2003-2004 to 2.33 percent in 1997-98. It decreased from 1.89 percent in 1998-99 to 1.59 percent in 1999-2000. Again it went down to 1.54 percent in 2000-2001 and 1.02 percent in 2001-2002. It was 1.12 percent in 2002-2003.

The average ratio of MONSB was 2.83 percent followed by HNSB with 2.35 percent, BNSB with 1.89 percent, INSB with 1.58 percent, VNSB with 1.53 percent, PPCB with 1.49 percent and MUCB with 1.28 percent. The average ratio of the above seven UCBs remained below. In AMCB net profit was nil during the last two years which is a mismanagement of the funds or failure of banks in assets/ liabilities management. It can be said that all the UCBs obtained high cost of deposits and was not able to invest or advances at higher rate which caused to increase proportion of operating expenses and resulted in reduction of profit.



## F- TEST Net Profit to Total ASSETS

*The statements of hypothesis are as under:*

*Ho: Net profit to total assets does not differ significantly between the years.*

*H1: Net profits to total assets differ significantly between the years.*

*Ho : Net profit to total assets does not differ significantly between the banks.*

*H1: Net profit to total assets differs significantly between the banks.*

**Table 4.14**  
**F-TEST OF NET PROFIT TO TOTAL ASSETS**

| <b>Source of Variation</b> | <b>Sum of Squares</b> | <b>d. f. (V)</b> | <b>Mean Squares</b> | <b>F' Ratio</b> |
|----------------------------|-----------------------|------------------|---------------------|-----------------|
| Between years              | 10.01                 | 6                | 1.67                | 14.53           |
| Between Bank               | 48.81                 | 19               | 2.57                | 22.39           |
| Residual                   | 13.08                 | 114              | 0.11                |                 |
| Total ss                   | 71.90                 | 139              |                     |                 |

Table Value  $V_1=6$  and  $V_2=114=2.18$  at 5% level of significance..

Table Value  $V_1=19$  and  $V_2=114= 1.66$  at 5% level of significance..

Table 4.12 represents the difference in net profit to total assets in years is significant because table value (2.18) is lower than calculated value (14.53) so null hypothesis is rejected i.e. there is significant difference among the years so far net profit to total fund is concerned.

Same way table value (1.66) is lower than the calculated value of 'F' (22.39) value for banks and so here also null hypothesis is rejected i.e. there is significant difference in net profit to total fund amongst various banks.

## Post Hoc Tests

### Multiple Comparisons

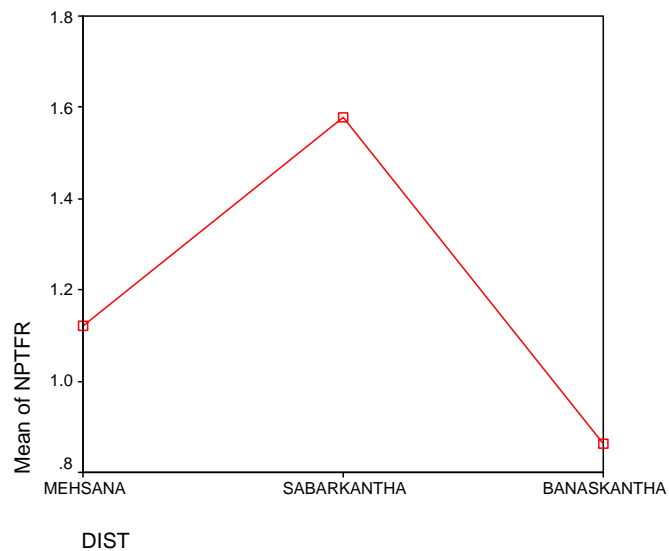
Dependent Variable: NPTFR

Tamhane

| (I) DIST    | (J) DIST    | Mean Difference (I-J) | Std. Error | Sig. | 95% Confidence Interval |             |
|-------------|-------------|-----------------------|------------|------|-------------------------|-------------|
|             |             |                       |            |      | Lower Bound             | Upper Bound |
| MEHSANA     | SABARKANTHA | -.4598*               | .14311     | .006 | -.8095                  | -.1102      |
|             | BANASKANTHA | .2579                 | .13107     | .153 | -.0646                  | .5804       |
| SABARKANTHA | MEHSANA     | .4598*                | .14311     | .006 | .1102                   | .8095       |
|             | BANASKANTHA | .7177*                | .16085     | .000 | .3239                   | 1.1116      |
| BANASKANTHA | MEHSANA     | -.2579                | .13107     | .153 | -.5804                  | .0646       |
|             | SABARKANTHA | -.7177*               | .16085     | .000 | -1.1116                 | -.3239      |

\*. The mean difference is significant at the .05 level.

The mean difference between Mehsana and Sabarkantha and Sabarkantha and Banaskantha at 5% level of significance.



## REFERENCES

1. S. B chodhary. Analysis of company financial statement (Bombay Asian Publishing House , 1964 p. 123)
2. Koher, Eric 1. :A Dictionary for Accounting (Prantice- Hall of India Pvt. Ltd.,New Delhi), Ed. 1972, p-345
3. Dividsons, Sidney; Stickney, Clyde P and weil, Romon L.: Financial Accounting- An Introduction to concept, Method and Uses(The Dreden Press, U.S.A.), Ed: 1982, p-8
4. Bion B. Howard and Miller Upton Introduction to business finance (New York, McGraw Hill 1953 p-150)
5. Chatraborty, H. : Management Accountancy; Navbharat Publishers Calcutta, Ed; 1976, P-585.
6. Kuchhal S.C." Financial Management- An Analytical and Conceptual Approach "Chitanya Publishing House, Allahabad, 1977, P-71.
7. Murty, V. S.: Management Finance ( Vakils feffer and simons Ltd, Bombay) Ed., 1978, P-79.

## **CHAPTER - V**

### **FINANCIAL ANALYSIS**

- 5.1 Introduction :
- 5.2 Concept and Meaning of Financial Analysis
- 5.3 Financial Analysis of the Banks Under Study
  - Net Worth Ratio
  - Debt Equity Ratio
  - Credit Deposit Ratio
  - Current Liabilities to Net worth Ratio
  - Total Investment and Total Advance to Total Deposits Ratio
  - Long term Deposits to Total Deposits Ratio
  - Overdue to Total Advance Ratio

## **5.1 Introduction**

Financial statements are only the means of providing general information regarding operational results and financial position of a business firms. These statements merely contains financial data about business events which do not reveals any significant conclusions such as efficiency of the management strength and weakness of the firm, index of future progress etc. Therefore meaning and significance are not known till their user does not analysis and interpret them for their specific purpose. Financial analysis is a multipurpose and multidimensional technique which involves a systematic for a certain period. The use of techniques is an art which requires pertinent knowledge experience and intuition for its development. In the word of **M.R. Agrawal** "the science of financial analysis is assuming an increasingly important role as a tool for appraising the real worth of a going concern. It helps in drawing out the implications which are contained in the statements themselves" <sup>1</sup>

## **5.2. Meaning:**

The analysis of such statements provides valuable information for managerial decisions. Analysis of financial statements is the systematic of numerical calculation of the relationship between one fact with the other to measure the profitability operational efficiency and the growth potential of the business. Thus the analysis of financial statement is basically a study of the relationship among various financial facts and figures as given in a set of financial statement. The basic financial statements i.e. balance sheet and income statement contain a whole lot of historical data. The complex figures as given in these financial statements are broken into simple and valuable elements and significant relationships

are established between the elements of the same statement or different financial statement. In the words **Metcaff and Titard** "Analyzing financial statement is a process of evaluating the relationship between component parts of financial statement to obtain a better understanding of a firms position and performance" <sup>2</sup>

There are three steps to be required for financial analysis the first step is to select the information second step is to establishment of relationship including with classification or grouping of information and the final step is interpretation and growing of inferences and conclusions by studying these relationships In shorts analysis refers to the process of fact finding and breaking down a complex set of figures into simple statement from the financial analysis owners or management interpreted the strength of the units.

This research work is concerned with Urban Co-operative Banking (UCBs) organization that offers personalized services. The bank uses various indicators from for measuring the financial performance through financial analysis. These indicators tell as the true financial position of the UCBS. These indicators help in identifying the strengths and weakness of the UCBS and suggesting improvements in its future. In other words these indicators are called ratio. The financial appraisal of UCBS has been done with the help of the balance sheet ratio. Thus, it becomes easier to know about the true position of the UCBS in terms of its liquidity and strengthen and so on. The financial analysis and financial appraisal have the same meaning and are generally used as synonymous. The techniques of financial analysis are used for purpose of financial appraisal. Obviously financial appraisal is the process of scientifically making a proper, critical and comparative evaluation of the profitability

and financial health of a UCBS. The number of such techniques was used by the financial analyst which was the financial indicators of banking business. The various financial ratios which have been used under this research work.

### **5.3. Financial Analysis of Banks Under Study:**

Ratio analysis has emerged as the principal technique of analysis of financial statements. It is attempted to present the information of the financial statement in simplified, systematized and summarized from establishing the quantities relationship of the items or group of items financial statement. These ratio help in measuring the financial contrition of the owners as compared that of depositors and borrowers and also the risk in debt financing. Capital structure can be defined as the financial plan of an organization representing relation between owned funds and borrowed funds in such a way as to maximize owners equity or weal the minimize over all cost finance. According to some financial author capital structure refers to all source of capital, whether long term sources or short term sources of funds. In co-operative banking sector, capital structure consists of equity share, reserves and surplus, deposits and borrowed funds and other liabilities. A bank is a financial institution so deposits constitute major parts of capital structure. In banking sector short term deposits bring more profits as its has a low procurement cost them long term deposits long term financial health of the UCBS have been analyzed through analysis of capital structure of the UCBS by using different ratio. Some other called financial indicator of banks these are under.

## **NET WORTH RATIO**

This ratio is a test of the financial and credit strength of the organization and measures the relationship between the owner's funds and total assets. It is also known as "Proprietary Ratio ", "Net worth to Total Assets Ratio" or "Equity Ratio" It determines the long term solvency of the banks and the manner of financing the bank. It shows the percentage of assets financed by the proprietor's fund. This ratio is expressed in percentage as under

$$\text{Net Worth Ratio} = \frac{\text{Net Worth}}{\text{Total Assets}} * 100$$

Net Worth = Equity share capital plus Reserves and surplus

Total Assets = Total funds

A high ratio would mean the enterprise is financially sound. A bank is less dependent on outside sources for working capital. A higher the ratio indicates a higher margin of safety and security available to the outside depositors or creditors. The higher the ratio means long term solvency position of the bank is good. A low ratio would evoke doubts as to the organization's excessive dependence on external funds, which is dangerous during the period of depression. Net worth ratio should neither be too high nor too low.



**Table 5.1**  
**Net Worth Ratio of Banks Under Study**

| <b>BANKS</b>         | <b>97-98</b> | <b>98-99</b> | <b>99-00</b> | <b>00-01</b> | <b>01-02</b> | <b>02-03</b> | <b>03-04</b> | <b>AVERAG E</b> |
|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-----------------|
| <b>MCB</b>           | 13.22        | 11.66        | 9.77         | 9.47         | 11.7         | 11.33        | 13.92        | 11.58           |
| <b>MUCB</b>          | 7.21         | 6.49         | 6.53         | 6.19         | 8.63         | 13.56        | 15.34        | 9.14            |
| <b>SCCB</b>          | 14.4         | 11.9         | 10.03        | 9.48         | 11.92        | 14.54        | 16.55        | 12.69           |
| <b>KNSB</b>          | 13.08        | 10.22        | 8.28         | 9.59         | 10.91        | 12.25        | 12.96        | 11.04           |
| <b>MNSB</b>          | 11.02        | 9.51         | 8.27         | 7.92         | 8.7          | 10.56        | 12.13        | 9.73            |
| <b>RNSB</b>          | 7.02         | 5.8          | 5.12         | 5.22         | 7.7          | 9.9          | 11.45        | 7.46            |
| <b>HNSB</b>          | 22.96        | 19.35        | 19.1         | 16.85        | 20.3         | 22.77        | 23.88        | 20.74           |
| <b>AMCB</b>          | 25.4         | 18.75        | 13.02        | 11.91        | 11.56        | 15.78        | 17.82        | 16.32           |
| <b>UNSB</b>          | 14.23        | 11.53        | 10.62        | 10.88        | 11.71        | 12.23        | 14.55        | 12.25           |
| <b>VNSB</b>          | 12.95        | 17.22        | 17.54        | 18.14        | 17.76        | 16.43        | 18.84        | 16.98           |
| <b>BNSB</b>          | 15.27        | 14.43        | 13.99        | 12.99        | 13.41        | 15.74        | 15.75        | 14.51           |
| <b>KHNSB</b>         | 11.27        | 10.08        | 9.85         | 10.79        | 12.57        | 13.96        | 14.19        | 11.82           |
| <b>MONSB</b>         | 14.91        | 13.62        | 13.6         | 13.39        | 14.44        | 16.38        | 15.64        | 14.57           |
| <b>TNSB</b>          | 10.03        | 7.8          | 8.16         | 7.61         | 9.47         | 13.21        | 14.19        | 10.07           |
| <b>INSB</b>          | 12.7         | 13.97        | 12.45        | 12.77        | 14.21        | 14.54        | 15.44        | 13.73           |
| <b>HINSB</b>         | 14.28        | 12.26        | 12.43        | 14.08        | 15.86        | 16.78        | 18.23        | 14.85           |
| <b>BMCB</b>          | 8.6          | 7.94         | 7.17         | 6.74         | 8.53         | 10.57        | 12.12        | 8.81            |
| <b>DNSB</b>          | 8.42         | 6.81         | 5.99         | 6.83         | 8.42         | 12.01        | 14.00        | 8.93            |
| <b>PPCB</b>          | 16.66        | 13.85        | 11.73        | 11.07        | 10.82        | 11.63        | 11.78        | 12.51           |
| <b>PCB</b>           | 14.67        | 15.74        | 12.74        | 12.9         | 14.16        | 14.72        | 14.03        | 14.14           |
| <b>Average Ratio</b> | 13.42        | 11.95        | 10.82        | 10.74        | 12.14        | 13.94        | 15.14        | <b>12.59</b>    |

*Source : Computed from Published Annual Reports of the selected Banks.*

The above mention table 5.1 contains information about the net worth of the selected banking units during the period under review. The table represent that the net worth ratio recorded a decreasing trend during the first four years and an increasing trend during the last three years of the study period in MCB. It decreased from 13.22 percent in 1997-98 to 9.47 percent in 2000-2001. But there after it increased from 11.70 percent in 2001-2002 to 13.92 percent in 2003-2004.

The net worth in MUCB witnessed an increasing trend during the last four years but mixed trend during the first three years of the period of study. It decreased from 7.21 percent in 1997-98 to 6.49 in 1998-99 but it

went up to 6.53 percent in 199-2000. There after it came down to 6.19 percent in 2000-2001. It increased from 8.63 percent in 2001-2002 to 15.34 percent in 2003-2004.

SCCB registered a downward trend during the first four years and upward trend during the last three years. It decreased from 14.40 percent in 1997-98 to 9.48 percent in 2000-2001. But there after it increased from 11.92 percent in 2001-2002 to 16.55 percent in 2003-2004.

In KNSB also the ratio registered a decreasing trend during the first three years and upward trend during the last four years of the study period. It decreased from 13.08 percent in 1997-98 to 8.28 percent in 1999-2000. It increased from 9.59 percent in 2000-2001 to 12.96 percent in 2003-2004.

Net worth ratio in MNSB also witnessed a decreasing trend during the first four years of the study period. It was 11.02 percent in 1997-98 which came down to 9.51 percent in 1998-99. Again it steeped down to 8.27 percent in 1999-2000. It was 7.92 percent in 2000-2001. The ratio increased during the last three years of study period. It increased from 8.70 percent in 2001-2002 to 12.13 percent in 2003-2004.

The net worth ratio in RNSB witnessed a declining trend during the first two years and an increasing trend during the last five years of the period of the study. It was 7.02 percent in 1997-98 which came down to 5.80 percent in 1998-99. But there after it increased from 5.12 percent in 1999-2000 to 11.45 percent in 2003-2004.

The net worth ratio in HNSB registered a declining trend during the first fours and upward trend during the last three years. It decreased from 22.96 percent in 1997-98 to 16.85 percent in 2000-2001. However, the

ratio increased to 20.30 percent in 2001-2002 and further 22.77 percent in 2002-2003. Finally it went up to 23.88 percent in 2003-2004.

The ratio in AMBC always less than 25.40 percent and it ranged between 11.56 percent in 2001-2002 and 25.40 percent in 1997-98. It was 18.75 percent in 1998-99. It was 13.02 percent in 1999-2000 and 11.91 percent in 2000-2001. While the ratio was 15.78 percent in 2002-2003 and 17.82 percent in 2003-2004.

The ratio in UNSB was less than 15 percent during the all years of study. It was 14.23 percent in 1997-98 which steeped down to 11.53 percent in 1998-99. It was 11.62 percent in 1999-2000 which went down to 10.88 percent in 2000-2001. The ratio increased to 11.71 percent in 2001-2002 which again increased to 12.23 percent in 2002-2003. Finally, it reached at 14.55 percent in 2003-2004.

In VNSB recorded a fluctuating trend in the net worth ratio during the period under review. The ratio was 12.95 percent in 1997-98 which increased to 17.22 percent in 1998-99. It again increased to 17.54 percent in 1999-2000 and went up to 18.14 percent in 2000-2001. It decreased from 17.76 percent in 2001-2002 to 16.43 percent in 2002-2003. Finally, it reached at 18.84 percent in 2003-2004.

The net worth ratio in BNSB registered a declining trend during the first four and an increasing trend during the next three years of the study period. The ratio was 15.27 percent in 1997-98 which went down to 14.43 percent in 1998-99 and again it decreased during in 1999-2000 as it was 13.99 percent. After that declined to 12.99 percent in 2000-2001 which increased to 13.41 percent in 2001-2002. It reached to 15.74 percent in 2002-2003. Finally, it was 15.75 percent in 2003-2004.

KNSB witnessed a decreasing trend during the first three years and an increasing trend during the last three years of the period of study. The ratio was on an average of 11.82 percent during the study period. It ranged between 9.85 percent in 1999-2000 to 14.19 percent in 2003-2004. It was 11.27 percent in 1997-98 which went down to 10.08 percent in 1998-99. It was 10.79 percent in 2000-2001 which went up to 12.57 percent in 2001-2002. It improved in 2002-2003 and was 13.96 percent. Finally, it reached to 14.19 percent in 2003-2004.

In MONSB, the net worth ratio was 14.91 percent in 1997-98 which came down to 13.62 percent in 1998-99 and again it decreased to 13.60 percent in 1999-2000. It was 13.39 percent in 2000-2001 which steeped up to 14.44 percent in 2001-2002. It improved in 2002-2003 as it was 16.38 which declined up to 15.64 percent in 2003-2004.

TNSB witnessed a fluctuating trend during the study period. It was 10.03 percent in 1997-98 which considerably went down to 7.8 percent in 1998-99. But there after it went up to 8.16 percent in 1999-2000 which again went down to 7.61 percent in 2000-2001. It was 9.47 percent in 2001-2002 which increased up to 13.21 percent in 2002-2003. Finally it reached at 14.19 percent in 2003-2004 which was the highest level.

The net worth ratio in INSB registered a fluctuating trend during the first three years and an increasing trend during the last four years of the study under review. It was 12.70 percent in 1997-98 which went up to 13.97 percent in 1998-99 and again it decreased to 12.45 percent in 1999-2000. But after that it increased from 12.77 percent in 2000-2001 to 15.44 percent in 2003-2004. The ratio was on an average of 13.73 percent during the study period.

In HINSB the net worth ratio recorded an increasing trend during the study period except in 1998-99. It was 14.28 percent in 1997-98 which came down to 12.26 percent. But it increased from 12.43 percent in 1999-2000 to 18.23 percent in 2003-2004.

BMCB witnessed a decreasing trend during the first four years and an increasing trend during the last three years of the period of study. It decreased from 8.60 percent in 1997-98 to 6.74 percent in 2000-2001. It increased from 8.53 percent in 2001-2002 to 12.12 percent in 2003-2004. The ratio was on an average of 8.81 percent during the period of the study.

DNSB recorded a decreasing trend during the first three years and an increasing trend during the last four years of the period of study. It decreased from 8.42 percent in 1997-98 to 5.99 percent in 1999-2000. It increased from 6.83 percent in 2000-2001 to 14.00 percent in 2003-2004. The ratio has been on average of 8.93 percent during the period of the study.

In the PPCB, the net worth ratio was on an average of 12.51 percent during the period of study. It showed a declining trend during the first five years and an increasing trend during the last two years. It was 16.66 percent in 1997-98 which went down to 13.85 percent in 1998-99. Again, it decreased from 11.73 percent in 1999-2000 to 10.82 percent in 2001-2002. But there after it went up to 11.63 percent in 2002-2003. Finally, it reached at 11.78 percent in 2003-2004.

The net worth ratio recorded a fluctuating trend in PCB during the period under review. The ratio was 14.67 percent in 1997-98 which increased to 15.74 percent in 1998-99. It decreased to 12.74 percent in 1999-2000 and went up to 12.90 percent in 2000-2001. Again it increased from 14.16 percent in 2001-2002 to 14.72 percent in 2002-2003. Finally, it stood at 14.03 percent in 2003-2004.

On the basis of above analysis that the management is inefficient in case of RNSB, BMCB, DNSB, MNSB, and MUCB during the period under study. Though all the UCBs improved the net worth ratio during the period of study. However, it can be suggested that the RNSB could try to improve the net worth ratio in future by reducing the deposits accepted of higher rates.

### **F-TEST OF NET WORTH RATIO**

When it is believed that two various independent factor (Year, Bank) has an effect on response variable of interest, two way 'F' test is used to analyze the difference due to the effect of two factor simultaneously. A null hypothesis is taken that difference appeared is not significant. Alternative hypothesis is taken that the difference appeared is significant.

When calculated value is greater than table value of 'F' null hypothesis is rejected and alternative hypothesis is accepted. When calculated value is lower than table value of 'F' test null hypothesis is accepted and alternative hypothesis is rejected.

The statements of hypothesis are as under:

*Ho: Net worth on total assets do not differ significantly between the years.*

*H1: Net worth on total assets differs significantly between the years.*

*Ho: Net worth on total assets do not differ significantly between the banks*

*H1: Net worth on total assets differ significantly between the banks*

**TABLE 5.2**  
**F-TEST OF NET WORTH RATIO**

| <b>Source of Variation</b> | <b>Sum of Squares</b> | <b>d. f. (V)</b> | <b>Mean squares</b> | <b>F' Ratio</b> |
|----------------------------|-----------------------|------------------|---------------------|-----------------|
| Between years              | 283.71                | 6                | 47.28               | 18.22           |
| Between Bank               | 1824.03               | 19               | 96.00               | 36.99           |
| Residual                   | 295.88                | 114              | 2.60                |                 |
| Total ss                   | 2403.62               | 139              |                     |                 |

Table Value  $V_1=6$  and  $V_2=114=2.18$  at 5% level of significance.

Table Value  $V_1=19$  and  $V_2=114= 1.66$  at 5% level of significance.

Table 5.2 represents the difference in net worth on total assets in years is significant because table value (2.18) is lower than calculated value (18.22) so null hypothesis is rejected i.e. there is significant difference among the years so far net worth on total assets is concerned.

Same way table value (1.66) is lower than the calculated value of 'F' (36.99) value for banks and so here also null hypothesis is rejected i.e. there is significant difference in net worth to total assets amongst various banks.

## Post Hoc Tests

### Multiple Comparisons

Dependent Variable: NWR

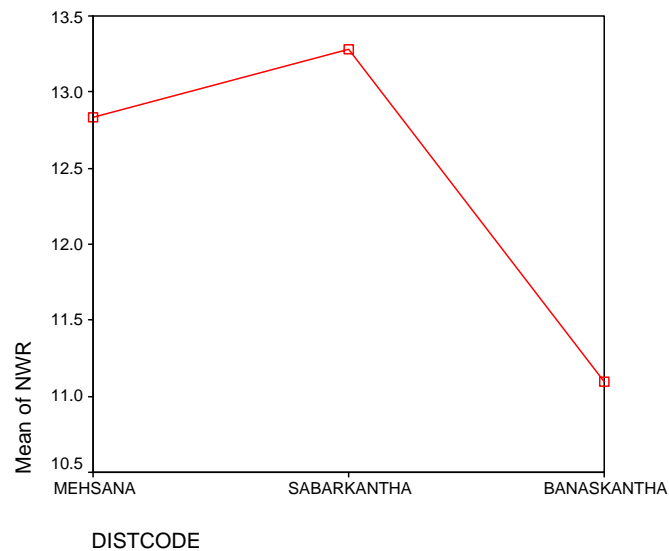
Tamhane

| (I) DISTCODE | (J) DISTCODE | Mean Difference (I-J) | Std. Error | Sig. | 95% Confidence Interval |             |
|--------------|--------------|-----------------------|------------|------|-------------------------|-------------|
|              |              |                       |            |      | Lower Bound             | Upper Bound |
| MEHSANA      | SABARKANTHA  | -.4434                | .67131     | .883 | -2.0715                 | 1.1848      |
|              | BANASKANTHA  | 1.7415                | .80665     | .099 | -.2286                  | 3.7116      |
| SABARKANTHA  | MEHSANA      | .4434                 | .67131     | .883 | -1.1848                 | 2.0715      |
|              | BANASKANTHA  | 2.1849*               | .69065     | .008 | .4766                   | 3.8931      |
| BANASKANTHA  | MEHSANA      | -1.7415               | .80665     | .099 | -3.7116                 | .2286       |
|              | SABARKANTHA  | -2.1849*              | .69065     | .008 | -3.8931                 | -.4766      |

\*. The mean difference is significant at the .05 level.

The mean difference is significant between Sabarkantha and Banaskantha.

### Means Plots



## DEBT EQUITY RATIO

Debt- equity ratio is an important test to judge long term solvency of the enterprise. It expresses the relation relationship between owned funds



and borrowed funds and determines the bank's ability to repay debts out of its owned funds. This ratio is called "External Internal Equity" or "Debt to Net Worth" as it measures the amount invested by outsiders to that by owners of an enterprise.

In the banking sector, this ratio plays an important role because most of the funds are obtained from outsiders. Thereby it clearly indicates the outsiders' claims in relation to owners' claims in total funds. The purpose of debt- equity ratio is to obtain an idea of the funds supplied to the bank by depositors against owners and cushion available to depositors. This ratio calculated as under.

$$\text{Debt Equity Ratio} = \frac{\text{External Equities}}{\text{Internal Equities}} * 100$$

**OR**

$$\text{Debt Equity Ratio} = \frac{\text{Total Debts}}{\text{Shareholders' funds or Net Worth}} * 100$$

External Equities or Total Debt=Long term liabilities plus short term liabilities

Internal Equities or Shareholder funds= Share Capital plus Reserve and Surplus.

This ratio plays an important role in analyzing the long term solvency of a unit. It indicates the firm's capacity to pay long term debts and procure additional loans. This ratio indicates the owner's capital invested in total assets of the business. A low debt- equity ratio provides sufficient safety margin to creditors due to high stake of owners in the capital of the units. On the contrary, a high debt- equity ratio shows that the claims of creditors are greater than those of owners, hence lesser safety.

**Table 5.3**  
**Debt Equities Ratio of the Banks Under Study**

| <b>BANKS</b>         | <b>97-98</b> | <b>98-99</b> | <b>99-00</b> | <b>00-01</b> | <b>01-02</b> | <b>02-03</b> | <b>03-04</b> | <b>AVERAGE</b> |
|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|
| <b>MCB</b>           | 656.15       | 919.52       | 923.25       | 955.98       | 754.60       | 782.72       | 618.30       | 801.50         |
| <b>MUCB</b>          | 1286.29      | 1441.25      | 1431.87      | 1515.18      | 1058.79      | 637.65       | 552.10       | 1131.88        |
| <b>SCCB</b>          | 594.24       | 740.02       | 896.54       | 954.64       | 738.93       | 587.87       | 504.39       | 716.66         |
| <b>KNSB</b>          | 664.81       | 878.23       | 1107.33      | 943.26       | 816.51       | 716.01       | 671.75       | 828.27         |
| <b>MNSB</b>          | 807.49       | 951.82       | 1109.39      | 1162.47      | 1049.15      | 846.99       | 724.32       | 950.23         |
| <b>RNSB</b>          | 1323.92      | 1624.70      | 1854.73      | 1816.89      | 1199.33      | 909.77       | 773.10       | 1357.49        |
| <b>HNSB</b>          | 335.61       | 416.78       | 423.58       | 493.51       | 392.52       | 339.22       | 318.81       | 388.58         |
| <b>AMCB</b>          | 293.70       | 433.44       | 667.82       | 739.38       | 765.11       | 533.90       | 461.04       | 556.34         |
| <b>UNSB</b>          | 602.84       | 767.28       | 841.52       | 819.46       | 754.23       | 717.55       | 587.10       | 727.14         |
| <b>VNSB</b>          | 672.06       | 480.63       | 470.00       | 451.29       | 462.92       | 508.51       | 430.75       | 496.59         |
| <b>BNSB</b>          | 554.87       | 593.12       | 614.60       | 670.10       | 645.97       | 535.23       | 534.81       | 592.67         |
| <b>KHNSB</b>         | 787.66       | 892.27       | 915.66       | 826.39       | 695.63       | 616.24       | 604.96       | 762.69         |
| <b>MONSB</b>         | 570.77       | 634.28       | 635.30       | 646.95       | 592.63       | 510.62       | 539.24       | 589.97         |
| <b>TNSB</b>          | 896.90       | 1182.32      | 1126.12      | 1213.36      | 955.97       | 656.83       | 604.89       | 948.05         |
| <b>INSB</b>          | 687.62       | 615.82       | 703.19       | 683.16       | 603.67       | 587.59       | 547.69       | 632.68         |
| <b>HINSB</b>         | 600.26       | 715.77       | 704.66       | 610.07       | 530.41       | 496.08       | 448.57       | 586.54         |
| <b>BMCB</b>          | 1063.07      | 1159.83      | 1295.20      | 1383.41      | 1072.68      | 846.09       | 725.20       | 1077.92        |
| <b>DNSB</b>          | 1086.96      | 1368.69      | 1570.79      | 1363.40      | 1088.25      | 732.30       | 614.23       | 1117.80        |
| <b>PPCB</b>          | 500.11       | 621.96       | 752.38       | 803.06       | 824.23       | 760.16       | 748.91       | 715.83         |
| <b>PCB</b>           | 581.54       | 535.43       | 685.01       | 675.25       | 605.98       | 579.21       | 612.64       | 610.72         |
| <b>Average Ratio</b> | 728.34       | 848.66       | 936.45       | 936.36       | 780.38       | 645.03       | 581.14       | <b>779.48</b>  |

*Source: Computed from Published Annual Reports of the selected Banks.*

The debt equity ratio in MCB registered an increasing trend during the first four years and decreasing trend during the last three years of the study period. It increased from 656.15 percent in 1997-98 to 955.98 percent in 2000-2001. It decreased from 754.60 percent in 2001-2002 to 618.30 percent in 2003-2004. The ratio was on an average of 801.50 percent during the period if the study.

In MUCB debt equity ratio recorded an increasing trend during the first four years and decreasing trend during the last three years of the study period. It increased from 1286.29 percent in 1997-98 to 1515.18 in 2000-2001 It decreased from 1058.79 percent in 2001-2002 to 552.10 percent in 2003-2004. The ratio was on an average of 1131.88 percent during the period of the study.

In SCCB registered an increasing trend during the first four years and decreasing trend during the last three years of the study period. It was increased from 594.24 percent in 1997-98 to 954.64 in 2000-2001 It was decreased from 738.93 percent in 2001-2002 to 504.39 percent in 2003-2004. The ratio was on an average of 716.66 percent during the period of the study.

The debt equity ratio in KNSB recorded an increasing trend during the first three years and a decreasing trend during the last four years. It increased from 664.81 percent in 1997-98 to 1107.33 percent in 1999-2000 But after that it decreased from 943.26 in 2000-2001 to 671.75 percent in 2003-2004. The ratio was on an average of 828.27 during the period of the study.

In MNSB debt equity ratio recorded an increasing trend during the first four years and decreasing trend during the last three years of the study period. It increased from 807.49 percent in 1997-98 to 1162.47 in 2000-2001. It decreased from 1049.15 percent in 2001-2002 to 724.32 percent in 2003-2004. The ratio was on an average of 950.23 percent during the period of the study.

The debt equity ratio in RNSB registered an increasing trend during the first three years and a decreasing trend during the last four years. The ratio was on an average of 1357.49 percent during the period of study. It increased from 1323.92 percent in 1997-98 to 1816.69 percent in 1999-2000. But after that it decreased from 1199.33 in 2000-2001 to 773.10 percent in 2003-2004.

The debt equity ratio in HNSB recorded an increasing trend during the first four years and decreasing trend during the last three years of the study period. It increased from 335.61 percent in 1997-98 to 493.51 in 2000-2001. It decreased from 392.52 percent in 2001-2002 to 318.81 percent in 2003-2004. The ratio was on an average of 388.58 percent during the period of the study.

In AMCB registered an increasing trend during the first five years and decreasing trend during the last two years of the study period. It increased from 293.70 percent in 1997-98 to 765.11 in 2001-2002. It went down to 533.90 percent in 2001-2002. Finally, it stood at 461.04 percent in 2003-2004.

The debt equity ratio in UNSB recorded an increasing trend during the first three years and a decreasing trend during the last four years. It increased from 602.84 percent in 1997-98 to 841.52 percent in 1999-2000. But after that it decreased from 819.46 in 2000-2001 to 587.10 percent in 2003-2004.

In the VNSB, the debt equity ratio was on an average 496.59 percent during the study period. It ranged between 430.75 in 2003-2004 to 672.06 percent in 1997-98. It was 480.63 percent in 1998-99 which went down to 470.00 percent in 1999-2000. Again it came down to 451.29 in 2000-2001 but it increased in 2001-2002 as it was 462.92 percent and 508.51

percent in 2002-2003. Finally, it was 430.75 percent in 2003-2004 which was the lowest level.

In BNSB debt equity ratio recorded an increasing trend during the first four years and decreasing trend during the last three years of the study period. It increased from 554.87 percent in 1997-98 to 670.10 in 2000-2001 It decreased from 645.97 percent in 2001-2002 to 534.81 percent in 2003-2004.

The debt equity ratio in KHNSB recorded an increasing trend during the first three years and a decreasing trend during the last four years. It increased from 787.66 percent in 1997-98 to 915.66 percent in 1999-2000 But after that it decreased from 826.39 in 2000-2001 to 616.24 percent in 2002-2003. Finally, it was stood at 604.96 percent in 2003-2004. The ratio was on an average of 762.69 during the period of the study.

In MONSB debt equity ratio registered an increasing trend during the first four years and declining trend during the next two years, again an increasing trend during the last year of the study under review. It increased from 570.77 percent in 1997-98 to 646.95 percent in 2000-2001 which declined from 592.63 percent in 2001-2002 to 510.62 in 2002-2003. But there after finally, it increased to 539.24 percent in 2003-2004.

The debt equity ratio in TNSB registered a fluctuating trend during the study period. The ratio was on an average 948.05 percent. It was 896.90 percent in 1997-98 which went up to 1182.32 percent in 1998-99. It stepped down to 1126.12 percent in 1999-2000 but again it increased to 1213.36 percent in 2000-2001 which was the highest level. It declined to

955.97 percent in 2001-2002 which went down to 656.83 percent in 2002-2003. Finally, it stood at 604.89 percent in 2003-2004.

In INSB the debt equity ratio recorded a decreasing trend during the study period except in 1999-2000. It was 687.62 percent in 1997-98 which came down to 615.82 percent in 1998-99 and increased up to 703.19 percent in 1999-2000. There after it decreased from 683.16 percent in 2000-2001 to 547.69 percent in 2003-2004.

The debt equity ratio in HINSB registered a decreasing trend during the study period except in 1998-99. It was 600.26 percent in 1997-98 which rose up to 715.77 percent in 1998-99. It decreased from 704.66 percent in 1999-2000 to 448.57 percent in 2003-2004. The ratio was on an average of 586.54 percent during the study period.

In BMCB debt equity ratio recorded an increasing trend during the first four years and decreasing trend during the last three years of the study period. It increased from 1063.07 percent in 1997-98 to 1383.41 in 2000-2001. It decreased from 1072.68 percent in 2001-2002 to 725.20 percent in 2003-2004.

The debt equity ratio in DNSB recorded an increasing trend during the first three years and a decreasing trend during the last four years. It increased from 1086.96 percent in 1997-98 to 1570.79 percent in 1999-2000 But after that it decreased from 1363.40 in 2000-2001 to 614.23 percent in 2003-2004. The ratio was on an average of 1177.80 during the period of the study.

In PPCB registered an increasing trend during the first five years and decreasing trend during the last two years of the study period. The ratio was on an average of 715.83 percent during the period of the study. It

increased from 500.11 percent in 1997-98 to 824.23 in 2001-2002 It went down to 760.16 percent in 2001-2002. Finally, it stood at 748.91 percent in 2003-2004.

The debt equity ratio in PCB registered a fluctuating trend during the study period. The ratio was on an average 610.72 during the study period. It ranged between 535.43 in 1998-99 from 685.01 percent in 1999-2000. It was 581.54 percent in 1997-98 which went down to 535.43 percent in 1998-99. It increased to 685.01 percent in 1999-2000 but again it decreased to 675.25 percent in 2000-2001. It declined to 605.98 percent in 2001-2002 and 579.21 percent in 2002-2003 which was the lowest level. Finally, it stood at 612.64 percent in 2003-2004.

The average Debt Equity Ratio of MUCB, RNSB, BMCB, DNSB workout more than 1000 percent hence lesser safety of the creditors. The average Debt Equity Ratio of HNSB and VNSB workout less than 500 percent hence higher safety of the creditors.

## **F-TEST OF DEBT EQUITY RATIO**

*The statements of hypothesis are as under:*

*Ho: Debt equity do not differ significantly between the years.*

*H1: Debt equity differ significantly between the years.*

*Ho: Debt equity do not differ significantly between the banks*

*H1: Debt equity differ significantly between the banks*

**TABLE 5.4**  
**F TEST OF DEBT EQUITY RATIO**

| Source of variation | Sum of squares | d. f. (V) | Mean Squares | F' Ratio |
|---------------------|----------------|-----------|--------------|----------|
| Between years       | 3137159.18     | 6         | 522859.86    | 7.53     |
| Between Bank        | 67758841.48    | 19        | 3566254.81   | 51.35    |
| Residual            | 7918050.53     | 114       | 69456.58     |          |
| Total ss            | 78814051.19    | 139       |              |          |

Table Value  $V_1=6$  and  $V_2=114=2.18$  at 5% level of significance.

Table Value  $V_1=19$  and  $V_2=114= 1.66$  at 5% level of significance.

It is clear from the table 5.4 that the difference in debt equity ratio in years is significant because table value (2.18) is lower than calculated value (7.53) so null hypothesis is rejected i.e. there is significant difference among the years so far debt equity to net worth is concerned.

Same way table value (1.66) is lower than the calculated value of 'F' (51.35) value for banks and so here also null hypothesis is rejected i.e. there is significant difference in debt equity amongst various banks.

## Post Hoc Tests

### Multiple Comparisons

Dependent Variable: DER

Tamhane

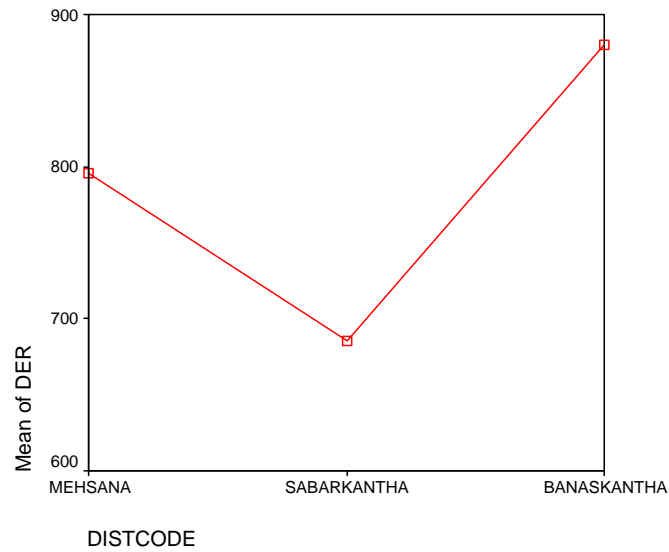
| (I) DISTCODE | (J) DISTCODE | Mean Difference (I-J) | Std. Error | Sig. | 95% Confidence Interval |             |
|--------------|--------------|-----------------------|------------|------|-------------------------|-------------|
|              |              |                       |            |      | Lower Bound             | Upper Bound |
| MEHSANA      | SABARKANTHA  | 110.0342              | 49.96452   | .087 | -11.1484                | 231.2168    |
|              | BANASKANTHA  | -85.1016              | 71.19996   | .556 | -260.3015               | 90.0982     |
| SABARKANTHA  | MEHSANA      | -110.0342             | 49.96452   | .087 | -231.2168               | 11.1484     |
|              | BANASKANTHA  | -195.1358*            | 63.99748   | .012 | -354.7168               | -35.5548    |
| BANASKANTHA  | MEHSANA      | 85.1016               | 71.19996   | .556 | -90.0982                | 260.3015    |
|              | SABARKANTHA  | 195.1358*             | 63.99748   | .012 | 35.5548                 | 354.7168    |

\*. The mean difference is significant at the .05 level.

The mean difference is significant between Sabarkantha and Banaskantha



## Means Plots



## CREDIT DEPOSIT RATIO

Credit deposits ratio indicates the relationship between advances and deposits and is expressed as a percentage of total credit provided to the total deposits mobilized. This is the ratio of total advances granted by a bank to its total deposits on any particular period. This ratio is calculated as follows:

$$\text{Credit- Deposit Ratio} = \frac{\text{Total Credits}}{\text{Total Deposits}} * 100$$

Total Credit= Total advances: short term plus medium- term plus long term advances

Total Deposits= Demand deposits plus Time deposits

A higher credit deposit ratio indicates efficiency of management in advancing loans against deposits and lower credit- deposits ratio indicates

credit creation incapability of the bank in relation to deposits, which considerably affect the profitability of bank.

**Table 5.5**  
**Credit-Deposits Ratio of Banks Under Study.**

| <b>BANKS</b>   | <b>97-98</b> | <b>98-99</b> | <b>99-00</b> | <b>00-01</b> | <b>01-02</b> | <b>02-03</b> | <b>03-04</b> | <b>AVERAGE</b> |
|----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|
| <b>MCB</b>     | 68.55        | 85.31        | 65.87        | 47.87        | 53.3         | 81.49        | 66.38        | 66.97          |
| <b>MUCB</b>    | 72.56        | 71.44        | 76.45        | 72.09        | 83.47        | 95.18        | 78.13        | 78.47          |
| <b>SCCB</b>    | 60.65        | 58.54        | 56.31        | 64.94        | 62.08        | 65.28        | 56.33        | 60.59          |
| <b>KNSB</b>    | 169.18       | 121.38       | 131.6        | 99.02        | 79.49        | 72.86        | 58.52        | 104.58         |
| <b>MNSB</b>    | 64.53        | 59.6         | 62.55        | 55.67        | 62.68        | 60.79        | 45.86        | 58.81          |
| <b>RNSB</b>    | 65.27        | 63.92        | 62.51        | 56.99        | 50.63        | 43.56        | 40.1         | 54.71          |
| <b>HNSB</b>    | 98.07        | 124.55       | 127.83       | 100.11       | 97.49        | 98.62        | 100.5        | 106.73         |
| <b>AMCB</b>    | N.A.         | 90.74        | 76.5         | 76.93        | 76.4         | 86.29        | 84.2         | 81.84          |
| <b>UNSB</b>    | 52.67        | 61.18        | 55.64        | 44.28        | 36.6         | 54.89        | 39.78        | 49.29          |
| <b>VNSB</b>    | 22.08        | 16.73        | 30.28        | 29.6         | 33.67        | 33.47        | 33.85        | 28.53          |
| <b>BNSB</b>    | 60.41        | 60.64        | 48.85        | 43.82        | 44.4         | 40           | 32.63        | 47.25          |
| <b>KHNSB</b>   | 49.09        | 47.77        | 46.69        | 52.92        | 58.46        | 55.21        | 46.56        | 50.96          |
| <b>MONSB</b>   | 68           | 55.43        | 49.17        | 61.22        | 60           | 56.85        | 63.4         | 59.15          |
| <b>TNSB</b>    | 66.92        | 58.89        | 62.4         | 60.05        | 56.61        | 54.15        | 55.54        | 59.22          |
| <b>INSB</b>    | 78.6         | 49.74        | 54.27        | 56.79        | 39.03        | 42.01        | 38.39        | 51.26          |
| <b>HINSB</b>   | 79.63        | 70.01        | 66.98        | 75.23        | 65.6         | 61.67        | 51.8         | 67.27          |
| <b>BMCB</b>    | 52.91        | 67.36        | 69.66        | 71.36        | 66.77        | 62           | 50.51        | 62.94          |
| <b>DNSB</b>    | 53.67        | 57.86        | 83.97        | 99.56        | 87.35        | 85.8         | 68.05        | 76.61          |
| <b>PPCB</b>    | 71.36        | 58.43        | 56.72        | 67.41        | 72.5         | 63.9         | 56.44        | 63.82          |
| <b>PCB</b>     | 110.63       | 109.05       | 100.59       | 96.02        | 94.2         | 84.7         | 65.32        | 94.36          |
| <b>Average</b> | 68.24        | 69.43        | 69.24        | 66.59        | 64.04        | 64.94        | 56.61        | <b>65.58</b>   |

*Source : Computed from Published Annual Reports of the selected Banks.*

Table 5.5 shows the credit deposit ratio of selected UCBs under study. The MCB witnessed a fluctuating trend in credit deposit ratio during the study period. It was 68.55 percent in 1997-98 which increased at a rocketing speed in 1998-99 and was 85.31 percent. After declining to 65.87 percent in 1999-2000 it came down to 47.87 percent in 2000-2001 and it again improved and went up to 53.30 percent in 2001-2002. It again increased in 2002-2003 as it was 81.49 percent but finally the ratio dropped to 66.38 percent in 2003-2004. On the basis of above analysis

the financial management of the bank was satisfactory and proper during the period of study except in 2000-2001.

The CDR in MUCB ranged between 71.44 percent in 1998-99 to 95.18 in 2002-2003, the average being 78.47 percent. It showed fluctuating trend through out the study period. It was 72.56 percent in 1997-98 which decreased to 71.44 percent in 1998-99. It was 76.45 percent in 1999-2000. After declining to 72.09 percent in 2000-2001 the ratio steeply went up to 83.47 percent in 2001-2002. It increased to 95.18 percent in 2002-2003. Finally, it was 78.13 percent in 2003-2004. This bank was able to manage its fund well from this point of view. The management of credit deposits was satisfactory.

The SCCB registered fluctuating trend in the ratio of credit deposit ratio which ranged between 56.31 percent 1999-2000 to 65.28 percent in 2002-2003 during the period of study. It was 60.65 percent in 1997-98. The ratio was 58.45 in 1998-99 which decreased to 56.31 percent in 1999-2000 and went up to 64.94 percent in 2000-2001. The ratio was 62.08 percent in 2001-2002 which again increased to 65.28 percent in 2002-2003. Finally, it reached at 56.33 in 2003-2004.

The credit deposit ratio in KNSB registered a decreasing trend during the period of the study except in 1999-2000. It was 169.18 percent in 1997-98 which dropped to 121.38 percent in 1998-99. Again it went up to 131.60 percent in 1999-2000. But after that it decreased from 99.02 percent in 2000-2001 to 58.52 percent in 2003-2004. On the basis of above analysis the CDR was not satisfactory due decrease during the last four years of the study period.

In MNSB credit deposit ratio ranged between 45.86 percent in 2003-2004 to 64.53 percent in 1997-98 indicating fluctuating trend during the study period. It was 64.53 percent in 1997-98 which was the highest level during the study period. It was 59.60 percent in 1998-99 which reached to 62.55 percent in 1999-2000. But after that it declined to 55.67 in 2000-2001 which went up to 62.68 percent in 2001-2002. However, again it decreased in 2002-2003- and 2003-2004 as it was 60.79 percent and 45.86 percent respectively. The bank's performance was not satisfactory during the last two years of study period from the view point of CDR.

In RNSB registered a declining trend in the ratio of credit deposits. It decreased from 65.27 percent in 1997-98 to 40.10 percent in 2003-2004. This clearly indicates lower credit creation than collection of deposits. This may be due to incapability of the bank in advancing loans or flight of deposits to other areas. On the basis of above analysis it can be said that the bank's financial efficiency was not satisfactory from the view point of deposits and advancing loans.

HNSB witnessed a fluctuating trend during the period of study under review. The ratio was on an average of 106.73 percent during the period of study. It increased from 98.07 percent in 1997-98 to 127.83 percent in 1999-2000 which was the highest level. After that it decreased to 100.11 percent in 2000-2001 and 97.49 percent in 2001-2002. But again it went up to 98.62 percent in 2002-2003 and finally reached at 100.50 percent. On the basis of above analysis it indicates that the growth in credit was higher than deposits. It also clearly indicates that higher credit creation than collection of deposits due to capability of bank in advancing loans.

In the AMCB, the credit deposit ratio was on an average of 81.84 percent during the study period. It ranged between 76.40 percent in 2001-

2002 to 90.74 percent in 1998-99. The data were not available in 1997-98. It was 76.50 percent in 1999-2000 and 76.93 percent in 2000-2001. It showed highly increased during the last two years as it was 86.29 percent in 2002-2003 and 84.20 in 2003-2004. On the basis of analysis it can be said that the credit creation was sufficient from the view point of financial efficiency.

UNSB registered a fluctuating trend in the ratio of CDR during the period under study. It increased from 52.67 percent in 1997-98 to 61.18 percent in 1998-99. However it decreased from 55.64 percent in 1999-2000 to 36.60 percent in 2001-2002. But after that it went up to 54.89 percent in 2002-2003. Again it declined to 39.78 percent in 2003-2004. The performance of bank was not satisfactory during the period of study from the view point of credit creation due low rate of advances.

VNSB recorded fluctuating trend during the period of study. The average ratio was less than 40 percent during the period of study. It was 28.53 percent during the period of study. It ranged between 16.73 percent in 1998-99 to 33.85 percent in 2003-2004. It increased from 16.73 percent in 1998-99 to 30.28 percent in 1999-2000. But after that it dropped to 29.60 percent in 2000-2001. Again it went up to 33.67 percent in 2001-2002. There after it was 33.47 percent in 2002-2003 and 33.85 percent in 2003-2004. The growth rate of credit creation was lower than collection of deposits during the study period. The performance of bank was not satisfactory. It is a sign of weakness. It can be suggested that the bank could try to improve credit creation.

Table 5.5 represented the credit deposit ratio. In BNSB the credit deposit ratio was on an average of 47.25 percent during the study period.

It recorded a decreasing trend during the study period except in 2001-2002 and 1998-99. It decreased from 60.41 percent in 1997-98 to 32.63 percent in 2003-2004. It was 60.64 percent in 1999-8-99 and 44.40 percent in 2001-2002. The bank's performance was not satisfactory because of low credit creation.

KHNSB recorded a fluctuating trend during the period of study. It fluctuated between 46.56 percent in 2003-2004 to 58.46 percent in 2001-2002. It was 49.09 percent in 1997-98 and 47.77 percent in 1998-99. It increased from 46.69 percent in 1999-2000 to 52.92 percent in 2000-2001. It declined from 58.46 percent in 2001-2002 to 55.21 percent in 2002-2003. Finally, it was stood at 46.56 percent in 2003-2004. From the above analysis it can be said that bank's performance was poor relating to credit creation.

MONSB recorded a decreasing trend during the first three years and mixed trend during the last four years. It decreased from 68.00 percent in 1997-98 to 49.17 percent in 1999-2000. However, it increased to 61.22 percent in 2000-2001 but again it decreased to 60.00 percent in 2001-2002 and 56.85 percent in 2002-2003. Finally, it reached at 63.40 percent in 2003-2004. The CDR was not satisfactory from the view point of financial efficiency.

The credit deposit ratio in TNSB registered a mixed trend during the period of study. It was on an average of 59.22 percent during the study period. It ranged between 54.15 percent in 2002-2003 to 66.92 percent in 1997-98. It was 58.89 percent in 1998-99 which increased up to 62.40 percent in 1999-2000. It declined to 60.05 percent in 2000-2001 and 56.61 percent; again it decreased up to 54.15 percent. Finally, it stood at

55.54 percent in 2003-2004. On the basis of above analysis, it can be said that the low growth rate of credit creation. The bank should try to improve it for long existence.

INSB witnessed a fluctuating trend during the study period. The ratio was on an average 51.26 percent during the study period. It ranged between 38.39 percent in 2003-2004 to 78.60 percent in 1997-98. It increased from 49.74 percent in 1998-99 to 54.27 percent in 1999-2000 and 56.79 percent in 2000-2001. But there after it decreased to 39.03 percent in 2001-2002. Again it increased to 42.01 percent in 2002-2003 but finally it went down to 38.39 percent in 2003-2004.

In the HINSB, the credit deposit ratio was on an average of 67.27 percent during the period of study. It was 79.63 percent in 1997-98 which went down to 70.01 percent in 1998-99 and 66.98 percent in 1999-2000. But there after it went up to 75.23 percent in 2000-2001. It dropped to 65.60 percent in 2001-2002 and 61.67 percent in 2002-2003. Finally it was 51.80 percent in 2003-2004. The CDR is more than 60 percent during the first six years of study period and nearly 50 percent in 2003-2004.

BMCB witnessed an increasing trend during the first four years and a decreasing trend during the last three years of the study period. It was 52.91 percent in 1997-98 which increased to 71.36 percent in 2000-2001. However, it decreased from 66.77 percent in 2001-2002 to 50.51 percent in 2003-2004. The ratio was on an average of 62.94 percent during the period of study. On the basis of above analysis it can be said that the bank's performance is satisfactory from the view point of credit creation during the first six years. But bank must have improved it in future for long existence.

In the DNSB, the credit deposit ratio was on an average of 76.61 percent during the period of study. DNSB witnessed an increasing trend during the first four of the study period and a decreasing trend during the next three years. It was 53.67 percent in 1997-98 which increased up to 99.56 percent in 2000-2001. But after that it decreased from 87.35 percent in 2001-2002 to 68.05 percent in 2003-2004. It can be concluded that the financial efficiency with regards to credit creation was as good as expected. It would be good hope for future from the view point of profitability.

PPCB witnessed a downward trend during the first three years and upward trend during the next two years and again a downward trend during the last two years of study period. It was on an average of 63.82 percent during the period of study. It was 71.36 percent in 1997-98 which went down to 56.72 percent in 1999-2000. It increased from 67.41 percent in 2000-2001 which reached at 72.50 percent in 2001-2002. But after that it was 63.90 percent in 2002-2003 which came down to 56.44 percent in 2003-2004. On the basis of above analysis it can be said that the performance of the bank was satisfactory during the period of study.

In PCB the credit deposit ratio showed a decreasing trend during the period of the study. It decreased from 110.63 percent in 1997-98 to 65.32 percent in 2003-2004. It was on an average of 94.36 percent during the period of study. The performance of bank is good one but it should be try to improve efficiency in future.



## F-TEST OF CREDIT DEPOSITS RATIO

*The statements of hypothesis are as under:*

*Ho: Credit deposit ratio does not differ significantly between the years.*

*H1: Credit deposit ratio differs significantly between the years.*

*Ho: Credit deposit ratio do not differ significantly between the banks.*

*H1: Credit deposit ratio differ significantly between the banks.*

**TABLE 5.6**  
**F-TEST OF CREDIT DEPOSIT RATIO**

| <b>Source of Variation</b> | <b>Sum of squares</b> | <b>d. f. (V)</b> | <b>Mean squares</b> | <b>F' Ratio</b> |
|----------------------------|-----------------------|------------------|---------------------|-----------------|
| Between years              | 2886.55               | 6                | 481.09              | 3.12            |
| Between Bank               | 50304.32              | 19               | 2647.60             | 17.16           |
| Residual                   | 17592.70              | 114              | 154.32              |                 |
| Total ss                   | 70783.57              | 139              |                     |                 |

Table Value  $V_1=6$  and  $V_2=114=2.18$  at 5% level of significance.

Table Value  $V_1=19$  and  $V_2=114= 1.66$  at 5% level of significance.

It is clear from the table 5.6 that the difference in credit deposit ratio in years is significant because table value (2.18) is lower than calculated value (3.12) so null hypothesis is rejected i.e. there is significant difference among the years so far debt credit deposit ratio is concerned.

Same way table value (1.66) is lower than the calculated value of 'F' (17.16) value for banks and so here also null hypothesis is rejected i.e. there is significant difference in credit deposits to advances amongst various banks.

## Post Hoc Tests

### Multiple Comparisons

Dependent Variable: CDR

Tamhane

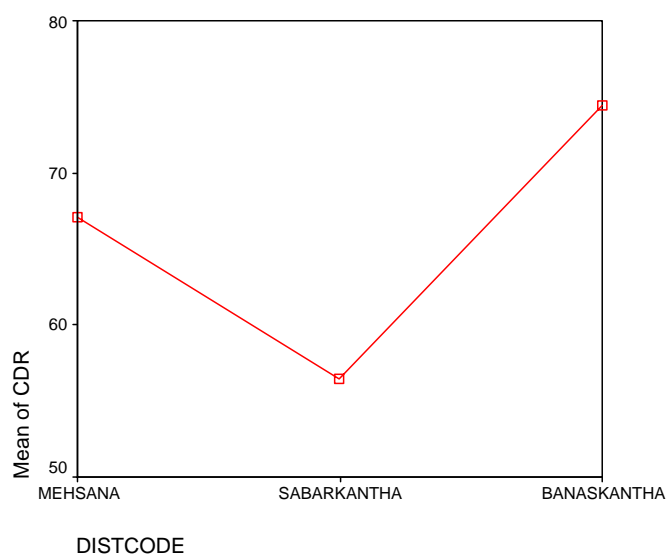
| (I) DISTCODE | (J) DISTCODE | Mean Difference (I-J) | Std. Error | Sig. | 95% Confidence Interval |             |
|--------------|--------------|-----------------------|------------|------|-------------------------|-------------|
|              |              |                       |            |      | Lower Bound             | Upper Bound |
| MEHSANA      | SABARKANTHA  | 10.67*                | 3.684      | .014 | 1.72                    | 19.63       |
|              | BANASKANTHA  | -7.33                 | 4.728      | .330 | -18.87                  | 4.21        |
| SABARKANTHA  | MEHSANA      | -10.67*               | 3.684      | .014 | -19.63                  | -1.72       |
|              | BANASKANTHA  | -18.00*               | 3.678      | .000 | -27.18                  | -8.82       |
| BANASKANTHA  | MEHSANA      | 7.33                  | 4.728      | .330 | -4.21                   | 18.87       |
|              | SABARKANTHA  | 18.00*                | 3.678      | .000 | 8.82                    | 27.18       |

\*. The mean difference is significant at the .05 level.

The mean difference is significant between Mehsana and Sabarkantha at 5% level.

The mean difference is significant between Sabarkantha and Banaskantha at 5% level.

## Means Plots



## CURRENT LIABILITIES TO NET WORTH RATIO

A current liability to net worth ratio shows the relationship between short term deposits and funds owned by the banks from internal source.

Since owned funds provide safety to the current depositors in regards to repayment their obligations. This ratio is expressed as follows.

$$\text{Current Liabilities to Net Worth Ratio} = \text{Current Liabilities/Net Worth}$$

Higher the ratio, lower the safety for the short- term depositors. It also indicates that the banks do not have enough funds to pay obligation as and when due. While lower the ratio, better the position of short -term depositors because of the availability of owned funds that provide security of payment of debts.

**Table 5.7**  
**Current Liabilities to Net Worth Ratio of Banks under Study.**

| <b>BANKS</b>         | <b>97-98</b> | <b>98-99</b> | <b>99-00</b> | <b>00-01</b> | <b>02-03</b> | <b>02-03</b> | <b>03-04</b> | <b>AVERAGE</b> |
|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|
| <b>MCB</b>           | 1.75         | 3.89         | 3.57         | 3.77         | 2.76         | 3.41         | 2.24         | 3.05           |
| <b>MUCB</b>          | 3.99         | 5.59         | 4.55         | 2.73         | 3.58         | 2.40         | 2.37         | 3.60           |
| <b>SCCB</b>          | 2.00         | 2.59         | 3.25         | 3.64         | 2.53         | 2.12         | 1.90         | 2.58           |
| <b>KNSB</b>          | 3.49         | 3.93         | 5.42         | 3.25         | 2.74         | 2.96         | 2.88         | 3.52           |
| <b>MNSB</b>          | 3.04         | 3.76         | 3.94         | 3.79         | 3.75         | 2.94         | 2.71         | 3.42           |
| <b>RNSB</b>          | 2.33         | 3.14         | 4.40         | 3.78         | 2.21         | 1.91         | 1.94         | 2.81           |
| <b>HNSB</b>          | 0.93         | 1.74         | 1.66         | 1.71         | 1.53         | 1.30         | 1.42         | 1.47           |
| <b>AMCB</b>          | 1.12         | 0.79         | 0.95         | 0.75         | 0.68         | 0.69         | 0.55         | 0.79           |
| <b>UNSB</b>          | 1.59         | 2.47         | 3.09         | 2.70         | 2.41         | 2.98         | 2.03         | 2.47           |
| <b>VNSB</b>          | 3.32         | 1.86         | 1.78         | 1.49         | 1.72         | 2.24         | 1.51         | 1.99           |
| <b>BNSB</b>          | 1.18         | 1.27         | 1.01         | 1.22         | 1.85         | 1.15         | 1.08         | 1.25           |
| <b>KHNSB</b>         | 1.46         | 1.58         | 1.56         | 1.23         | 1.56         | 1.18         | 1.24         | 1.40           |
| <b>MONSB</b>         | 1.36         | 1.53         | 1.43         | 1.57         | 1.45         | 1.31         | 1.61         | 1.46           |
| <b>TNSB</b>          | 0.71         | 1.06         | 1.02         | 1.10         | 1.05         | 1.64         | 1.48         | 1.15           |
| <b>INSB</b>          | 2.05         | 1.66         | 1.80         | 1.77         | 1.53         | 1.69         | 1.59         | 1.73           |
| <b>HINSB</b>         | 2.02         | 2.86         | 2.37         | 2.19         | 1.86         | 2.06         | 1.73         | 2.16           |
| <b>BMCB</b>          | 4.17         | 4.86         | 5.65         | 6.02         | 5.09         | 3.96         | 3.68         | 4.78           |
| <b>DNSB</b>          | 4.42         | 5.28         | 7.24         | 6.00         | 4.92         | 3.48         | 2.80         | 4.88           |
| <b>PPCB</b>          | 2.09         | 2.49         | 2.90         | 3.12         | 3.39         | 2.38         | 2.40         | 2.68           |
| <b>PCB</b>           | 2.55         | 2.42         | 2.99         | 2.93         | 2.50         | 2.59         | 1.72         | 2.53           |
| <b>Average Ratio</b> | 2.28         | 2.74         | 3.03         | 2.74         | 2.45         | 2.22         | 1.94         | <b>2.49</b>    |

*Source: Computed from Published Annual Reports of the selected Banks.*

The table 5.7 represents the current liabilities to net worth ratio of all selected banks under study. In the MCB registered a mixed trend during

the period of study. It ranged between 1.75 times in 1997-98 which went up to 3.89 in 1998-99 and went down to 3.57 times in 1999-2000. After that it was an increasing in 2000-2001 as it was 3.77 times which was declined to 2.76 in 2001-2002. Again it increased up to 3.41 in 2002-2003 and finally, it stood at 2.24 percent. The ratio was more than 2.5 times during the period of study except during the first and last years. It is not good for depositors as it hinders liquidity.

The CLNWR in MUCB registered fluctuating trend during the study period. It was the highest in 1998-99 as it was 5.59 times and the lowest in 2.37 percent in 2003-2004. It was 3.99 times in 1997-98. The ratio was 4.55 in 199-2000 which come down to 2.73 in 2000-2001. But after that decline, it increased to 3.58 percent in 2001-2002 which again dropped to 2.40 times. Finally, it was 2.37 times in 2003-2004. The ratio indicates the lower liquidity of the bank.

The ratio in SCCB showed an increasing trend during the first four years. It increased from 2 times in 1997-98 to 3.64 times in 2000-2001. There after the CLNWR highly decreased during the last three years. It decreased from 2.53 times in 2001-2002 to 1.90 times in 2003-2004. It is a sign of better liquidity position.

Table 5.4 depicts the CLNWR in KNSB ranged between 2.74 times in 2001-2002 to 5.42 times in 1999-2000. It was 3.49 times in 1997-98 which went up to 3.93 in 1998-99. It was 3.25 times in 2000-2001 which stepped down to 2.74 in 2001-2002. But after that it rose up to 2.96 times in 2002-2003 which dropped to 2.88 times in 2003-2004. The performance of bank was not satisfied during the first five years of study period from the view point of liquidity.

The ratio in MNSB registered an increasing trend during the first three years and declining trend during the last four years of the study period. It ranged between 2.71 times in 2003-2004 to 3.94 times in 1999-2000. It was 3.04 times in 1997-98 which increased to 3.76 in 1998-99. It was 3.94 times the highest level. It decreased from 3.79 times in 2000-2001 to 2.71 times in 2003-2004. On the basis of above analysis it can be said that the bank should try to improve its liquidity position in future.

RNSB registered an increasing trend during the first three years and a decreasing trend during the next three years, again a small increase during the last year during the period of study. It increased from 2.33 times in 1997-98 to 4.40 times in 1999-2000. It decreased from 3.78 times in 2000-2001 to 1.91 in 2002-2003. It reached at 1.94 times in 2003-2004. The bank improved its liquidity during the period of study. It is a good sign of efficiency and will be maintained the confidence of depositors.

In HNSB recorded mixed trend during the period of the study. It was 0.93 times in 1997-98 which went up to 1.74 in 1998-99. It decreased up to 1.66 times in 1999-2000 which again increased up to 1.71 in 2000-2001. It was 1.53 times in 2001-2002 which declined to 1.30 in 2002-2003. Finally, it reached at 1.42 times in 2003-2004. On the basis of above analysis, it can be said that the performance of bank was satisfactory from the view point of current liabilities and shareholders fund.

In AMCB the CLNW ratio was less than one times during the study period except in 1997-98. It was 1.12 times in 1997-98 which came down to 0.79 in 1998-99. It increased to 0.95 in 1999-2000 which again went

down to 0.75 in 2000-2001 and 0.68 in 2001-2002. It was 0.69 in 2002-2003 which stepped down to 0.55 times in 2003-2004. On the basis of above analysis it can be said that the position of short-term depositors are satisfactory.

In UNSB registered an increasing trend during the first three years but marked a decreasing trend during the next two years and again an increasing trend during sixth year and declining trend during the last year. It increased from 1.59 times in 1997-98 to 3.09 times in 1999-2000. It decreased from 2.70 in 2000-2001 which dropped to 2.41 times in 2001-2002. It again went up to 2.98 times in 2002-2003. Finally, it stepped down to 2.03 times in 2003-2004. The average ratio was less than 2.5 times. On the basis of the forgoing analysis it can be said that UNSB is healthy bank from the view point of liquidity.

VNSB witnessed a decreasing trend during the first four years and an increasing trend during the next two years, again a decreasing trend during the last years. It decreased from 3.32 times in 1997-98 to 1.49 times in 2000-2001. It increased from 1.72 times in 2001-2002 which came down to 2.24 times in 2002-2003. Finally, it was 1.51 times in 2003-2004. The performance of bank is satisfactory from the view point of short term deposits and current liabilities to net worth.

The CLNWR in BNSB recorded a downward trend during the period of study. It was 1.18 in 1997-98 which went up to 1.27 in 1998-99. It came down to 1.01 in 1999-2000 which again went up to 1.22 times in 2000-2001. It was reached at 1.85 in 2001-2002 which stepped down to 1.15 times in 2002-2003 and 1.08 in 2003-2004. The ratio of current liabilities to net worth was nearly one times during the period of study

except in 2001-2002. It also indicates that the bank have enough funds to pay obligations as and when due. The performance of bank was satisfactory from the view point of liquidity.

In KHNSB registered a fluctuating trend during the period of study. It was 1.56 times in 1999-2000 which come down to 1.23 times in 2000-2001. Again it increased to 1.56 times in 2001-2002 which dropped down to 1.18 times in 2002-2003. Finally, it was 1.24 times in 2003-2004. On above analysis the bank have enough funds to pay liabilities. The performance of bank was satisfactory from the view point of CLNWR.

The MONSB witnessed a fluctuating trend for the current liabilities to net worth ratio during the study period. The ratio was 1.36 times in 1997-98 which increased to 1.53 times in 1998-99. It was 1.43 times in 1999-2000 which again went up to 1.57 in 2000-2001. But after that it came down to 1.45 times in 2001-2002 and 1.31 in 2002-2003. Finally, it reached at 1.61 times in 2003-2004. On the basis of forgoing analysis the performance of the bank was satisfactory from the view point of depositor safety.

In TNSB recorded a mixed trend during the period of study. It was 1.06 times in 1998-99 which come down to 1.02 in 1999-2000. It was 1.10 times in 2000-2001 which went down in 2001-2002 as it was 1.05 times. Again it rose up to 1.64 in 2002-2003 and finally it went down to 1.48 times in 2003-2004. From the above analysis it can be said that the position of the bank was good as regards to safety of the short term depositors and other borrowers.

The INSB witnessed a fluctuating trend during trend in the current liabilities to net worth ratio during the study period. The ratio was 2.05 times in 1997-98 which decreased to 1.66 times in 1998-99. It was 1.80 times in 1999-2000 which again went down to 1.77 in 2000-2001 and 1.53 times in 2001-2002 and again went up to 1.69 in 2002-2003. Finally, it reached at 1.59 times in 2003-2004. On the basis of forgoing analysis the performance of the bank was satisfactory from the view point of depositor safety.

In HINSB recorded a mixed trend during the period of study. It was 2.02 times in 1997-98 which went up to 2.86 in 1998-99. It was 2.37 times in 1999-2000 which went down in 2000-2001 as it was 2.19 times. Again it dropped down to 1.86 in 2001-2002 and increase in 2002-2003 which was 2.06 times. Finally, it went down to 1.73 times in 2003-2004. From the above analysis it can be said that the position of the bank was good as regards to safety of the short term depositors and other borrowers.

The current liabilities to net worth ratio in BMCB recorded upward trend during the first four years and downward trend during the last three years of the study period. It increased from 4.17 times in 1997-98 to 6.02 times in 2000-2001. But after that it decreased from 5.09 times in 2001-2002 to 3.68 times in 2003-2004. On the basis of above analysis, the performance of bank was not satisfactory. The bank must reduced CLNWR in future

In the DNSB witnessed an increasing trend during the first three years and a decreasing trend during the last four years under the study. It increased from 4.42 times in 1997-98 to 7.24 times in 1999-2000. It



declined from 6.00 times in 1999-2000 to 2.80 times in 2003-2004. The bank performance was not satisfactory with regards to liquidity during the first five years and bank should try to reduce the ratio.

In the PPCB witnessed an increasing trend during the first five years under the study. It increased from 2.09 times in 1997-97 to 3.39 times in 2001-2002. Finally, it went down to 2.40 times in 2003-2004. From the above analysis it can be said that the position of the bank was good as regards to safety of the short term depositors.

In PCB recorded a mixed trend during the period of study. In the PCB witnessed an increasing trend during the first three years and a decreasing trend during the last four years under the study. It increased from 2.55 times in 1997-98 to 2.99 times in 1999-2000. It declined from 2.93 times in 2000-2001 to 1.72 times in 2003-2004. The bank performance was not satisfactory with regards to liquidity during the first five years and bank try to reduce the ratio in future.

*The statements of hypothesis are as under:*

*Ho: Current liabilities to net worth ratio do not differ significantly between the years.*

*H1: Current liabilities to net worth ratio differ significantly between the years.*

*Ho: Current liabilities to net worth do not differ significantly between the banks*

*H1: Current liabilities to net worth differ significantly between the banks*

**TABLE 5.8**  
**CURRENT LIABILITIES TO NET WORTH RATIO**

| <b>Source of variation</b> | <b>Sum of Squares</b> | <b>d. f. (V)</b> | <b>Mean squares</b> | <b>F' Ratio</b> |
|----------------------------|-----------------------|------------------|---------------------|-----------------|
| Between years              | 16.64                 | 6                | 2.77                | 8.14            |
| Between Bank               | 174.99                | 19               | 9.21                | 27.03           |
| Residual                   | 38.84                 | 114              | 0.34                |                 |
| Total ss                   | 230.47                | 139              |                     |                 |

Table Value  $V_1=6$  and  $V_2=114=2.18$  at 5% level of significant.

Table Value  $V_1=19$  and  $V_2=114= 1.66$  at 5% level of significant.

It is clear from the table 5.8 that the difference in current liabilities to net worth in years is significant because table value (2.18) is lower than calculated value (8.14) so null hypothesis is rejected i.e. there is significant difference among the years so far current liabilities to net worth ratio is concerned.

Same way table value (1.66) is lower than the calculated value of 'F' (27.03) value for banks and so here also null hypothesis is rejected i.e. there is significant difference in current liabilities to net worth ratio amongst various banks.

### **Post Hoc Tests**

#### **Multiple Comparisons**

Dependent Variable: CLNWR

Tamhane

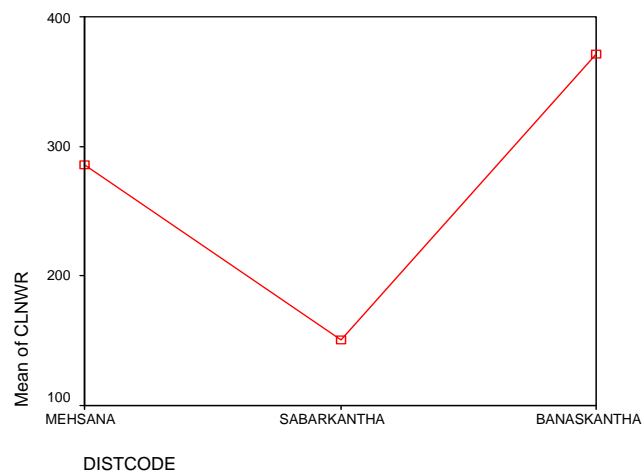
| (I) DISTCODE | (J) DISTCODE | Mean Difference (I-J) | Std. Error | Sig. | 95% Confidence Interval |             |
|--------------|--------------|-----------------------|------------|------|-------------------------|-------------|
|              |              |                       |            |      | Lower Bound             | Upper Bound |
| MEHSANA      | SABARKANTHA  | 134.3830*             | 27.40716   | .000 | 67.4839                 | 201.2821    |
|              | BANASKANTHA  | -86.0777              | 37.95051   | .076 | -178.7155               | 6.5601      |
| SABARKANTHA  | MEHSANA      | -134.3830*            | 27.40716   | .000 | -201.2821               | -67.4839    |
|              | BANASKANTHA  | -220.4607*            | 27.77230   | .000 | -290.6736               | -150.2478   |
| BANASKANTHA  | MEHSANA      | 86.0777               | 37.95051   | .076 | -6.5601                 | 178.7155    |
|              | SABARKANTHA  | 220.4607*             | 27.77230   | .000 | 150.2478                | 290.6736    |

\*. The mean difference is significant at the .05 level.

The mean difference is significant between Mehsana and Sabarkantha at 5% level

The mean difference is significant between Banaskantha and Sabarkantha at 5% level.

### Means Plots



### TOTAL INVESTMENT & ADVANCES TO TOTAL FUNDS RATIO

In banking business, the main task of the bank is to obtain deposits at low cost and advances at highest cost and earn good returns on it. A bank which is efficient in obtaining funds through short- term sources and advancing for long term purpose can earn good returns. Total investments & advances to total funds ratio indicates the relation between investments and advances to total funds. It shows how much funds is advanced or invested from total funds. The ratio is calculated as follows.

Total Investments and Advances to Total funds Ratio= Total investment &Advances/Total Funds\*100

Total Investment & Advances= Short- term, Medium term, and long-term investments and Advances.

Total Funds= Total Liabilities.

An increasing ratio indicates that the banks are using their funds for more advances & investments rather than keeping them ideal. A higher ratio indicates higher profitability and lesser liquidity, while a lower one indicates lower profitability and higher liquidity.

**Table-5.9**  
**Total Investment & Advances to Total Funds Ratio of Banks Under Study.**

| <b>BANKS</b>         | <b>97-98</b> | <b>98-99</b> | <b>99-00</b> | <b>00-01</b> | <b>01-02</b> | <b>02-03</b> | <b>03-04</b> | <b>Average</b> |
|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|
| <b>MCB</b>           | 67.04        | 75.22        | 54.18        | 41.13        | 49.55        | 67.42        | 75.11        | 61.38          |
| <b>MUCB</b>          | 88.93        | 89.77        | 85.35        | 86.19        | 89.50        | 89.25        | 76.17        | 86.45          |
| <b>SCCB</b>          | 94.03        | 93.99        | 91.27        | 91.46        | 90.19        | 91.21        | 92.17        | 92.05          |
| <b>KNSB</b>          | 93.69        | 91.59        | 94.09        | 93.39        | 87.83        | 88.49        | 90.98        | 91.44          |
| <b>MNSB</b>          | 69.05        | 69.31        | 78.35        | 86.21        | 85.55        | 83.02        | 78.81        | 78.61          |
| <b>RNSB</b>          | 86.87        | 89.59        | 91.80        | 88.65        | 90.44        | 85.73        | 90.44        | 89.07          |
| <b>HNSB</b>          | 89.56        | 96.44        | 95.96        | 94.47        | 95.45        | 93.78        | 95.12        | 94.40          |
| <b>AMCB</b>          | 86.64        | 89.90        | 92.74        | 93.65        | 89.93        | 87.49        | 86.12        | 89.49          |
| <b>UNSB</b>          | 64.82        | 91.55        | 89.09        | 87.71        | 92.99        | 87.62        | 87.70        | 85.93          |
| <b>VNSB</b>          | 86.36        | 83.27        | 84.99        | 87.31        | 84.11        | 77.93        | 73.56        | 82.50          |
| <b>BNSB</b>          | 91.17        | 89.57        | 91.15        | 92.25        | 55.54        | 88.86        | 90.35        | 85.56          |
| <b>KHNSB</b>         | 85.33        | 94.26        | 94.94        | 94.43        | 96.43        | 96.56        | 95.90        | 93.98          |
| <b>MONSB</b>         | 90.73        | 90.14        | 92.95        | 91.99        | 91.22        | 90.24        | 93.16        | 91.49          |
| <b>TNSB</b>          | 90.63        | 88.95        | 93.30        | 89.89        | 88.34        | 92.69        | 94.49        | 91.18          |
| <b>INSB</b>          | 93.13        | 90.69        | 91.78        | 90.76        | 88.97        | 89.16        | 90.71        | 90.74          |
| <b>HINSB</b>         | 77.35        | 65.69        | 75.30        | 74.20        | 71.15        | 74.64        | 73.21        | 73.08          |
| <b>BMCB</b>          | 89.13        | 90.57        | 81.95        | 91.97        | 89.88        | 89.73        | 77.53        | 87.25          |
| <b>DNSB</b>          | 79.43        | 84.04        | 86.36        | 85.79        | 81.57        | 82.12        | 80.15        | 82.78          |
| <b>PPCB</b>          | 90.58        | 91.13        | 91.97        | 90.06        | 86.55        | 86.18        | 84.96        | 88.77          |
| <b>PCB</b>           | 95.40        | 95.56        | 95.00        | 95.27        | 94.43        | 93.90        | 92.97        | 94.65          |
| <b>Average Ratio</b> | 85.49        | 87.56        | 87.63        | 87.34        | 84.98        | 86.80        | 85.98        | <b>86.54</b>   |

*Source : Computed from Published Annual Reports of the selected Banks.*

The table 5.9 shows the total investment and advances to total funds ratio of selected UCBs under study. In MCB a fluctuating trend was there

during the period of study. It was on an average 61.38 percent during the study period. It was 67.04 percent in 1997-98 which went up to 75.22 percent in 1998-99. But it decreased from 54.18 percent in 1999-2000 which came down to 41.13 percent in 2000-2001. Again it increased from 49.55 percent in 2001-2002 to 75.11 percent in 2003-2004. The growth in investment and advances was lower than the growth in total funds. It indicates that the bank was not more conscious about utilizing funds for the purpose of investments & advances. It can be said that the performance of bank was not satisfactory from the view point of profitability.

The investment and advances to total funds ratio in MUCB recorded a mixed trend during the period of study. It was 88.93 percent in 1997-98 which rise to 89.77 percent in 1998-99. But it was 85.35 percent in 1999-2000 which again increased to 86.19 percent in 2000-2001 and 89.50 in 2001-2002. It was 89.25 percent in 2002-2003 which remarkably went down to 76.17 percent in 2003-2004. On the basis of above analysis, it can be said that bank's performance was fully satisfactory because the margin between these two variables was varying low which indicates maximum use of total funds in investments and advances.

In SCCB registered a decreasing trend during the first five years except in forth year and an increasing trend during the last two years. It was 94.03 percent in 1997-98 which went down to 93.99 percent in 1998-99. It dropped up to 91.27 percent in 1999-2000 which again increased marginally in 2000-2001 as it was 91.46 percent. But it increased from 90.19 percent in 2001-2002 to 92.17 percent in 2003-2004. On the basis of forgoing analysis, it can be concluded that the bank was using their funds for more advances & investment rather than keeping then idle. A higher ratio in this bank indicates higher profitability and lesser liquidity.

In KNSB the investment and total advances to total funds ratio recorded a fluctuating trend during the period the period of study. It was 93.69 percent in 1997-98 which went down to 91.59 percent in 1998-99. It decreased from 94.09 percent in 1999-2000 to 87.83 percent in 2001-2002. But there after it decreased to 88.49 percent in 2002-2003. Finally, it stood at 90.98 percent in 2003-2004. On the basis of above observation it can be said that the bank's performance was satisfactory from the view point of using their funds for advances and investment rather than keeping idle funds.

The investment and total advances to total funds ratio in MNSB registered an increasing trend during the first four years and a decreasing trend during the last three years of the study period. It increased from 69.05 percent in 1997-98 to 86.21 percent in 2000-2001. There after it decreased from 85.55 percent in 2001-2002 to 78.81 percent in 2003-2004. The ratio was on an average of 78.61 percent during the period of study. On the above analysis it can be said that the ratio was lower than expected.

The ratio in RNSB showed a progressive trend during the first three years and after this period there was a fluctuating trend in investment and total advances to total funds ratio. It was 86.87 percent in 1997-98 which stepped up to 91.80 percent in 1999-2000 but there after it stepped down in 2000-2001. Again it increased in 2001-2002 as it was 90.44 percent than decreased to 85.73 percent in 2002-2003. There after it reached at 90.44 percent in 2003-2004. On the basis of above discussion it can be said that the bank's efficiency was satisfactory from the view point of using funds.

The ratio in HNSB showed a fluctuating trend during the period of study. It was 89.56 percent in 1997-98 which went up to 96.44 percent in 1998-99 which was the highest level. But there after it decreased to 95.96 percent in 1999-2000 and 94.47 percent in 2000-2001. Again it increased in 2001-2002 when it was 95.45 percent than decreased to 93.78 percent in 2002-2003. Finally, it was 95.12 percent in 2003-2004. On the basis of above analysis that the bank was more conscious about utilizing funds for purpose of investment & advances. The profitability of bank was satisfactory.

The investment & total advances to total funds ratio in AMCB recorded an upward trend during the first four years and downward trend during the next three years. It increased from 86.64 percent in 1997-98 to 93.65 percent in 2000-2001. However, the ratio declined to 89.93 percent in 2001-2002 to 86.12 percent in 2003-2004. On the basis of above analysis it can be said that performance of bank was satisfactory from the view point of TIATFR.

The ratio in UNSB showed a mixed trend during the period of study. It was 64.82 percent in 1997-98 which increased up to 91.55 percent in 1998-99. But there after it stepped down in 1999-2000 and 2000-2001 when it was 89.09 percent and 87.71 percent respectively. Again it increased in 92.99 percent in 2001-2002 than decreased to 87.62 percent in 2002-2003. Finally, it stood at 87.70 percent in 2003-2004. On the basis of above analysis the bank performance is good.

VNSB witnessed a fluctuating trend during the first four years and a decreasing trend during the last three years of the study period. It was 86.36 percent in 1997-98 which came down to 83.27 percent in 1998-99. Again it increased to 84.99 percent in 1999-2000 and 87.31 percent in

2000-2001. It decreased from 84.11 percent in 2001-2002 to 73.56 percent in 2003-2004. From the above discussion the ratio reduced during the last three years so the bank's performance was not satisfactory. It must have try to improve the ratio in future if stay long time.

BNSB witnessed a fluctuating trend during the period of study. It was 91.17 percent in 1997-98 which went down to 89.57 percent in 1998-99. It increased from 91.15 percent in 1999-2000 to 92.25 percent in 2000-2001. It decreased in 2001-2002 as it was 55.54 percent. Again it increased from 88.86 percent in 2002-2003 to 90.35 percent in 2003-2004. The ratio was on an average of 85.56 percent during the study period. The performance of bank was satisfactory during the period of study except in 2001-2002.

In KHNSB recorded an increasing trend during the first six years of study period except in 2000-2001. It was 85.33 percent in 1997-98 increased up to 94.94 percent in 1999-2000. It was 94.43 percent in 2000-2001 which stepped up to 96.43 percent in 2001-2002 and 96.56 percent in 2002-2003. Finally, it was 95.90 percent in 2003-2004. The ratio was on an average of 93.98 percent during the period of study. On the basis of above analysis it can be concluded that the margin between these two variables was very low which indicates maximum use of total funds in investment and advances.

The investment and total advances to total funds ratio in MONSB recorded a fluctuating trend during the study period. It was 90.73 percent in 1997-98 which declined to 90.14 percent in 1998-99. Again it went up to 92.65 percent in 1999-2000. It stepped down to 91.99 percent in 2000-2001. But there after it was 91.22 percent in 2001-2002 which dropped



down to 90.24 percent in 2002-2003. Finally, it reached at 93.16 percent in 2003-2004. The average ratio was nearly 90 percent during the study period. It can be remarked from above analysis that the performance of bank was satisfactory due to consciousness of this bank towards investment and advances.

The ratio in TNSB showed a fluctuating trend during the period of study. It was 90.63 percent in 1997-98 which came down to 88.95 percent in 1998-99. Again it increased to 93.30 percent in 1999-2000. It dropped to 89.89 percent in 2000-2001 and 88.34 percent in 2001-2002. Finally, it was 92.69 percent in 2002-2003 and 94.49 percent in 2003-2004. The performance of bank was satisfactory from the view point of ITATFR.

In INSB the investment and total advances to total funds ratio was on an average 90.74 percent during the study period. It was 90.69 percent in 1998-99 which stepped up to 91.78 percent in 1999-2000. Again it declined to 90.76 which went down to 88.97 percent in 2001-2002. It was 89.16 percent in 2002-2003 and finally it reached at 90.71 percent in 2003-2004. On the above analysis, the bank utilized more than 85 percent of their funds in investment and advances considerably affected profitability of this bank during the study period.

The ratio in HINSB showed a mixed trend during the period of the study. It was 77.35 percent in 1997-98 which stepped down to 65.69 percent in 1998-99. It increased to 75.30 percent in 1999-2000 and went down to 74.20 percent in 2000-2001. It increased from 71.15 percent in 2001-2002 to 74.64 percent in 2002-2003. Finally, it stood at 73.21 percent in 2003-2004. On the basis of foregoing analysis it can be said that

the bank's performance was not satisfactory from the view point of utilization of their funds.

In BMCB recorded a mixed trend during the first three years and decreasing trend during the last three years of the study period. It was 89.13 percent in 1997-98 which went up to 90.57 percent in 1998-99. But it increased from 81.95 percent in 1999-2000 to 91.97 percent in 2000-2001. It decreased to 89.88 percent in 2001-2002 and came down to 89.73 percent in 2002-2003. Finally, it stood at 77.53 percent in 2003-2004. On the basis of above analysis it can be said that the bank performance was not steady during the period of study from the view point of ITATFR.

The ratio in DNSB registered an increasing trend during the first three years of the study period. It increased from 79.43 percent in 1997-98 to 86.36 percent in 1999-2000 which was the highest level. But after that the ratio showed a fluctuating trend during the last three years. It was 81.57 percent in 2001-2002 which increased to 82.12 percent in 2002-2002. Finally, it was 80.15 percent in 2003-2004.

The ratio in PPCB recorded an increasing trend during the first three years and declining trend during the next four years. It was on an average of 88.77 percent during the period of study. It increased from 90.58 percent in 1997-98 to 91.97 percent in 1999-2000. But there after it decreased from 90.06 percent in 2000-2001 to 84.96 percent in 2003-2004. The performance of bank was satisfactory from view point of utilization of funds.

In PCB the ratio of investment and total advances to total funds showed a fluctuating trend during first four years and decreasing trend during the last three years of the study period. It was 95.40 percent in 1997-98 which increased to 95.56 percent in 1998-99. It was 95.00 percent in 1999-2000 which stepped up to 95.27 in 2000-2001. It was decreased from 94.43 percent in 2001-2002 to 92.97 percent in 2003-2004. The ratio was on an average of 94.65 percent during the period of study. On the basis of above analysis it can be said that the bank's performance was satisfactory from the view point of ITATFR.

*The statements of hypothesis are as under:*

*Ho: Total advances and investment to total deposits ratio do not differ significantly between the years.*

*H1: Total advances and investment to total deposits ratio differ significantly between the years.*

*Ho: Total advances and investment to total deposits do not differ significantly between the banks*

*H1: Total advances and investment to total deposits differ significantly between the banks*

**Table 5.10**  
**TOTAL ADVANCES AND INVESTMENT TO TOTAL DEPOSITS**

| <b>Source of variation</b> | <b>Sum of squares</b> | <b>d. f. (V)</b> | <b>Mean Squares</b> | <b>F' Ratio</b> |
|----------------------------|-----------------------|------------------|---------------------|-----------------|
| Between years              | 193.87                | 6                | 32.31               | 0.85            |
| Between Bank               | 36027.59              | 19               | 1896.19             | 49.70           |
| Residual                   | 4349.51               | 114              | 38.15               |                 |
| Total ss                   | 40570.97              | 139              |                     |                 |

Table Value  $V_1=6$  and  $V_2=114=2.18$  at 5% level of significant.

Table Value  $V_1=19$  and  $V_2=114= 1.66$  at 5% level of significant

It is clear from the table 5.10 that the difference in total advances and investment to total deposits ratio in years is not significant because table

value (2.18) is greater than calculated value (0.85) so null hypothesis is accepted i.e. there is not significant difference among the years so far total advances and investment to total deposits ratio is concerned.

Same way table value (1.66) is lower than the calculated value of 'F' (49.70) value so the null hypothesis is rejected i.e. there is significant difference in total advances and investment to total deposits ratio amongst various banks.

## Post Hoc Tests

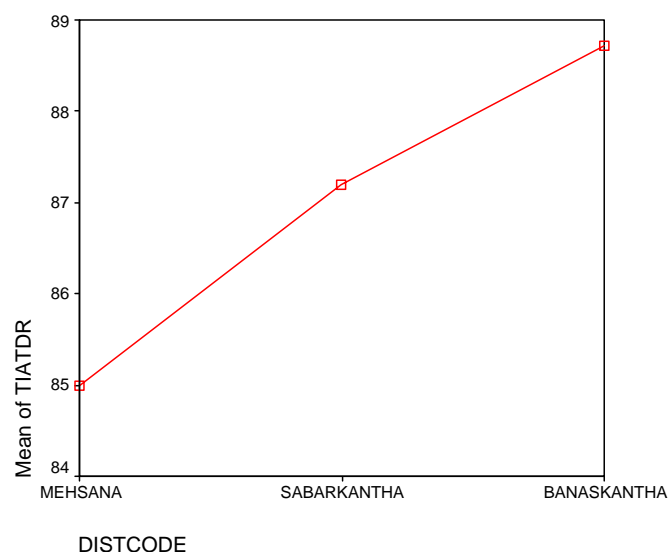
### Multiple Comparisons

Dependent Variable: TIATDR  
Tamhane

| (I) DISTCODE | (J) DISTCODE | Mean Difference (I-J) | Std. Error | Sig. | 95% Confidence Interval |             |
|--------------|--------------|-----------------------|------------|------|-------------------------|-------------|
|              |              |                       |            |      | Lower Bound             | Upper Bound |
| MEHSANA      | SABARKANTHA  | -2.2057               | 1.94037    | .592 | -6.9202                 | 2.5089      |
|              | BANASKANTHA  | -3.7311               | 1.65841    | .078 | -7.7651                 | .3028       |
| SABARKANTHA  | MEHSANA      | 2.2057                | 1.94037    | .592 | -2.5089                 | 6.9202      |
|              | BANASKANTHA  | -1.5255               | 1.77026    | .775 | -5.8606                 | 2.8097      |
| BANASKANTHA  | MEHSANA      | 3.7311                | 1.65841    | .078 | -.3028                  | 7.7651      |
|              | SABARKANTHA  | 1.5255                | 1.77026    | .775 | -2.8097                 | 5.8606      |

There is no mean difference between districts.

## Means Plots



### **LONG TERM DEPOSITS TO TOTAL DEPOSITS RATIO**

Deposit is lifeblood of banking organization which keeps the banks alive. Higher collection of deposits cause smooth running of banking business as well as indicates goodwill of the bank in society. The profitability of banks mainly depends on the capacity to collect deposits. But collecting deposits, the banks should be aware about the manner and type of deposits as each deposit has its procurement cost. Higher the procurement cost, lower will be the profit margin. So, it's very necessary to know the proportion of each type of deposits in total deposits, to get an idea about the financial stability of the banks. The long term deposits to total deposits ratio is expressed as under.

Long Term Deposits to Total Deposits Ratio= Long Term Deposits/ Total Deposits\*100

Long Term Deposits= Fixed deposits and Other Long Term Deposits

Total Deposits= Term Deposits plus Demand deposits

A higher ratio indicates higher proportion of long term deposits in total deposits which is not good from profitability point of view, as the bank has to pay high rate of interest on these types of deposits. Higher it is good from the long term solvency point of view as the bank has to keep less margin as idle cash for maintaining liquidity and cash invest for long term purpose earning higher returns. An increasing ratio also indicates the increasing faith of the public towards the bank. While lower the ratio indicates lesser proportion of long term deposits as it decreases the procurement cost.

**Table 5.11**  
**Long Term Deposits To Total Deposits Ratio Of Banks Under Study**

| <b>BANKS</b>         | <b>97-98</b> | <b>98-99</b> | <b>99-00</b> | <b>00-01</b> | <b>01-02</b> | <b>02-03</b> | <b>03-04</b> | <b>AVERAGE</b> |
|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|
| <b>MCB</b>           | 86.88        | 89.31        | 88.44        | 86.02        | 81.55        | 83.86        | 77.94        | 84.86          |
| <b>MUCB</b>          | 72.07        | 63.42        | 76.27        | 87.54        | 70.74        | 67.26        | 61.04        | 71.19          |
| <b>SCCB</b>          | 72.25        | 75.24        | 74.74        | 76.04        | 73.92        | 74.38        | 70.56        | 73.88          |
| <b>KNSB</b>          | 77.92        | 82.07        | 82.92        | 86.52        | 81.37        | 80.16        | 71.88        | 80.41          |
| <b>MNSB</b>          | 71.17        | 72.49        | 77.93        | 80.43        | 78.13        | 77.46        | 71.55        | 75.59          |
| <b>RNSB</b>          | 85.54        | 83.86        | 84.14        | 85.91        | 84.65        | 82.58        | 78.45        | 83.59          |
| <b>HNSB</b>          | 86.93        | 86.99        | 89.45        | 86.56        | 84.67        | 86.35        | 80.65        | 85.94          |
| <b>AMCB</b>          | 87.32        | 87.85        | 87.9         | 92.6         | 92.75        | 90.04        | 90.01        | 89.78          |
| <b>UNSB</b>          | 88.45        | 89.81        | 88.38        | 85.63        | 72.26        | 68.64        | 65.78        | 79.85          |
| <b>VNSB</b>          | 65.92        | 64.74        | 65.98        | 69.5         | 67.14        | 71.51        | 66.24        | 67.29          |
| <b>BNSB</b>          | 84.06        | 87.93        | 87.23        | 88.72        | 86.22        | 85.73        | 84.72        | 86.37          |
| <b>KHNSB</b>         | 84.8         | 87.44        | 86.41        | 89.01        | 86.24        | 84.19        | 82.03        | 85.73          |
| <b>MONSB</b>         | 80.38        | 80.91        | 81.27        | 83.38        | 81.19        | 80.15        | 76.79        | 80.58          |
| <b>TNSB</b>          | 94.48        | 94.51        | 94.56        | 95.33        | 94.25        | 77.93        | 79.55        | 90.09          |
| <b>INSB</b>          | 84.4         | 83.63        | 82.76        | 84.35        | 83.2         | 81.34        | 79.17        | 82.69          |
| <b>HINSB</b>         | 73.95        | 76.89        | 78.61        | 75.76        | 72.8         | 70.92        | 69.2         | 74.02          |
| <b>BMCB</b>          | 68.98        | 68.57        | 70.34        | 73.43        | 66.2         | 65.87        | 61.08        | 67.78          |
| <b>DNSB</b>          | 72.21        | 76.21        | 74.36        | 80.67        | 75.15        | 70.08        | 66.68        | 73.62          |
| <b>PPCB</b>          | 65.84        | 69.31        | 71.98        | 74.43        | 73.07        | 76.18        | 73.62        | 72.06          |
| <b>PCB</b>           | 70.27        | 75.26        | 75.69        | 77.6         | 74.76        | 72.62        | 76.58        | 74.68          |
| <b>Average Ratio</b> | 78.69        | 79.82        | 80.97        | 82.97        | 79.01        | 77.36        | 74.18        | <b>79.00</b>   |

**Source :** *Computed from Published Annual Reports of the selected Banks.*

The table 5.11 indicates the relation between long term deposits to total deposits during the period of study. In MCB this ratio registered a mixed trend during the period of study. It was 86.88 percent in 1997-98 which went up to 89.31 percent in 1998-99. But it decreased from 88.44 percent in 1999-2000 to 81.55 percent in 2001-2002. After that it was 83.86 percent in 2002-2003 which decreased up 77.94 percent in 2003-2004. On the above analysis, it can be said that the proportion of long term deposits in total deposits was higher than other deposits. The bank should reduce the proportion of long term deposits in total deposits and try to obtain funds by short term deposits.

The ratio in MUCB recorded a fluctuating trend during the period of study. It was 72.07 percent in 1997-98 which stepped down to 63.42

percent in 1998-99. But after that it went up to 76.27 percent in 1999-2000 which again increased up to 87.54 percent in 2000-2001. It decreased from 70.74 percent in 2001-2002 to 61.04 percent in 2003-2004. The ratio was on an average of 71.19 percent during the period of study. On the above analysis, it can be said that the performance of the bank was satisfactory from the view point of long term deposits proportion.

In SCCB registered a mixed trend during the period of study. It was 72.25 percent in 1997-98 which went up to 75.24 percent in 1998-99. It increased from 74.74 percent in 1999-2000 to 76.04 percent in 2000-2001. It decreased to 73.92 in 2001-2002 percent which again increased up to 74.38 percent in 2002-2003. But after that it was 70.56 percent in 2003-2004. On the forgoing analysis it can be said that the lower ratio indicates lesser proportion of long term deposits in total deposits which good from the profitability point of view. It decreases the procurement cost.

The long term deposits to total deposits ratio in KNSB registered an increasing trend during the first four years and decreasing trend during the last three years of the period of study. It increased from 77.92 percent in 1997-98 to 86.52 percent in 2000-2001. But after that it decreased from 81.37 percent in 2001-2002 to 71.88 percent in 2002-2003. The ratio was on an average of 80.41 percent during the study period.

The ratio in MNSB registered an increasing trend during the first four years and decreasing trend during the last three years. It increased from 71.17 percent in 1997-98 to 80.43 percent in 2000-2001. It decreased from 78.13 percent in 2001-2002 to 71.55 percent in 2003-2004. The ratio was on an average of 75.59 percent during the period of study. The

performance of the bank was satisfactory from the view point of long term deposits to total deposits proportion but bank should reduced the ratio in future.

RNSB registered a mixed trend during the first four years and a decreasing trend during the last three years. It was 85.54 percent in 1997-98 which went down to 83.86 percent in 1998-99. It stepped up to 84.14 percent in 1999-2000. But there after it decreased from 85.91 percent in 2000-2001 to 78.45 percent in 2003-2004. The average ratio was more than 80 percent which indicates that the performance of bank was not good from the view point of long term deposits in total deposits proportion.

The ratio in HNSB recorded a mixed trend during the study period. It was on an average 85.94 percent. It was 86.93 percent in 1997-98 which a small increase in 1998-99 as it was 86.99 percent. Again it increased up to 89.45 in 1999-2000. It decreased from 86.56 percent in 2000-2001 to 84.67 percent in 2001-2002 again it went up to 86.35 percent in 2002-2003. Finally, it stood at 80.65 percent in 2003-2004. The bank's performance was not satisfactory from the view point of long term deposits to total deposits.

In AMCB this registered an increasing trend during the first five years and a small decreasing trend during the last two years of the study period. It increased from 87.32 percent in 1997-98 to 92.75 percent in 2001-2002. But it decreased from 90.04 percent in 2002-2003 to 90.01 percent in 2003-2004. The average ratio was nearly 90 percent during the study period. On the basis of above analysis it can be said that the performance of bank was not satisfactory from the view point of LTDTDR.



UNSB recorded a downward trend during the last five years of the study period. It was 88.45 percent in 1997-98 which went up to 89.81 percent in 1998-99. However, it decreased from 88.38 percent in 1999-2000 to 65.78 percent in 2003-2004. On the forgoing analysis the ratio indicates that the bank's performance was good from the view point of profitability.

In VNSB recorded a mixed trend during the period of study. It was 65.92 percent in 1997-98 which went down to 64.74 percent in 1998-99. It went up to 65.98 percent in 1999-2000 which reached at 69.50 percent in 2000-2001. It was 67.14 percent in 2001-2002 which stepped up to 71.51 percent in 2002-2003. Finally, it stood at 66.24 percent in 2003-2004. The ratio indicates that the proportion of long term deposits in total deposits reduced the procurement cost which increase the profitability in future.

The long term deposits to total deposits ratio in BNSB recorded a mixed trend during the period of study. It was on an average 86.37 percent during the study period. It was 87.93 percent in 1998-99 which went down to 87.23 percent in 1999-2000. It increased up to 88.72 percent in and stepped down to 86.22 percent in 2001-2002. Again it was decreased to 85.73 percent in 2002-2003 and stood at 84.72 percent in 2003-2004. The performance of bank was not satisfactory from the view point of proportion of long term deposits to total deposits.

KHNSB registered a fluctuating trend during the period of study. It was 84.80 percent in 1997-98 which dropped down to 87.44 percent in 1998-99. It decreased to 86.41 percent in 1999-2000. It went up to 89.01

percent in 2000-2001. But there after it decreased from 86.24 percent in 2001-2002 to 82.03 percent in 2003-2004. It can be said that from this ratio bank's performance was not good due higher proportion of long term deposits in total deposits.

The ratio in MONSB recorded an increasing trend during the first four years and a decreasing trend during the last three years of the study period. It increased from 80.38 percent in 1997-98 to 83.38 percent in 2000-2001. It decreased from 81.19 percent in 2001-2002 to 76.79 percent in 2003-2004. It was on an average of 80.58 percent during the period of study. On the basis of above analysis it can be said that the bank try to improve their performance during the last three years of the study period.

The ratio in TNSB recorded an increasing trend during the first four years and a decreasing trend during the next two years of the study period. It increased from 94.48 percent in 1997-98 to 95.33 percent in 2000-2001. It decreased from 94.25 percent in 2001-2002 to 77.93 percent in 2002-2003. Finally, it reached at 79.55 percent in 2003-2004. It was on an average of 90.09 percent during the period of study. On the basis of above analysis it can be said that the bank tried to improve their performance during the last three years of the study period.

INSB registered a decreasing trend during the study period except in 2000-2001. It decreased from 84.40 percent in 1997-98 to 82.76 percent in 1999-2000. It was 84.35 percent in 2000-2001. But there after it decreased from 83.20 percent in 2001-2002 to 79.17 percent in 2003-2004.

The ratio in HINSB registered an increasing trend during the first three years and a decreasing trend during the last four years. It increased from 73.95 percent in 1997-98 to 78.61 percent in 1999-2000. It declined from 75.76 percent in 2000-2001 to 69.20 percent in 2003-2004. It was on an average of 74.02 percent during the period of study. The performance of the bank is satisfactory from the view point of the LTDTDR.

The ratio in BMCB recorded an increasing trend during the first four years and a decreasing trend during the last three years of the study period. It was 68.98 percent in 1997-98 which went down to 68.57 percent in 1998-99. It increased to 70.34 percent in 1999-2000 and stepped up to 73.43 percent in 2000-2001. It decreased from 66.20 percent in 2001-2002 to 61.08 in 2003-2004. On the basis of the above analysis it can be said that the lower proportion of long term deposits to total deposits indicates higher profitability. The performance is good from the view point of LTD TDR.

The ratio long term deposits to total deposits in DNSB showed an upward trend during the first four years except 1999-2000 and a decreasing trend during the last three years. It increased from 72.21 percent in 1997-98 to 76.21 percent in 1998-99. It was 74.36 percent in 1999-2000 which went up to 80.67 percent in 2000-2001. It decreased from 75.15 percent in 2001-2002 to 66.68 percent in 2003-2004. The bank's performance is satisfactory from the view point of long deposits in total deposits.

The ratio long term deposits to total deposits in PPCB registered an upward trend during the first four years and a mixed trend during the last three years. It increased from 65.84 percent in 1997-98 to 74.43 percent

in 2000-2001. It was 73.07 percent in 2001-2002 which went up to percent in 2002-2003. Finally, it stood at 73.62 percent in 2003-2004. The bank's performance is satisfactory from the view point of long deposits in total deposits.

In PCB recorded an increasing trend during the first four years and a decreasing trend during the next two years, again an upward trend during the period of study. It increased from 70.27 percent in 1997-98 to 77.60 percent in 2000-2001. But after that it dropped down to 74.76 percent in 2001-2002 and 72.62 percent in 2002-2003. Finally, it reached at 76.58 percent in 2003-2004. It has been on average of 74.68 percent during the period of study. From the view point of long term deposits to total deposits proportion, this bank's performance was satisfactory during the period of study.

.....

The statements of hypothesis are as under

*Ho: Long term deposits to total deposits ratio do not differ significantly between the years.*

*H1: Long term deposits to total deposits ratio differ significantly between the years.*

*Ho: Long term deposits to total deposits do not differ significantly between the banks*

*H1: Long term deposits to total deposits differ significantly between the banks*

**Table 5.12**  
**LONG TERM DEPOSITS TO TOTAL DEPOSITS RATIO**

| <b>Source of Variation</b> | <b>Sum of Squares</b> | <b>d. f. (V)</b> | <b>Mean Squares</b> | <b>F' Ratio</b> |
|----------------------------|-----------------------|------------------|---------------------|-----------------|
| Between years              | 927.39                | 6                | 154.57              | 11.53           |
| Between Bank               | 6604.99               | 19               | 347.63              | 25.94           |
| Residual                   | 1527.81               | 114              | 13.40               |                 |
| Total ss                   | 9060.20               | 139              |                     |                 |

Table Value  $V1=6$  and  $V2=114=2.18$  at 5% level of significant.

Table Value  $V1=19$  and  $V2=114= 1.66$  at 5% level of significant.

It is clear from the table 5.12 that the difference in long term deposits to total deposits ratio in years is significant because table value (2.18) is lower than calculated value (11.53) so null hypothesis is rejected i.e. there is significant difference among the years so far long term deposits to total deposits ratio is concerned.

Same way table value (1.66) is lower than the calculated value of 'F' (25.94) value for banks and so here also null hypothesis is rejected i.e. there is significant difference in total long term deposits to total deposits ratio amongst various banks.

## Post Hoc Tests

### Multiple Comparisons

Dependent Variable: LTDTDR  
Tamhane

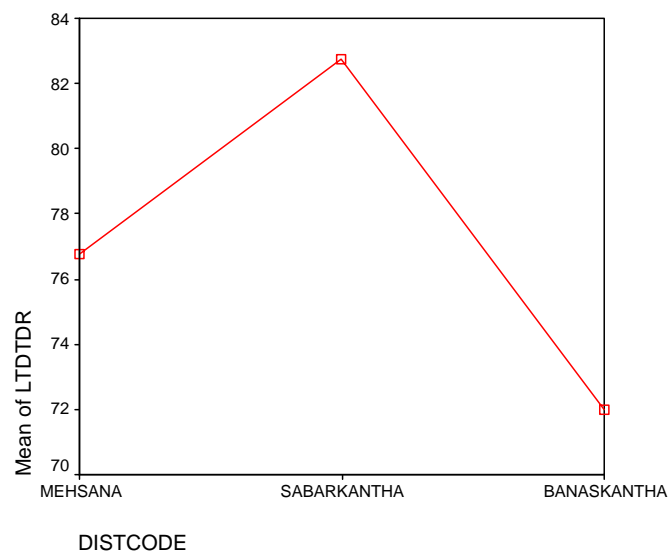
| (I) DISTCODE | (J) DISTCODE | Mean Difference (I-J) | Std. Error | Sig. | 95% Confidence Interval |             |
|--------------|--------------|-----------------------|------------|------|-------------------------|-------------|
|              |              |                       |            |      | Lower Bound             | Upper Bound |
| MEHSANA      | SABARKANTHA  | -5.9895*              | 2.14484    | .019 | -11.1971                | -.7819      |
|              | BANASKANTHA  | 4.7803                | 2.05365    | .065 | -.2169                  | 9.7774      |
| SABARKANTHA  | MEHSANA      | 5.9895*               | 2.14484    | .019 | .7819                   | 11.1971     |
|              | BANASKANTHA  | 10.7698*              | 1.31232    | .000 | 7.5572                  | 13.9823     |
| BANASKANTHA  | MEHSANA      | -4.7803               | 2.05365    | .065 | -9.7774                 | .2169       |
|              | SABARKANTHA  | -10.7698*             | 1.31232    | .000 | -13.9823                | -7.5572     |

\*. The mean difference is significant at the .05 level.

The mean difference is significant between Mehsana and Sabarkantha at 5% level

The mean difference is significant between Banaskantha and Sabarkantha at 5% level.

### Means Plots



### OVERDUE TO TOTAL ADVANCES RATIO

Long term solvency of a bank depends upon the credit management of a bank. Over due to total advances ratio indicates the proportion of advances which remain outstanding at the end of the period so that the bank can have an idea about the solvency position. This ratio is calculated as under:

Over dues to Total Advances Ratio=  $\frac{\text{Total Over dues}}{\text{Total Advances}} \times 100$

A higher the ratio indicates poor recovery efforts from the bankers, inadequate credit appraisal, mis-utilization of loan and willful default. It's affects adversely on the morel of non defaulting members. While lower

the ratio indicates good recovery efforts and good credit management of the bank.

**Table 5.13**  
**Overdue to Total Advances Ratio of Banks Under Study.**

| <b>BANKS</b>         | <b>97-98</b> | <b>98-99</b> | <b>99-00</b> | <b>00-01</b> | <b>01-02</b> | <b>02-03</b> | <b>03-04</b> | <b>AVERAGE</b> |
|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|
| <b>MCB</b>           | 0.57         | 0.5          | 0.79         | 0.92         | 1.92         | 1.74         | 0            | 0.92           |
| <b>MUCB</b>          | 1.2          | 1.17         | 1.4          | 2.68         | 10.25        | 9.66         | 9.25         | 5.09           |
| <b>SCCB</b>          | 9.78         | 11.07        | 6.15         | 5.55         | 6.98         | 10.11        | 17.35        | 9.57           |
| <b>KNSB</b>          | 0.79         | 0.79         | 2.43         | 5.24         | 9.37         | 12.37        | 11.41        | 6.06           |
| <b>MNSB</b>          | 4.38         | 5.83         | 7.36         | 9.29         | 8.89         | 9.92         | 14.7         | 8.62           |
| <b>RNSB</b>          | 1.47         | 2.53         | 2.09         | 3.41         | 3.94         | 6.61         | 10.41        | 4.35           |
| <b>HNSB</b>          | 0.03         | 1.05         | 1.84         | 2.6          | 8.05         | 11.89        | 14.49        | 5.71           |
| <b>AMCB</b>          | 0            | 0            | 0            | 0            | 0            | 36.33        | 0            | 5.19           |
| <b>UNSB</b>          | 2.6          | 1.77         | 2.48         | 2.91         | 4.52         | 3.81         | 4.67         | 3.25           |
| <b>VNSB</b>          | 0            | 0            | 0            | 0            | 0            | 13.18        | 16.57        | 4.25           |
| <b>BNSB</b>          | 5.84         | 5.43         | 5.84         | 8.26         | 16.71        | 7.84         | 7.02         | 8.13           |
| <b>KHNSB</b>         | 1.37         | 1.34         | 1.45         | 1.72         | 2.26         | 3.64         | 5.07         | 2.41           |
| <b>MONSB</b>         | 3.95         | 4.43         | 3.18         | 2.63         | 5.1          | 4.07         | 3.69         | 3.86           |
| <b>TNSB</b>          | 6.17         | 5.97         | 6.73         | 7.61         | 13.76        | 19.69        | 19.18        | 11.30          |
| <b>INSB</b>          | 0.77         | 1.02         | 1.15         | 1.18         | 4.28         | 9.79         | 4.9          | 3.30           |
| <b>HINSB</b>         | 3.24         | 3.99         | 9.13         | 9            | 12.02        | 17.33        | 19.94        | 10.66          |
| <b>BMCB</b>          | 1.44         | 2.2          | 1.46         | 2.59         | 2.45         | 3.98         | 3.82         | 2.56           |
| <b>DNSB</b>          | 6.76         | 4.97         | 3.78         | 5.8          | 8.67         | 14.89        | 24.28        | 9.88           |
| <b>PPCB</b>          | 11.2         | 22.0         | 11.33        | 18.29        | 22.85        | 29.17        | 28.33        | 20.47          |
| <b>PCB</b>           | 2.91         | 0.06         | 3.51         | 3.34         | 4.45         | 5.17         | 2.92         | 3.19           |
| <b>Average Ratio</b> | 3.22         | 3.81         | 3.61         | 4.65         | 7.32         | 11.56        | 10.90        | <b>6.44</b>    |

**Source:** *Computed from Published Annual Reports of the Banks.*

The total overdue ratio of the selected banks presented in table 5.13. In MCB registered a mixed trend during the study period. It was 0.57 percent in 1997-98 and went down to 0.50 percent in 1998-99. It increased from 0.79 percent in 1999-2000 to 1.92 percent in 2001-2002. But after that it went down to 1.74 percent in 2002-2003. Finally, the ratio was nil during the year 2003-2004. On the basis of above analysis the overdue ratio was lower which indicates good recovery efforts and good credit management of the bank.

The ratio in MUCB recorded an upward trend during the first five years except in 1999-2000 and downward trend during the last two years. It has was an average of 5.09 percent during the period of study. It was 1.20 percent in 1997-98. It increased from 1.17 percent in 1998-99 to 10.25 percent in 2001-2002. It decreased from 9.66 percent in 2002-2003 to 9.25 percent in 2003-2004. On the basis of above analysis, it can be said that bank management should try to recover the overdue amount.

SCCB witnessed a fluctuating trend in over due to total advances ratio. It was 9.78 percent in 1997-98 which stepped up to 11.07 percent in 1998-99 It was 6.15 percent in 1999-2000 and 5.55 percent in 2000-2001. It stepped up to 6.98 percent in 2001-2002 and 10.11 percent in 2002-2003. Finally, it reached at 17.35 percent in 2003-2004. The ratio of overdue to total advances indicates the inefficiency of management regarding collection of overdue. It does not disclose satisfactory performance of bank.

The overdue to total advance ratio total in KNSB recorded an upward trend during the first six years of study period. It increased from 0.79 percent in 1997-98 to 12.37 percent in 2002-2003. It went down to 11.41 percent in 2003-2004. On the basis of above analysis the higher proportion of overdue indicates low recovery efforts and bad credit management of the bank.

The ratio in MNSB showed an increasing trend during the study period except in 2001-2002. It was on an average of 8.62 percent. It increased from 4.38 percent in 1997-98 to 9.29 percent in 2000-2001. It was 8.89 percent in 2001-2002. It was 9.92 percent in 2002-2003 which



went up to 14.70 percent in 2003-2004. The ratio indicates that the recovery management was poor from view point of overdue amount.

In RNSB recorded an upward trend during the period of study except in 1999-2000. It was 1.47 percent in 1977-98 which went up to 2.53 percent in 1998-99. It was 2.09 percent in 1999-2000. It increased from 3.41 percent in 2000-2001 to 10.41 percent in 2003-2004. It was on an average of 4.35 percent during the study period. The ratio indicates that the recovery management was poor from view point of overdue amount.

In HNSB witnessed an increasing trend during the period of study. It increased from 0.03 percent in 1997-98 to 11.89 in 2002-2003. But there after it decreased to 14.49 percent in 2003-2004. The overdue to total advances ratio continuously increased which indicates that the performance of bank was not satisfactory from the view point of overdue recovery.

In AMCB the ratio was nil during the period of study except in 2002-2003. It was 36.33 percent in 2002-2003. The recovery management of the bank was fully satisfactory during the study period except 2002-2003.

The ratio in UNSB revealed an increasing trend during the study period except in 1998-99 and 2002-2003. It was 2.60 percent in 1997-98 which stepped down to 1.77 percent in 1998-99. But there after it was went up to 2.48 in 1999-2000, again it increased from 2.91 percent in 2000-2001 to 4.52 percent in 2001-2002. The ratio dropped down to 3.81 percent in 2002-2003. Finally, it reached at 4.67 percent in 2003-2004.

The bank's recovery performance was satisfactory during the period of study.

In VNSB, the overdue to total advance ratio was nil during the first five years of the study period and an upward trend during the last two years of the study period. It was 13.18 percent in 2002-2003 which increased to 16.57 percent in 2003-2004. The overdue highly increased during the last two which is not good for bank.

In BNSB the overdue ratio recorded an upward trend during the first five years of study period. It increased from 5.84 percent in 1997-98 to 16.71 percent in 2001-2002. It was remarkably decreased during the last two years. The bank is conscious regarding overdue.

In KHNSB, this ratio shows an increasing trend during the study period except 1998-99. It was 1.37 percent in 1997-98 which decreased to 1.34 percent in 1998-99. Then after, the ratio continuously increased up to 2003-2004 and reached at 5.07 percent. The ratio continuously increased during the study period which indicates the poor recovery of advances. So the bank must try to recover the advances as early as possible.

MONSB witnessed a fluctuating trend during the study period. It was 3.95 percent in 1997-98 which went up to 4.43 percent in 1998-99. It decreased from 3.18 percent in 1999-2000 to 2.63 percent in 2000-2001. It was 5.10 percent in 2001-2002 which dropped down to 4.07 in 2002-2003. Finally, it stood at 3.69 percent in 2003-2004. The bank's recovery performance was satisfactory during the period of study.

The overdue to total advance ratio in TNSB showed a mixed trend during the period of study. It was 6.17 percent in 1997-98 which went down to 5.97 percent in 1998-99. It increased from 6.73 percent in 1999-2000 to 7.61 percent in 2000-2001. It was 13.76 percent in 2001-2002 which stepped up to 19.69 percent in 2002-2003. Finally, it was 19.18 percent in 2003-2004. The ratio indicates that the recovery management was poor from view point of overdue amount.

In INSB recorded an increasing trend during the first six years of study period. It was 0.77 percent in 1997-98 which increased to 9.79 percent in 2002-2003. But there after it stepped down to 4.90 percent in 2003-2004. The bank performance was satisfactory during the period of study except in 2002-2003.

The overdue to total advances ratio in HINSB showed an increasing trend during the period of study except in 2000-2001 due to low recovery of overdue amount. It was 3.24 percent in 1997-98 which increased up to 9.13 percent in 1999-2000. It was 9 percent in 2000-2001. But there after it again increased from 12.02 percent in 2001-2002 to 19.94 in 2003-2004. The average ratio was more than 10 percent during the period of study. The performance was not satisfactory from the view point of overdue recovery.

The ratio in BMCB recorded fluctuating trend during the period of study. It was 1.44 percent in 1997-98 which went up to 2.20 percent in 1998-99. But there after it decreased to 1.46 percent in 1999-2000. The ratio stepped up to 2.59 percent in 2000-2001. It decreased to 2.45 percent which again went up to 3.98 percent in 2002-2003. Finally, it stood at 3.82 percent in 2003-2004. On the basis of above analysis, it can

be said that the bank's performance was good from the view point of loans recovery.

The ratio in DNSB registered an increasing trend during the last five years of the study period. It was 6.76 percent in 1997-98 which dropped to 4.97 percent in 1998-99. But there after it increased from 3.78 percent in 1999-2000 to 24.28 percent in 2003-2004. The performance of bank was poor regarding recovery of loans and advances.

The ratio in PPCB registered an increasing trend during the last five years of the study period. It was 11.20 percent in 1997-98 which went up to 22.09 percent in 1998-99. But there after it decreased to 11.33 percent in 1999-2000. It was increased from 18.29 percent in 2000-2001 to 28.33 percent in 2003-2004. The overdue to total advances ratio was much higher which indicates the poor efficiency of the bank with regards to recovery of loans and advances.

In PCB recorded a mixed trend during the period of the study. It was 2.91 percent in 1997-98. It went up to 3.51 percent in 1999-2000 which stepped down to 3.34 percent in 2000-2001. It was 4.45 percent in 2001-2002 and 5.17 percent in 2002-2003. Finally, it stood at 2.92 percent in 2003-2004. The average ratio was nearly 3 percent which indicates the good efficiency of the bank from the view point of loans recovery.

*The statements of hypothesis are as under:*

*Ho: Over due to total advances and ratio do not differ significantly between the years.*

*H1: Total advances and investment to total deposits ratio differ significantly between the years.*

*Ho: Total advances and investment to total deposits do not differ significantly between the banks*

*H1: Total advances and investment to total deposits differ significantly between*

**Table 5.14**  
**F-TEST OF OVERDUE TO ADVANCES RATIO**

| <b>Source of variation</b> | <b>Sum of squares</b> | <b>d. f. (V)</b> | <b>Mean squares</b> | <b>F' Ratio</b> |
|----------------------------|-----------------------|------------------|---------------------|-----------------|
| Between years              | 1340.62               | 6                | 223.44              | 12.59           |
| Between Bank               | 2714.39               | 19               | 142.86              | 8.05            |
| Residual                   | 2022.59               | 114              | 17.74               |                 |
| Total ss                   | 6077.61               | 139              |                     |                 |

Table Value  $V1=6$  and  $V2=114=2.18$  at 5% level of significant.

Table Value  $V1=19$  and  $V2=114= 1.66$  at 5% level of significant.

It is clear from the table 5.14 that the difference in long term deposits to total deposits ratio in years is significant because table value (2.18) is lower than calculated value (12.59) so null hypothesis is rejected i.e. there is significant difference among the years so far long term deposits to total deposits ratio is concerned.

Same way table value (1.66) is lower than the calculated value of 'F' (8.05) value for banks and so here also null hypothesis is rejected i.e. there is significant difference in total long term deposits to total deposits ratio amongst various banks.

## Post Hoc Tests

### Multiple Comparisons

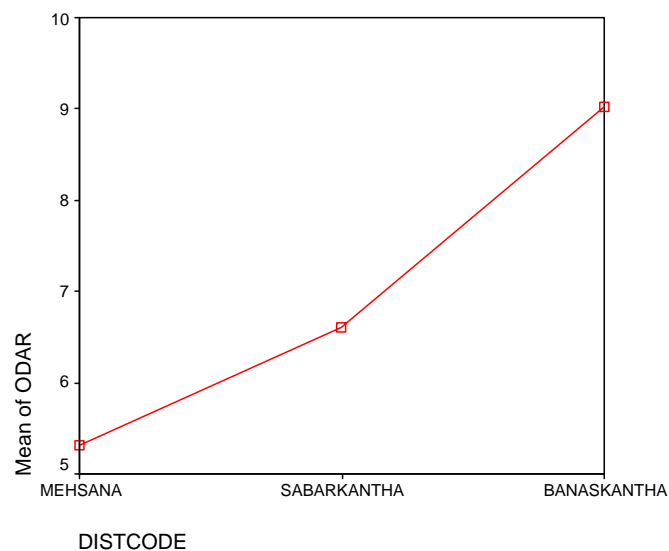
Dependent Variable: ODAR

Tamhane

| (I) DISTCODE | (J) DISTCODE | Mean Difference (I-J) | Std. Error | Sig. | 95% Confidence Interval |             |
|--------------|--------------|-----------------------|------------|------|-------------------------|-------------|
|              |              |                       |            |      | Lower Bound             | Upper Bound |
| MEHSANA      | SABARKANTHA  | -1.3002               | 1.09965    | .561 | -3.9731                 | 1.3727      |
|              | BANASKANTHA  | -3.7051               | 1.82237    | .140 | -8.2590                 | .8489       |
| SABARKANTHA  | MEHSANA      | 1.3002                | 1.09965    | .561 | -1.3727                 | 3.9731      |
|              | BANASKANTHA  | -2.4049               | 1.86588    | .497 | -7.0531                 | 2.2434      |
| BANASKANTHA  | MEHSANA      | 3.7051                | 1.82237    | .140 | -.8489                  | 8.2590      |
|              | SABARKANTHA  | 2.4049                | 1.86588    | .497 | -2.2434                 | 7.0531      |

There is no existence of mean difference between districts.

## Means Plots



## Correlation

The degree of relationship between the two variables under consideration is measured through the correlation analysis. The measures of correlation called the correlation coefficient or correlation index summarize in one figure the direction and degree of correlation. The correlation analysis refers to the techniques used in measuring the closeness of the relationship between the variables.

The correlation is a statistical device which helps us in analyzing the co variation of two or more variables. The problems of analyzing the relation between different series should be tested whether it is significant or not. The table clearly shows the relation between two variables.

Of the several mathematical methods of measuring correlation, the **Karl Pearson's** method, popularly know as Pearson's coefficient of correlation, is most widely used in practice. The Pearson coefficient of correlation is denoted by the symbol  $r$ . The value of the coefficient of correlation as obtained by this method shall always lie between +1 to -1. The value of  $r$  is plus then correlation is positive and  $r$  is minus then correlation is negative. It also describes high or low degree of correlation between two variables.

**Table 5.15**  
**CONSOLIDATED CORRELATION OF UCBs**

|                 | Deposits | Advances | opmr | ietfr | iptfr | rtfr | rcer | cefr | nptfr | nwr | der | cdr | cln<br>wr | tia<br>tdr | ltdtdr | odrtfr |
|-----------------|----------|----------|------|-------|-------|------|------|------|-------|-----|-----|-----|-----------|------------|--------|--------|
| <b>Deposits</b> |          | **+      |      | **+   | **+   |      | **+  | *+   |       | **- | **+ |     | **+       |            | **-    |        |
| <b>Advances</b> | **+      |          |      | **+   | **+   |      | **+  |      |       | **- | **+ | *+  | **+       |            | **-    |        |
| <b>OPMR</b>     |          |          |      | **-   | **-   | **+  | **+  | **-  | **+   | **+ | **- | **+ | **-       | **+        |        |        |
| <b>IETFR</b>    | **+      | **+      | **+  |       | **+   |      |      | **+  |       | **- | **+ |     | **+       | **-        |        | **-    |
| <b>IPTFR</b>    | **+      | **+      | **-  | **+   |       | **-  |      | **+  | **-   | **- | **+ |     | **+       | **-        |        |        |
| <b>RTFR</b>     |          |          | **+  |       | **-   |      | **+  | **-  | **+   | **+ | **- | **+ |           | *+         |        |        |
| <b>RCER</b>     | **+      | **+      | **+  |       |       | **+  |      |      | **+   |     |     | **+ | **+       |            | **-    |        |
| <b>CEFR</b>     | *+       |          | **-  | **+   | **+   | **-  |      |      | **-   | **- | **+ |     | **+       | **-        |        | **-    |
| <b>NPTFR</b>    |          |          | **+  |       | **-   | **+  | **+  | **-  |       | **+ | **- |     |           | *+         |        | **-    |
| <b>NWR</b>      | **-      | **-      | **+  | **-   | **-   | **+  |      | **-  | **+   |     | **- |     | **-       |            |        |        |
| <b>DER</b>      | **+      | **+      | **-  | **+   | **+   | **-  |      | **+  | **-   | **- |     |     | **-       |            |        | *-     |
| <b>CDR</b>      |          | *+       | **+  |       |       | **+  | **+  |      |       |     |     |     | *+        | *+         |        |        |
| <b>CLNWR</b>    | **+      | **+      | **-  | **+   | **+   |      | **+  | **+  |       | **- | **+ | *+  |           |            | **-    |        |
| <b>TIATDR</b>   |          |          | **+  | **-   | **-   | *+   |      | **-  | *+    |     |     | *+  |           |            |        |        |
| <b>LTDTR</b>    | **-      | **-      | **-  |       |       |      | **-  |      |       |     |     |     | **-       |            |        |        |
| <b>ODTAR</b>    |          |          |      | **-   | **-   |      |      | *-   | **-   |     | *-  |     |           |            |        |        |

SOURCE: *Correlation Table*



Table 5.15 shows the overall correlation of all UCBs selected for the study period. Table 5.16, 5.17, 5.18 shows the correlation of Mehsana district, sabarkantha district and Banaskantha district respectively. For the present study total fourteen various ratios have been calculated and analyzed. To find the inter correlation between these ratios Karl pearsons' co-efficient of correlation is calculated.

The correlation between two variables has been calculated @ 5% level of significance and @ 1% level of significance. If the value of co-efficient of correlation is less than -0.5, @ 5% level, \*-sign and @ 1% level, \*\*-sign is assigned where as the value is more than 0.5 @ 5% level \*+sign @ 1% level, \*+ sign is assigned in table no. 5.15 5.16, 5.17, 5.18, The interpretation on the basis of this is given under table no. 5.15 to 5.18.

## **INTERPRETATION**

From above table 5.16 shows correlation between two variables as under.

- (1) \*+ means positive correlation between two variables significant at 5 % level
- (2) \*\*+ means positive correlation between two variables significant at 1% level
- (3) \*- means negative correlation between two variables significant at 5% level
- (4) \*\*- means negative correlation between two variables significant at 1% level

**Table 5.16**  
**Correlation District Mehsana**

|                 | Deposits | Advances | opmr | ietfr | iptfr | rtfr | rcer | cefr | nptfr | nwr | der | cdr | clnwr | tiatdr | ltdtdr | odtar |
|-----------------|----------|----------|------|-------|-------|------|------|------|-------|-----|-----|-----|-------|--------|--------|-------|
| <b>Deposits</b> |          | **+      |      | *+    | *+    |      | **+  |      |       | **- | **+ |     | **+   |        | **-    |       |
| <b>Advances</b> | **+      |          |      |       | *+    |      | **+  |      |       | **- | **+ |     | **+   |        | **-    |       |
| <b>OPMR</b>     |          |          |      | **-   | **+   | **+  | **+  | **-  | **+   | **+ | **- | **+ |       | **+    |        |       |
| <b>IETFR</b>    | *+       |          | **-  |       | **+   |      |      | **+  |       | **- | **+ |     | *+    | *-     |        | **-   |
| <b>IPTFR</b>    | *+       | **+      | **-  | **+   |       | **-  |      | **+  | **-   | **- | **+ |     | **+   | **-    |        |       |
| <b>RTFR</b>     |          |          | **+  |       | **+   |      | **+  |      | **+   | **+ | **- | **+ |       | *+     |        |       |
| <b>RCER</b>     | **+      | **+      | **+  |       |       | **+  |      |      | **+   |     |     | **+ | **+   |        | **-    |       |
| <b>CEFR</b>     |          |          | **-  | **-   | **+   |      |      |      |       |     | *+  |     |       | **-    |        |       |
| <b>NPTFR</b>    |          |          | **+  |       | **+   | **+  | **+  |      |       | **+ | **- | *+  |       | *+     |        | **-   |
| <b>NWR</b>      | **--     | **-      | **+  | **+   | **-   | **+  |      |      | **+   |     | **- |     | **-   |        |        |       |
| <b>DER</b>      | **+      | **+      | **-  | **+   | **-   | **-  |      | *+   | *-    | **- |     |     | **+   |        |        |       |
| <b>CDR</b>      |          |          | **+  |       | **+   | **+  | **+  |      |       |     |     |     |       | *+     |        |       |
| <b>CLNWR</b>    | **+      | **+      |      | *+    |       |      | **+  |      | **-   | **- | **+ |     |       |        | **-    |       |
| <b>TIATDR</b>   |          |          | **+  | *-    | *+    | *+   |      | **-  |       |     |     | *+  |       |        |        |       |
| <b>LTDADR</b>   | **-      | **-      |      |       |       |      | **-  |      |       |     |     |     | **-   |        |        |       |
| <b>ODTAR</b>    |          |          |      | **-   |       |      |      |      |       |     |     |     |       |        |        |       |

SOURCE: Correlation Table

## **INTERPRETATION**

From above table 5.16 shows correlation between two variables as under.

(1)\*+ means positive correlation between two variables significant at 1 % level

(2)\*\*+ means positive correlation between two variables significant at 5% level

(3)\*- means negative correlation between two variables significant at 1% level

(4) \*\*- means negative correlation between two variables significant at 5% level

**Table 5.17**  
**Correlation District Sabarkantha**

|                 | Deposits | Advances | OPMR     | IETF    | IPTR    | RTFR        | RCE     | CEFR    | NPTFR    | NWR     | DER          | CDR         | CLNWR    | TIATR    | LTDTR    | LTDTR   |
|-----------------|----------|----------|----------|---------|---------|-------------|---------|---------|----------|---------|--------------|-------------|----------|----------|----------|---------|
| <b>Deposits</b> |          | **+      |          |         |         |             |         |         | *-       |         |              | *<br>*<br>+ | **<br>+  | **_<br>+ | *_<br>+  | **<br>+ |
| <b>Advances</b> | **+      |          |          |         |         |             |         |         | *-       |         |              | *<br>*<br>+ | **<br>+  | **_<br>+ | *_<br>+  | **<br>+ |
| <b>OPMR</b>     |          |          |          | *+      |         | *<br>*<br>+ | **<br>+ | *_<br>+ | **<br>+  |         |              |             |          |          |          |         |
| <b>IETF</b>     |          |          | *+       |         | **<br>+ | *<br>*<br>+ | **<br>+ | **<br>+ |          |         |              | *<br>+      |          |          |          |         |
| <b>IPTR</b>     |          |          |          | **<br>+ |         |             |         | **<br>+ |          | *_<br>+ | *<br>+       |             |          |          | **<br>+  |         |
| <b>RTFR</b>     |          |          | **<br>+  | **<br>+ |         |             | **<br>+ |         | **<br>+  |         |              |             |          |          |          |         |
| <b>RCE</b>      |          |          | **<br>+  | **<br>+ |         | *<br>*<br>+ |         |         | **<br>+  |         |              | *<br>+      | *<br>+   |          |          |         |
| <b>CEFR</b>     |          |          | **_<br>+ | **<br>+ | **<br>+ |             |         |         |          |         |              |             |          |          |          |         |
| <b>NPTFR</b>    | **_<br>+ | *_<br>+  | **<br>+  |         |         | *<br>*<br>+ | **<br>+ |         |          |         | *_<br>+      |             |          |          |          | *_<br>+ |
| <b>NWR</b>      |          |          |          |         | *_<br>+ |             |         |         |          |         | *<br>*_<br>+ |             |          |          | **_<br>+ |         |
| <b>DER</b>      |          |          |          | *<br>+  | *<br>+  |             |         |         | **_<br>- | **<br>- |              |             | *_<br>+  |          | **<br>+  |         |
| <b>CDR</b>      | **<br>+  | **<br>+  |          |         |         |             | *<br>+  |         |          |         |              |             | *<br>+   |          |          |         |
| <b>CLNWR</b>    | **<br>+  | **<br>+  |          |         |         |             | *<br>+  |         | **_<br>+ |         | *_<br>+      | *<br>+      |          | **_<br>+ | **_<br>+ |         |
| <b>TIATR</b>    | **_<br>+ | **_<br>+ |          |         |         |             |         |         |          |         |              |             | **_<br>+ |          |          | *_<br>+ |
| <b>LTDTR</b>    | *_<br>+  | *_<br>+  |          |         | **<br>+ |             |         |         |          | **<br>- | *<br>*<br>+  |             | **_<br>+ | *<br>+   |          |         |
| <b>ODTAR</b>    | **<br>+  | **<br>+  |          |         |         |             |         |         |          |         |              |             |          | *_<br>+  |          |         |

SOURCE: Correlation Table

**INTERPRETATION**

From above table 5.16 shows correlation between two variables as under.

- (1)\*+ means positive correlation between two variables significant at 1 % level
- (2)\*\*+ means positive correlation between two variables significant at 5% level
- (3)\*- means negative correlation between two variables significant at 1% level

(5) \*\* - means negative correlation between two variables significant at 5% level

**Table 5.18**  
**Correlation District Banaskantha**

|          | Deposits | Advances | opmr    | ietfr   | iptfr    | rtfr    | rcer    | cefr    | np tfr  | nwr     | der     | cdr     | clnwr   | tiatdr  | ltdr   | odtar  |
|----------|----------|----------|---------|---------|----------|---------|---------|---------|---------|---------|---------|---------|---------|---------|--------|--------|
| Deposits |          | **+      |         | **<br>+ | 8*<br>*+ |         |         | **<br>+ | **<br>- | **<br>- | **<br>+ |         | **<br>+ | **<br>- | *<br>- |        |
| Advances | **+      |          |         | **<br>+ | **<br>+  |         |         | **<br>+ | **<br>- | **<br>- | **<br>+ |         | **<br>+ | **<br>- |        |        |
| OPMR     |          |          |         |         | **<br>-  | **<br>+ | **<br>+ | *<br>-  | *<br>+  | *<br>-  | *<br>-  |         |         |         |        |        |
| IETFR    | **+      | **+      |         |         | **<br>+  |         |         | **<br>+ |         | **<br>+ | **<br>+ |         | **<br>+ |         |        | *<br>- |
| IPTFR    | **+      | **+      | **<br>- | **<br>+ |          |         |         | **<br>+ |         | **<br>- | **<br>+ |         | **<br>+ | **<br>- |        |        |
| RTFR     |          |          | **<br>+ |         |          |         | **<br>+ |         |         |         |         |         |         |         |        |        |
| RCER     |          |          | **<br>+ |         |          | **<br>+ |         |         |         |         |         |         |         |         |        |        |
| CEFR     | **+      | **+      | *<br>-  | **<br>+ | **<br>+  |         |         |         |         | **<br>- | **<br>+ |         | **<br>+ | **<br>- |        |        |
| NPTFR    | **<br>-  | **<br>-  | *<br>+  |         |          |         |         |         |         |         |         | **<br>+ |         | **<br>+ |        | *<br>- |
| NWR      | **<br>-  | **<br>-  | *<br>+  | **<br>- | **<br>-  |         |         | **<br>- | *<br>+  |         | **<br>- |         | **<br>- | *<br>+  |        |        |
| DER      | **+      | **+      | *<br>-  | **<br>+ | **<br>+  |         |         | **<br>+ |         | **<br>- |         |         | **<br>+ | *<br>-  |        |        |
| CDR      |          |          |         |         |          |         |         |         | **<br>+ |         |         |         |         | *<br>+  | *<br>+ |        |
| CLNWR    | **+      | **+      |         | **<br>+ | **<br>+  |         |         | **<br>+ |         | **<br>- | **<br>+ |         |         | *<br>-  |        | *<br>- |
| TIATDR   | **<br>-  | **<br>-  |         |         | **<br>-  |         |         | **<br>- | **<br>+ |         | *<br>-  | *<br>+  | *<br>-  |         |        |        |
| LTDTDR   | *<br>-   |          |         |         |          |         |         |         |         |         |         | *<br>+  |         |         |        |        |
| ODTAR    |          |          |         | *<br>-  |          |         |         |         | **<br>- |         |         |         | **<br>+ |         |        |        |

### INTERPRETATION

From above table 5.18 shows correlation between two variables as under.

- (1) \*+ means positive correlation between two variables significant at 1% level
- (2) \*\*+ means positive correlation between two variables significant at 5% level
- (3) \*- means negative correlation between two variables significant at 1% level
- (4) \*\* - means negative correlation between two variables significant at 5%

## **References**

1. M. R. Agrawal " Financial Management" Edi 2003 page 53 Shital  
Printer Jaipur
2. Metcaff and Titard "Principles of Accounting page 157

## **CHAPTER-VI**

### **SUMMARY, FINDINGS & SUGGESTIONS**

1. Introduction
2. Summary
3. Findings
4. Suggestions

## **Introduction :**

Urban Co- Operative bank sector is one of the key financing sector in metropolitan urban and semi urban area which accelerating the economic growth and social welfare. The RBI imposes some restrictions on banking sector. The UCBs provides many kinds of facilities to their customers of urban area like opening current saving and fixed deposits accounts, issue draft, bill discounted on low rate, self deposits vault, advances are given to small scale and medium enterprise and cottage industries and advances against properties, jewelry, govt. securities, life insurance policy and vehicles. It plays a dominant role in the financial market in India. It make easy to mobilize the money in Indian money market.

In the early 1990s Government of India initiated major trade policy reforms which favored an increasing privatization and liberalization of all sectors of the economy and banking sector was no exception to this. Banking sector particularly, collection of deposits, advances to customers and many financial services provided to bank customers. The private sector banks including multi-national were allowed to set up financial banks. The second, India become a members of the WTO. Both these development indicates that sooner or later, the Indian banking will have to become competent to face the foreign banks and private banks. The co-operative banks also will have to face the newly shaped Indian nationalize bank. In Gujarat some scandals have been taken place in co-operative banks particularly, UCBs have lost the faith of public to a great extent. Some urban co-operative bank closed its business due to fear of sickness. This has affected to other Urban Co-Operative banks adversely and it becomes weak bank because of deposits in those banks which were closed their business. The RBI imposed some restriction on UCBs and



made some regulation regarding UCBs. The measures such as imposition of prudential norms, strengthening of finance, liberalization of interest rate and new competition environment has brought about a significant change in bank attitude toward profitability, risk and overall performance. Because of the changing competition environment, the importance of improved efficiency has assumed a critical significance of the survival and sustained viability of UCBs. In this changed global banking scenario, to get the competitive edge, UCBs must have to work hard to improve their efficiency at the all level of banking operations. It will be right to study and analyze the performance of the Urban Co-Operative banks in North Gujarat region and to suggest controlling operating expenses and their profitability.

The present study deals with performance appraisal of Urban Co-Operative Banks of North Gujarat which are organized in financial services. For these purpose twenty Urban Co-Operative banks are selected, which are associated with Gujarat Urban Co-Operative Federation Ahmedabad. For analyzing the performance banks of North Gujarat, the data related to all the twenty Urban Co-Operative banks for the past seven years viz. 1997-98 to 2003-2004 have been collected and various techniques of measuring performance like CSS, Ratio Analysis and statistical techniques have been applied to analyze and drew conclusion. The present study has been divided in six chapters and chapter- wise findings have been discussed as here under.

## **SUMMARY:**

### **CHAPTER-I**

#### **History and Growth of Urban Co-Operative Banks.**

The co-operative movement came into existence in the late England and Robert Owen is known as the father of Co-operative Movement. But modern co-operative movement begun in 1844 near Manchester, England when 28 flannel weavers established "The Rochdale Society of Equitable Pioneers" to improve their wages. In India however, the co-operative movement was introduced as a remedy for the proverbial poverty of co-operative of the small agriculturist.

The origin of Urban Co-Operative Credit Societies in India can be traced to the close of 19th century. Inspired by the Urban Co-Operative Credit Institution organized in Germany by Herman Schulze (1860) and in Italy by Prof. Luigi Luzzatti (1866), the first Urban Credit Society named " ANYNONYA SAHAKARI MANDALI" was established in Baroda on February 5, 1889, under the guidance of Shri V. L. Kavthekar. But the co-operative credit societies got legal status only in 1904, when a view to encourage thrift, eradicate rural indebtedness and provide credit to the needy and weaker sections of society in rural areas. This 1904 Act was later on modified in 1912 and 1919, which has widened the scope of co-operative enterprise in India.

The Urban Co-operative Credit Societies gradually grew in members as well as in volume of their operations on 1st March 1966, the UCBs were brought under the purview of the Banking Regulation Act 1949 and some its provisions were made applicable to the UCBs in 1966. In three-

tiered federal structure of co-operative credit system, the UCBs come at grass root level and occupy an important place. They aim at mobilization of saving from the middle and lower income urban groups and purvey credit to weaker sections. They work on the principles of co-operation i.e. voluntary and open membership, equal economic participation and concern for community. The UCBs perform various types of banking activities which, besides acceptance of deposits, include sophisticated lending for promotion of small scale and cottage industries and various type of retail traders and profession; discounting and collecting bills; remittance of funds; safe deposits locker facilities.

The growth of the UCBs has shown a regional imbalance. At the end of March 2004, around 80% of the total UCBs were located in 5 states, viz, Maharastra, Gujarat, Karnataka, Tamil Nadu and Andhra Pradesh. Gujarat holds second position in development of the UCBs in India and known as the " Mother Land" of the co-operative movement. At the end of March 2004, 351 UCBs provided services in Gujarat. By the year ended 31st March 2004, there were 60 UCBs having 105 branches in Gujarat. Kalol is known as the birth place of UCB in North Gujarat the first registered UCB " The kalyan Co-operative Bank Limited" was established in 1949 at Kalol.

In the last 5 years, the RBI has taken several step like prudential norms, restriction on interest rate, rules regarding the advances to improve the financial position of the UCBs.

## CHAPTER-II

### **Research Methodology and Conceptual Framework**

The subject of the present study is " Performance Appraisal of Urban Co-operative Banks In North Gujarat" which covers the period of seven years from 1997-98 to 2003-2004. This study covers the Urban Co-operative Bank which is associated with Gujarat Urban Co-operative Banks Federation Ahmedabad. The study is based on secondary data. The data has been collected from the published annual reports and accounts of selected banks and GUCBF, journal of trade and co-operation, RBI bulletins and circulars, books and various committee reports based on UCBs and from leading daily newspapers. The present study includes twenty UCBs which are MCB, MUCB, SCCB, KNSB, MNSB, RNSB, HNSB, AMCB, UNSB, VNSB, BNSB, KHNSB, MONSB, TNSB, INSB, HINSB, BMCB, DNSB, PPCB, PCB, registered in North Gujarat. Analysis of financial statement of selected UCBs has been done by applying the tools and techniques of accounting such as common size analysis, trend analysis, and ratio analysis. Various statistical measures like mean, index, correlation ect. have been calculated. F test has been applied to test the validity of two hypotheses namely (i) Null Hypotheses (ii) Alternate Hypotheses. For a more clear understanding of the data, all ratios calculated for the purpose of study and some important items of balance sheets and profit and loss account are presented through graphs.

## **CHAPTER- III**

### **Common Size Income Statement**

In this chapter analysis of common size income statement has been analyzed. For the measurement of profitability different component of financial statements are measured to a particular component. In this chapter definition, advantages and limitation of common size income statement have been given. Moreover, for the present study framework of analysis of CSS has been shown. A detail analysis of CSS of units under study has been discussed and after making inter firm and inter districts comparison of units under study certain findings based on CSS of the units under study have been narrated.

## **CHAPTER- IV**

### **Analysis of Profitability**

In this chapter analysis of profitability of units under study has been explained. Here meaning of profitability, various measurement of profitability and framework of analysis of profitability has been discussed. Finally, analysis of profitability with help of various profitability ratios based on financial statements has been given. Here various statements of hypothesis have been tested with help of statistical tools and techniques like mean, standard deviation, correlation and F-test.

## CHAPTER-V

### Financial Analysis

In this chapter financial analysis of banks under study has been explained. Here meaning and concept of the financial analysis and framework of financial analysis has been discussed. The financial analysis of the selected UCBs has been analyzed with help of various balance sheet ratios based on financial statements. Statistical tools and techniques like mean, standard deviation and correlation and model summary has been explained.

### 3. Finding

#### 3.1 Common Size Income Statement:

A comparative study of the common size income statement of selected UCBs under study displayed the following facts.

- (a) Both operating income and operating expenses of the UCBs registered an increasing trend during the first five year of the study period and decreasing trend during the last two years but rate of growth in operating expenses was much higher than that of operating income which resulted decreased in operating profit.
- (b) The net profit marked a mixed trend during the study period. But the proportion of it in total operating income decreased considerably due to increased proportion of interest paid in total operating expenses. This indicates heavy dependence of the UCBs on high cost bearing source of funds.

- (c) 98% of the total operating income earned by interest and discount while only 2% by commission exchange and brokerage and other source of operating income.
- (d) Nearly 75% of the total operating income is spent on interest paid and other operating expenses leaving a small amount for operating profit.
- (e) Most of the banks under study did not provide sufficient funds for various provisions during period of the study.

### **ANALYSIS OF PROFITABILITY:**

The profitability was analyzed and interpreted with the help of profitability ratio. The gross profit margin ratio, interest earned to total fund ratio, interest paid to total fund ratio, net profit ratio, cost of external fund ratio, return on total fund ratio and return on capital employed ratio are calculated and analyzed.

- (a) (1) The highest average **Gross Profit** was recorded by HNSB with 22.51 percent of operating income which was higher than the 13.27 percent of operating income in all the twenty banks in combined position due to lower operating expenses. The gross profit margin ratio was the highest in MONSB in 2001-2002 when it stood at 32.85 percent of the total operating income. The year wise average of gross profit has been decreased during the study period due to higher operating expenses.
- (2) There is no significant difference among the year so far as operating income is concerned. The table value (2.18) is greater than calculated value (0.94) for years, so here null hypothesis is accepted.

There is no significant difference in OPMR in operating income among the years. The calculated value of "F" test (2.08) is lower than table value (1.66) hence here null hypothesis is rejected. There is significant difference in OPMR in operating income among the various banks.

(3) Considering district wise comparison during the study period, the mean difference is significant at 5% level between Mehsana and Sabarkantha and Sabarkantha and Banaskantha.

(b) The **Interest Earned to Total Fund Ratio** shows the relation between interests earned and total funds. It reflects the profitability of a unit to large extent. The ratio revealed the following observation.

(1) The interest earned to total fund ratio which indicates the effectiveness of utilization of deposits. It recorded a steady trend in all the bank units during the study period except VNSB. In all selected UCBs up to 99-2000 there was increasing trend and there were a fluctuating trend during the last four years of the of study. It was the highest in MCB and the lowest in VNSB.

(2) The result shown by " F" test reveals that the difference in interest earned in total fund is significant at 5% of significant in years and among the banks. The null hypothesis is rejected. Hence the result are not as per the expectation.

(3) Considering district wise comparison during the study period,the mean difference is significant at 5% level between Mehsana and Sabarkantha .



(c) (1) **The Interest Paid to Total Fund Ratio** in all banks reduced during the last three years of the study period except DNSB and AMCB. The average ratio was the lowest in VNSB which was 6.78 percent and it was followed by PPCB and SCCB. The ratio was higher than 10 percent in MCB, MUCB, KNSB, RNSB, UNSB, BMCB, DNSB.

(2) There is significant difference among the years so far as interest paid to total fund is concerned. Table value (2.18) is lower than calculated value (3.20) of "F" test. Hence the null hypothesis is rejected. There is significant difference between the years. Same way table value (1.66) is lower than calculated value of "F" (16.52) for banks and so here null hypothesis is rejected. There is significant difference in interest paid to total fund among various banks.

(3) Considering district wise comparison during the study period, the mean difference is significant at 5% level between Mehsana and Sabarkantha.

(d) The average **Return on Total Fund Ratio** was the highest in MONSB which is followed by HNSB and HINSB. The ratio recorded a fluctuated trend during the first four years of the study period but it was steady during the last three years of the study period in all bank units. It was the lowest in MNSB and UNSB.

(2) In relation to this ratio the table value (2.18) of "F" test was lower than calculated value (4.72) in years and null hypothesis is rejected.

There is significant difference between the years. Same way there is significant difference in return on total funds among various banks.

- (3) Considering district wise comparison during the study period, the mean difference is significant at the 5% level between Mehsana and Sabarkantha.

(e) The **Return on Capital Employed** was the lowest in RNSB followed by AMCB, MNSB, UNSB, and MCB. The average ratio was the highest in MUCB followed by HNSB, KNSB and HINSB. The return on capital employed favorable in all bank units except in RNSB, AMCB, UNSB and TNSB. But the ratio was decreased during the last three years of study except in MCB.

- (2) The result shown by "F" test reveals that the difference in return on capital employed is significant at 5% level among the years and between the banks. The null hypothesis is rejected.

- (3) The mean difference is not existed in multiple tables between districts.

f (1) The average **Cost of External Fund Ratio** was the highest in MCB which was followed by DNSB, UNSB, and UNSB MUCB. The cost of external fund ratio was more than 10 percent in all selected bank units except in SCCB, VNSB, and PPCB. There was fluctuated trend during the study period. A higher the ratio lower the efficiency.

- (2) From the analysis of variance the calculated value (2.02) of "F" test is lower than table value (2.18) so null hypothesis is accepted. There

is no significant difference in years. But the calculated value (13.62) of "F" test is greater than table value (1.66) so null hypothesis is rejected. There is significant difference among the banks.

(3) Considering district wise comparison during the study period, the mean difference is significant between Mehsana and Sabarkantha and also Sabarkantha and Banaskantha

g (1) The net profit to total fund ratio was the highest in MONSB which was 2.83 percent. It was followed by HNSB, BNSB and INSB. The ratio was the lowest in DNSB, INSB, MCB and PPCB. The ratio decreased considerably in KNSB, RNSB, AMCB, TNSB, BMCB and PPCB during the last two years of the study period.

(2) The net profit to total assets in years is significant. The table value (2.18) is lower than calculated value (14.53) so null hypothesis is rejected. Same way there is significant difference in net profit to total assets among the various banks.

(3) Considering district wise comparison during the study period, the mean difference is significant at 5% level between Mehsana and Sabarkantha and Sabarkantha and Banaskantha.

### **FINANCIAL ANALYSIS.**

The financial efficiency was analyzed and interpreted with help of financial ratio. The net worth ratio, debt equity ratio, credit deposits ratio, current liabilities ratio, total investment and advances to total deposits ratio and overdue to total advances ratio was calculated and analyzed.

(a)(1) The highest average **Net worth Ratio** was recorded in HNSB with 20.74 percent of total assets, followed by VNSB, AMCB, HINSB MONSB, BNSB and PCB. The ratio was less than ten percent in MUCB, MNSB, RNSB, BMCB and DNSB. In remaining selected banks, the average ratio was ten to fourteen percent during the study period. HNSB, HINSB and MONSB maintained average net worth ratio during the study period and an increasing trend during the last four years of study period.

(2) There is significant difference in net worth to total assets in years so null hypothesis is rejected. Same way there is significant difference in net worth to total assets among the various banks.

(b)(1) **Debt Equity Ratio** plays an important role in analyzing the long term solvency of a unit. The debt equity ratio was the highest in RNSB which was 1357.49 percent indicated lesser safety. It was followed by MUCB, BMCB, DNSB, MNSB and TNSB. The ratio was the lowest in HNSB. These banks are comparatively strong with other selected banks.

(2) It shows that calculated value (7.53) of "F" is greater than table value (2.18) in debt equity ratio so null hypothesis is rejected i.e. there is significant difference among the years. Same way table value (1.66) is lower than calculated value (51.35) of "F" for banks and so null hypothesis is rejected i.e. there is no significant difference in external equities to internal equities.

(c)(1) **Credit Deposit Ratio** indicates the relationship between advances and deposits. A higher credit deposits ratio indicates efficiency of management. The average ratio was the highest in HNSB which was 106.73 percent followed by KNSB, PCB, AMCB, MUCB, PPCB, HINSB and MCB. The remaining selected units maintained the CDR between 50 percent to 60 percent during the study period except UNSB, VNSB and BNSB.

(2) It is clear from the "F" test, that credit deposit ratio in year is significant because table value (2.18) is lower than calculated value (3.12) here null hypothesis is rejected i.e. there is significant difference among the year. Same way there is significant difference in credit deposit to advances among various banks.

(d) (1) A **Current Liabilities to Net worth Ratio** shows the relationship between short term deposits and funds owned by the bank from internal sources. Higher the ratio, lower the safety. The CLNWR was the lowest in AMCB while it revealed that a continuously increasing trend in TNSB, BNSB, KNSB, MONSB and HNSB. The ratio was higher in DNSB, BMCB, MUCB, MCB, KNSB and MNSB. The remaining banks attained nearly 2 to 2.5 percent during the study period. However all the selected banks reduced the ratio during the last three years of the study period.

(2) There is significant difference among the year so far as current liability to net worth ratio is concerned. Same way table value (1.66) of "F" is lower than calculated value (27.03) of for banks so here null hypothesis is rejected i.e. there is significant difference in current liabilities to net worth ratio among the banks.

**(e)(1) Total Advance and Total Investment to Total Funds Ratio**

indicates that banks are using their advance and investment rather than keeping them idle. A higher ratio indicates higher efficiency and lesser liquidity. The average ratio was the highest in PCB which was 94.65 percent and maintained almost same level during the study period. It was followed by HNSB, KNSB and SCCB. The average ratio was the lowest in MCB. The other selected banks maintained more than 80 percent during the study period except in MNSB and HINSB.

(2) The result shown by "F" reveals that the difference in total advance and investment to total funds significant at 5 percent in years and among the banks. The null hypothesis is rejected.

**(f)(1) Long Term Deposits to Total Deposits Ratio** indicates the proportion of long term deposits in total deposits. A higher ratio indicates higher proportion of long term deposits in total deposits which is not good from the efficiency and profitability point of view. The average ratio was the highest in TNSB which was followed by AMCB, BNSB, KHNSB, MCB, RNSB, INSB, MONSB and KNSB. The average ratio was less than 80 percent in remaining selected bank units. It was the lowest in VNSB which was 67.29 percent. The consolidated average ratio with the use bank units was 79 percent during the study period.

(2) The result shown by table 5.12 of "F" test, the table value (2.18) which is lower than that of calculated value (11.53) in year so null hypothesis rejected i.e. there is significant difference among the year related to long term deposits to total deposits. Same way table value

(1.66) is lower than the calculated value (25.94) for banks and so null hypothesis is rejected i.e. there is significant difference in long term deposit to total deposits among the various banks.

(g)(1) **Overdue to Total Advance Ratio** indicates the long term solvency of units. A higher the ratio indicates poor recovery efforts form bankers, inadequate credit appraisal, mis-utilization of loan. While lower the ratio indicates good recovery efforts and credit management of the bank. The ratio was the lowest in MCB which was 0.92 percent. It was the highest in PPCB which was 20.47 percent. The ratio was less than 5 percent in MCB, RNSB, KHNSB, MONSB, BMCB and PCB. It was higher than 10 percent in TNSB, HINSB and PPCB.

(2) In relation to overdue to total advance the table value (2.18) of "F" test is lower than that of calculated value(12.59) so null hypothesis is rejected. There is significant difference between the years. Same way there is significant difference in overdue to total advance amongst various banks.

#### **4.SUGGESTION:**

On the basis of findings emanated from the present micro level research study on selected UCBs in North Gujarat, it is found that the UCBs are facing problems of high cost of business operations, low capital base, inadequate loan appraisal and credit planning, poor recovery performance, dual control, mounting overdue, high level of non performing assets, political influence, lack of professional skills and relatively low level of customer satisfaction, ect. But some of the new

challenges are external; for example, the phenomenal growth in volume of financial institution. These are big hurdle in the development of the UCBs. Therefore a modest attempt has been made in this section to suggest a good number of feasible ways and means in order to improve the financial strength as well as the overall efficiency in both administration and operational management and to overcome the existing deficiency and irregularities of the selected UCBs in North Gujarat.

### **Improvement in Productivity:**

In order to improve productivity in the selected banking units, emphasis must be placed on three areas e.g. human factor, operative factor and Mechanization.

#### **(i) Human Factor:**

Banking is a service industry; the human factor is the most important input in the constituent of banking service. Persons having balanced mind, aptitude, analytical outlook and extrovert personality should be recruited. Recruitment should not be made based on the recommendation. Caste, religion should not be considered for the selection procedure. There should be no political interference in the matter of appointments. Suitable and regular training programs must be introduced to develop skills. A scientific approach should be made for manpower deployment to avoid over and under staff. The above lackings were sighted in almost all the selected banks.

#### **(ii) Operative Factor:**

To improve productivity in the selected banking units existing procedures should be modernized. The changes should be applied in the internal as well as external environment.



(iii) Mechanization.

The management information system in selected banking units should be introduced. Information and technology should be given due importance and should be rapidly involved in functioning of banks. A few UCBs have gone for computers linkages with their branches yet to provide better services, all the UCBs are required to connect their branches through computer linkages.

**Regarding cost control and reduction in operating expenses:**

- (1) To improve profitability of the UCBs, it is suggested that the management of the UCBs should try to reduce operating cost by exercising efficient control over their cost of external funds and increasing operating income by utilizing funds to their full capacity. To exercise efficient control over their cost of external funds, they should try to obtain more low cost funds. For the reduction and control of cost, techniques like budgetary control, standard costing and value analysis should be implemented.
- (2) To improve return on total funds it is suggested hereby to increase the portfolio of advances, simplification of the procedure of advancing and to provide door to door services to customer. Similarly they should go for beneficial and safe investment of funds. But they should be simultaneously aware about the quality and quantity of advances and advance which do not convert in NPA.
- (3) It has been found that the UCBs were highly geared by long term deposits on one hand and on the other hand, the earning from advances was highly unsatisfactory. In this situation, the earning power of the UCBs do not justify higher proportion of long term debt in capital structure as it creates burden of high

rate of interest payment. It is hereby suggested that the UCBs should try to enhance the internal source of funds by implementing the policy of plugging back of profit as this source is the cheapest source of funds.

**Regarding Finanacial Management:**

- (1) Management should ensure that important matters having significant bearing on the proper functioning and working of the banks such as mobilization of deposits targets, advance specially priority sector advance, liquid assets, investment, over dues and recoveries etc. should be reviewed periodically in order to achieve better functioning.
- (2) Since the analysis reveals that all the UCBs have shown more dependence on deposits as compared to other sources and as deposits involve interest cost, therefore it is suggested that the banks should make concerted efforts to augment their owned funds by enrolling an increasing number of members in their fold and increasing the amount of share capital.
- (3) It can be seen from the trend analysis of the deposits of all the banks that more reliance was shown on fixed deposits as compared to other types of deposits. It is suggested that special attention should be given by all the banks to mobilize more and more savings and current deposits with a view to reduce cost of funds.
- (4) The banks should introduce certain other innovative deposits for savings and current deposits suited mainly to habits and needs of the people of the area in order to attract a large quantum of deposits from both members and non members.

- (5) They should introduce mobile savings vans so that maximum amount can be collected from such customers who can not reach the bank for one reason or the other.
- (6) The UCBs indicates mounding overdue which curb fresh lending and adversely act upon profitability and liquidity. It is therefore, suggested that the banks should avoid indulging in indiscriminate financing and take into active consideration capacity absorption as also proper market intelligence to the area and the people advancing loans.
- (7) It is suggested to that annual recovery must be fixed and a Recovery Committee should be setup to speed up recovery by close monitoring over recovery.

#### **Customers Services:**

To survive in market, it is very necessary for UCBs to improve the quality of customer services. It is suggested that:

- (1) Bank employee should be polite, impersonal and helpful.
- (2) The banks should apply the latest development in information and computer technology for customers to cope with several threats, pressures and competition from foreign as well as private banks.
- (3) The grievances of the customers must be solved as early as possible.
- (4) The UCBs should also introduce CUSTOMER SERVICE AUDIT like commercial banks.
- (5) Marketing concept should be introduced in the banks instead of going for mass marketing the bank should go for target marketing.

**Other Suggestion:**

- (1) The banks should initiate the social income statement and social balance sheet in order to justify their growing utility and realization of social responsibility along with published annual reports.
- (2) It is suggested that more and more clerical and supervisory staffs should be provided OFF- THE -JOB training and ON-THE-JOB training so as to build up necessary skills and expertise with a view running the institutions smoothly and effectively.

# Bibliography

## (A.) Books

1. Prassanna G Deshmukh.; Working of Co-operative Banks in India Ed.2002 (Kanishka Publishers,New Delhi
2. K.V. Lakum Reading Materials-National Institute of Co-operative Management E.
3. D'silva, John (Chief Editor ) Co-operative Banks Dairy 2000 Mumbai, 23<sup>rd</sup> Edition.
4. Vasain Desai Indian Banking nature & Problems (Himalaya published House, Mumbai) Ed. 1991.
5. A.N. Agrawal Economic Information year Book (92-93)
6. Edited by Bhatia, B.S. Verma, H.L. Gurge, Mahesh C. Encyclopedia of Co-operative Management (Deep & Deep publitions New Delhi) Ed. 1994
- \*10. Bhatia, B.S. Verma, H.L. Gurge, Mahesh C. Encyclopedia of Co-operative Management (Deep & Deep publitions New Delhi) Vol.3 1994
11. Das,Tupas R. Sen, K.K. Co-operative and Economic Development (Rawat publications, Jaipur & New Delhi), Ed. 1998
12. Mathur, B.S. Co-operation In India, (Chritanya Bhawan, Agra) Ed. 1974.
13. Analysis of Financial Statement A.V. Agrawal.
14. J.Madegowda:-Management Accounting (Himalaya publishing house)Ed.2001.-
15. Edward Paragallo :Original Evaluation of Double Entry Book keeping (New york)Ed.1938
16. I. M. Panday: Financial Management (Vikas publishers house, New Delhi) Ed.1995.
17. M.R. Agrawal :-financial Management (RBSA Publishers) Ed.2003

18. Metcalt R.W.and P.L. Titard : Principal of Accounting (W.B.Saunders phiiladelphia) Ed.1976.
19. Wessel, Robert H: Principle of financial management (Mcmillan New York) Ed. 1961 .
20. Baruch Lev: Financial statement analysis -A new approach (prentice hall) Ed.1974.
21. N.L.Gole: Analysis and interpretation of financial statements (Butter worth's) Ed.1966.
22. Kennedy R.D. and Mc Mullen S.Y.: Financial statements form analysis and interpretation (Richard D. Irwin Inc.Linois) Ed.1968.
23. Belverd E. Needless: Financial and Management accounting (Houghton Mittin Co.) Ed.1988 .
- 24 R.D. Kennedy and S. Y. Mullen. " Financial Statements from Analysis and Interpretation, (Richar D. Irwin,Inc; 1968).
- 25 S.N. Mahesshwari, " Principles of Management Accounting", Sultan Chand & Sons,1981.
- 26 R. L.Gupta and M. Radhaswamy, Advanced Accountancy. ( New Delhi: Sultan Chand & Sons; (1982),..
- 27 Ibid.
- 28 John. N. Mayer " Financial Statement Amalysis" New Jerrey : Prentice Hall Inc. Engle. wood Cliffes, 1969.
29. S.J. Parmar:-Financial Efficiency (Raj book enterprises, Jaipur) Ed.2001
30. Jim Mcmenamin: Financial management-an introduction (Oxford Uni., press.) Ed.2000
- 31 S. B chodhary. Analysis of company financial statement (Bombay Asian Publishing House , 1964
32. Koher, Eric . :A Dictionary for Accounting (Prantice- Hall of India Pvt. Ltd.,New Delhi), Ed. 1972.
33. Dividsons, Sidney; Stickney, Clyde P and weil, Romon L.: Financial Accounting- An Introduction to concept, Method and Uses(The Dreden Press, U.S.A.), Ed: 1982.

34. Bion B. Howard and Miller Upton Introduction to business finance (New York, McGraw Hill 1953.
35. Chatraborty, H. : Management Accountancy; Navbharat Publishers Calcutta, Ed; 1976,.
36. Kuchhal S.C." Financial Management- An Analytical and Conceptual Approach "Chitanya Publishing House, Allahabad.
37. Murty, V. S: Management Finance ( Vakils feffer and simons Ltd, Bombay) Ed., 1978.

### **(B.) LEGISLASIVE ENACTMENTS**

1. RBI Act 1934
2. Co-operative Credit Societies Act,1904
3. Banking Regulation Act,1949 (AACS)
4. Negotiable Instruments Act, 1881
5. The Gujarat Co-operative societies Act 1961
6. Banking Laws (As Applicable to Co-operative societies) Act 1965.

### **(C.) Reports**

1. Report of the committee on Co-operation 1915 (Sir F.D. Maclagan) 1915
2. Statistical statements relating to the Co-operative Movement In India
3. Report of the committee on the Urban Co-operative Banks (M.Madhav Das) April 1979, RBI Bombay
4. Report of the Co-operative planning committee Government of India.
5. Report of the High Power committee on UCBs (Chairman Shri K. Madhava Rao) RBI (1999),Mumabi
6. Narsimham committee Reports I & II 1991 and 1998
7. Marathe committee's Report on UCBs (1991)
8. Report of Madhavadas Committee (1979) RBI Mumbai
9. Report of the Committee on co-operation in India (1915)
10. Report of the Committee on co-operation part -I published by the GOVT. of Tamilnadu Madras.

11. Statistical Hand Book 2000,2001,2002,2003 of Gujarat Urban Co-operative Banks Federation, Ahmedabad.
12. Taxman Reserve Bank of India's instructions For Banks & Banking.

**(D.) JOURNALS :-**

1. Co-operative, NUCI New Delhi
2. Urban credit, NAFCUB New Delhi
3. Yojana New Delhi
4. Indian Banks Association (IBA) Mumbai.
5. Economic Times.
6. Chartered Account.



**Correlations**

|   |                     | Deposit | Advances | Operating Profit Margin Ratio | Interest earned to total Fund Ratio | Interest paid to total fund Ratio | Return on total fund ratio | Return on capital employed ratio | Cost of external fund ratio | Net profit to total fund ratio | Net worth ratio | Debet equity ratio | Credit deposit ratio | Curent Labilities to net worth ratio | Total investments and advances to depoist ratio | Long term depoist to total deposit ratio | Overdue to advances ratio | Solvency Ratio | Total business |
|---|---------------------|---------|----------|-------------------------------|-------------------------------------|-----------------------------------|----------------------------|----------------------------------|-----------------------------|--------------------------------|-----------------|--------------------|----------------------|--------------------------------------|---|--|---------------------------|----------------|----------------|
| Deposit   | Pearson Correlation | 1       | .987**   | -.027                         | .242**                              | .312**                            | .028                       | .308**                           | .169*                       | -.079                          | -.292**         | .331**             | .104                 | .426**                               | -.053   | -.421**                                  | .003                      | .255**         | .997**         |
|   | Sig. (2-tailed)     | .       | .000     | .751                          | .004                                | .000                              | .741                       | .000                             | .046                        | .353                           | .000            | .000               | .219                 | .000                                 | .531  | .000                                     | .975                      | .002           | .000           |
|   | N                   | 140     | 140      | 140                           | 140                                 | 140                               | 140                        | 140                              | 140                         | 140                            | 140             | 140                | 140                  | 140                                  | 140   | 140                                      | 140                       | 140            | 140            |
| Advances  | Pearson Correlation | .987**  | 1        | .035                          | .231**                              | .282**                            | .088                       | .347**                           | .158                        | -.049                          | -.260**         | .305**             | .198*                | .419**                               | -.027   | -.402**                                  | -.007                     | .228**         | .996**         |
|   | Sig. (2-tailed)     | .000    | .        | .684                          | .006                                | .001                              | .299                       | .000                             | .062                        | .563                           | .002            | .000               | .019                 | .000                                 | .751  | .000                                     | .937                      | .007           | .000           |
|   | N                   | 140     | 140      | 140                           | 140                                 | 140                               | 140                        | 140                              | 140                         | 140                            | 140             | 140                | 140                  | 140                                  | 140   | 140                                      | 140                       | 140            | 140            |
| Operating Profit Margin Ratio                   | Pearson Correlation | -.027   | .035     | 1                             | -.259**                             | -.529**                           | .953**                     | .659**                           | -.445**                     | .720**                         | .445**          | -.438**            | .316**               | -.234**                              | .236**  | -.001                                    | -.070                     | -.438**        | .001           |
|   | Sig. (2-tailed)     | .751    | .684     | .                             | .002                                | .000                              | .000                       | .000                             | .000                        | .000                           | .000            | .000               | .000                 | .005                                 | .005  | .994                                     | .412                      | .000           | .994           |
|   | N                   | 140     | 140      | 140                           | 140                                 | 140                               | 140                        | 140                              | 140                         | 140                            | 140             | 140                | 140                  | 140                                  | 140   | 140                                      | 140                       | 140            | 140            |
| Interest earned to total Fund Ratio             | Pearson Correlation | .242**  | .231**   | -.259**                       | 1                                   | .836**                            | -.007                      | .154                             | .816**                      | -.117                          | -.347**         | .413**             | .067                 | .389**                               | -.266**   | -.032                                    | -.296**                   | .380**         | .252**         |
|   | Sig. (2-tailed)     | .004    | .006     | .002                          | .                                   | .000                              | .937                       | .069                             | .000                        | .167                           | .000            | .000               | .429                 | .000                                 | .001  | .707                                     | .000                      | .000           | .003           |
|   | N                   | 140     | 140      | 140                           | 140                                 | 140                               | 140                        | 140                              | 140                         | 140                            | 140             | 140                | 140                  | 140                                  | 140   | 140                                      | 140                       | 140            | 140            |
| Interest paid to total fund Ratio               | Pearson Correlation | .312**  | .282**   | -.529**                       | .836**                              | 1                                 | -.307**                    | -.055                            | .912**                      | -.307**                        | -.521**         | .556**             | .016                 | .444**                               | -.328**   | -.049                                    | -.243**                   | .554**         | .299**         |
|   | Sig. (2-tailed)     | .000    | .001     | .000                          | .000                                | .                                 | .000                       | .522                             | .000                        | .000                           | .000            | .000               | .852                 | .000                                 | .000  | .564                                     | .004                      | .000           | .000           |
|   | N                   | 140     | 140      | 140                           | 140                                 | 140                               | 140                        | 140                              | 140                         | 140                            | 140             | 140                | 140                  | 140                                  | 140   | 140                                      | 140                       | 140            | 140            |
| Return on total fund ratio                      | Pearson Correlation | .028    | .088     | .953**                        | -.007                               | -.307**                           | 1                          | .735**                           | -.222**                     | .701**                         | .373**          | -.352**            | .320**               | -.138                                | .184*   | -.030                                    | -.127                     | -.361**        | .060           |
|   | Sig. (2-tailed)     | .741    | .299     | .000                          | .937                                | .000                              | .                          | .000                             | .008                        | .000                           | .000            | .000               | .000                 | .103                                 | .030  | .723                                     | .135                      | .000           | .481           |
|   | N                   | 140     | 140      | 140                           | 140                                 | 140                               | 140                        | 140                              | 140                         | 140                            | 140             | 140                | 140                  | 140                                  | 140   | 140                                      | 140                       | 140            | 140            |
| Return on capital employed ratio                | Pearson Correlation | .308**  | .347**   | .659**                        | .154                                | -.055                             | .735**                     | 1                                | -.035                       | .506**                         | .110            | -.054              | .358**               | .472**                               | .127  | -.597**                                  | -.161                     | -.122          | .330**         |
|   | Sig. (2-tailed)     | .000    | .000     | .000                          | .069                                | .522                              | .000                       | .                                | .683                        | .000                           | .194            | .523               | .000                 | .000                                 | .134  | .000                                     | .057                      | .152           | .000           |
|   | N                   | 140     | 140      | 140                           | 140                                 | 140                               | 140                        | 140                              | 140                         | 140                            | 140             | 140                | 140                  | 140                                  | 140   | 140                                      | 140                       | 140            | 140            |
| Cost of external fund ratio                     | Pearson Correlation | .169*   | .158     | -.445**                       | .816**                              | .912**                            | -.222**                    | -.035                            | 1                           | -.269**                        | -.285**         | .346**             | .120                 | .377**                               | -.362**   | .009                                     | -.194*                    | .317**         | .171*          |
|   | Sig. (2-tailed)     | .046    | .062     | .000                          | .000                                | .000                              | .008                       | .683                             | .                           | .001                           | .001            | .000               | .157                 | .000                                 | .000  | .913                                     | .022                      | .000           | .044           |
|   | N                   | 140     | 140      | 140                           | 140                                 | 140                               | 140                        | 140                              | 140                         | 140                            | 140             | 140                | 140                  | 140                                  | 140   | 140                                      | 140                       | 140            | 140            |
| Net profit to total fund ratio                  | Pearson Correlation | -.079   | -.049    | .720**                        | -.117                               | -.307**                           | .701**                     | .506**                           | -.269**                     | 1                              | .435**          | -.339**            | .103                 | -.166                                | .208*   | .015                                     | -.348**                   | -.396**        | -.060          |
|   | Sig. (2-tailed)     | .353    | .563     | .000                          | .167                                | .000                              | .000                       | .000                             | .001                        | .                              | .000            | .000               | .225                 | .050                                 | .014  | .856                                     | .000                      | .000           | .482           |
|   | N                   | 140     | 140      | 140                           | 140                                 | 140                               | 140                        | 140                              | 140                         | 140                            | 140             | 140                | 140                  | 140                                  | 140   | 140                                      | 140                       | 140            | 140            |
| Net worth ratio                                 | Pearson Correlation | -.292** | -.260**  | .445**                        | -.347**                             | -.521**                           | .373**                     | .110                             | -.285**                     | .435**                         | 1               | -.911**            | .011                 | -.566**                              | .082  | .126                                     | .117                      | -.917**        | -.276**        |
|   | Sig. (2-tailed)     | .000    | .002     | .000                          | .000                                | .000                              | .000                       | .194                             | .000                        | .000                           | .               | .000               | .898                 | .000                                 | .336  | .139                                     | .168                      | .000           | .001           |
|   | N                   | 140     | 140      | 140                           | 140                                 | 140                               | 140                        | 140                              | 140                         | 140                            | 140             | 140                | 140                  | 140                                  | 140   | 140                                      | 140                       | 140            | 140            |
| Debet equity ratio                              | Pearson Correlation | .331**  | .305**   | -.438**                       | .413**                              | .556**                            | -.352**                    | -.054                            | .346**                      | -.339**                        | -.911**         | 1                  | .034                 | .636**                               | -.028   | -.144                                    | -.172*                    | .850**         | .317**         |
|   | Sig. (2-tailed)     | .000    | .000     | .000                          | .000                                | .000                              | .000                       | .523                             | .000                        | .000                           | .000            | .                  | .691                 | .000                                 | .742  | .090                                     | .042                      | .000           | .000           |
|   | N                   | 140     | 140      | 140                           | 140                                 | 140                               | 140                        | 140                              | 140                         | 140                            | 140             | 140                | 140                  | 140                                  | 140   | 140                                      | 140                       | 140            | 140            |
| Credit deposit ratio                            | Pearson Correlation | .104    | .198*    | .316**                        | .067                                | .016                              | .320**                     | .358**                           | .120                        | .103                           | .011            | .034               | 1                    | .184*                                | .217*   | .049                                     | -.062                     | .014           | .138           |
|   | Sig. (2-tailed)     | .219    | .019     | .000                          | .429                                | .852                              | .000                       | .000                             | .157                        | .225                           | .898            | .691               | .                    | .029                                 | .010  | .565                                     | .468                      | .871           | .105           |
|   | N                   | 140     | 140      | 140                           | 140                                 | 140                               | 140                        | 140                              | 140                         | 140                            | 140             | 140                | 140                  | 140                                  | 140   | 140                                      | 140                       | 140            | 140            |
| Curent Labilities to net worth ratio            | Pearson Correlation | .426**  | .419**   | -.234**                       | .389**                              | .444**                            | -.138                      | .472**                           | .377**                      | -.166                          | -.566**         | .636**             | .184*                | 1                                    | -.101   | -.737**                                  | -.133                     | .524**         | .422**         |
|   | Sig. (2-tailed)     | .000    | .000     | .005                          | .000                                | .000                              | .103                       | .000                             | .000                        | .050                           | .000            | .000               | .029                 | .                                    | .234  | .000                                     | .117                      | .000           | .000           |
|   | N                   | 140     | 140      | 140                           | 140                                 | 140                               | 140                        | 140                              | 140                         | 140                            | 140             | 140                | 140                  | 140                                  | 140   | 140                                      | 140                       | 140            | 140            |
| Total investments and advances to depoist ratio | Pearson Correlation | -.053   | -.027    | .236**                        | -.266**                             | -.328**                           | .184*                      | .127                             | -.362**                     | .208*                          | .082            | -.028              | .217*                | -.101                                | 1   | .031                                     | -.014                     | -.119          | -.042          |
|   | Sig. (2-tailed)     | .531    | .751     | .005                          | .001                                | .000                              | .030                       | .134                             | .000                        | .014                           | .336            | .742               | .010                 | .234                                 | .   | .717                                     | .869                      | .161           | .624           |
|   | N                   | 140     | 140      | 140                           | 140                                 | 140                               | 140                        | 140                              | 140                         | 140                            | 140             | 140                | 140                  | 140                                  | 140   | 140                                      | 140                       | 140            | 140            |
| Long term depoist to total deposit ratio        | Pearson Correlation | -.421** | -.402**  | -.001                         | -.032                               | -.049                             | -.030                      | -.597**                          | .009                        | .015                           | .126            | -.144              | .049                 | -.737**                              | .031  | 1  | -.054                     | -.077          | -.412**        |
|   | Sig. (2-tailed)     | .000    | .000     | .994                          | .707                                | .564                              | .723                       | .000                             | .913                        | .856                           | .139            | .090               | .565                 | .000                                 | .717  | .  | .528                      | .365           | .000           |
|   | N                   | 140     | 140      | 140                           | 140                                 | 140                               | 140                        | 140                              | 140                         | 140                            | 140             | 140                | 140                  | 140                                  | 140   | 140                                      | 140                       | 140            | 140            |
| Overdue to advances ratio                       | Pearson Correlation | .003    | -.007    | -.070                         | -.296**                             | -.243**                           | -.127                      | -.161                            | -.194*                      | -.348**                        | .117            | -.172*             | -.062                | -.133                                | -.014   | -.054                                    | 1                         | -.136          | -.006          |
|   | Sig. (2-tailed)     | .975    | .937     | .412                          | .000                                | .004                              | .135                       | .057                             | .022                        | .000                           | .168            | .042               | .468                 | .117                                 | .869  | .528                                     | .                         | .108           | .946           |
|   | N                   | 140     | 140      | 140                           | 140                                 | 140                               | 140                        | 140                              | 140                         | 140                            | 140             | 140                | 140                  | 140                                  | 140   | 140                                      | 140                       | 140            | 140            |
| Solvency Ratio                                  | Pearson Correlation | .255**  | .228**   | -.438**                       | .380**                              | .554**                            | -.361**                    | -.122                            | .317**                      | -.396**                        | -.917**         | .850**             | .014                 | .524**                               | -.119   | -.077                                    | -.136                     | 1              | .239**         |
|   | Sig. (2-tailed)     | .002    | .007     | .000                          | .000                                | .000                              | .000                       | .152                             | .000                        | .000                           | .000            | .000               | .871                 | .000                                 | .161  | .365                                     | .108                      | .              | .005           |
|   | N                   | 140     | 140      | 140                           | 140                                 | 140                               | 140                        | 140                              | 140                         | 140                            | 140             | 140                | 140                  | 140                                  | 140   | 140                                      | 140                       | 140            | 140            |
| Total business                                  | Pearson Correlation | .997**  | .996**   | .001                          | .252**                              | .299**                            | .060                       | .330**                           | .171*                       | -.060                          | -.276**         | .317**             | .138                 | .422**                               | -.042   | -.412**                                  | -.006                     | .239**         | 1              |
|   | Sig. (2-tailed)     | .000    | .000     | .994                          | .003                                | .000                              | .481                       | .000                             | .044                        | .482                           | .001            | .000               | .105                 | .000                                 | .624  | .000                                     | .946                      | .005           | .              |
|   | N                   | 139     | 139      | 139                           | 139                                 | 139                               | 139                        | 139                              | 139                         | 139                            | 139             | 139                | 139                  | 139                                  | 139   | 139                                      | 139                       | 139            | 139            |

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\*. Correlation is significant at the 0.05 level (2-tailed).

**Correlations<sup>a</sup>**

|   |                     | Deposit | Advances | Operating Profit Margin Ratio | Interest earned to total Fund Ratio | Interest paid to total fund Ratio | Return on total fund ratio | Return on capital employed ratio | Cost of external fund ratio | Net profit to total fund ratio | Net worth ratio | Debet equity ratio | Credit deposit ratio | Curent Labilities to net worth ratio | Total investments and advances to depoist ratio | Long term depoist to total deposit ratio | Overdue to advances ratio | Solvency Ratio | Total business |
|---|---------------------|---------|----------|-------------------------------|-------------------------------------|-----------------------------------|----------------------------|----------------------------------|-----------------------------|--------------------------------|-----------------|--------------------|----------------------|--------------------------------------|---|--|---------------------------|----------------|----------------|
| Deposit   | Pearson Correlation | 1       | .987**   | .045                          | .249*                               | .304*                             | .123                       | .379**                           | .136                        | -.031                          | -.375**         | .397**             | .105                 | .486**                               | .044  | -.471**                                  | .070                      | .300*          | .997**         |
|   | Sig. (2-tailed)     | .       | .000     | .713                          | .037                                | .010                              | .311                       | .001                             | .263                        | .796                           | .001            | .001               | .388                 | .000                                 | .719  | .000                                     | .563                      | .012           | .000           |
|   | N                   | 70      | 70       | 70                            | 70                                  | 70                                | 70                         | 70                               | 70                          | 70                             | 70              | 70                 | 70                   | 70                                   | 70  | 70                                       | 70                        | 70             | 69             |
| Advances  | Pearson Correlation | .987**  | 1        | .133                          | .222                                | .262*                             | .210                       | .421**                           | .111                        | .020                           | -.326**         | .354**             | .197                 | .462**                               | .071  | -.442**                                  | .060                      | .260*          | .996**         |
|   | Sig. (2-tailed)     | .000    | .        | .271                          | .064                                | .029                              | .081                       | .000                             | .362                        | .869                           | .006            | .003               | .102                 | .000                                 | .557  | .000                                     | .622                      | .029           | .000           |
|   | N                   | 70      | 70       | 70                            | 70                                  | 70                                | 70                         | 70                               | 70                          | 70                             | 70              | 70                 | 70                   | 70                                   | 70  | 70                                       | 70                        | 70             | 69             |
| Operating Profit Margin Ratio                   | Pearson Correlation | .045    | .133     | 1                             | -.370**                             | -.567**                           | .951**                     | .599**                           | -.421**                     | .752**                         | .524**          | -.466**            | .514**               | -.140                                | .342**  | -.074                                    | -.062                     | -.500**        | .087           |
|   | Sig. (2-tailed)     | .713    | .271     | .                             | .002                                | .000                              | .000                       | .000                             | .000                        | .000                           | .000            | .000               | .000                 | .246                                 | .004  | .542                                     | .609                      | .000           | .475           |
|   | N                   | 70      | 70       | 70                            | 70                                  | 70                                | 70                         | 70                               | 70                          | 70                             | 70              | 70                 | 70                   | 70                                   | 70  | 70                                       | 70                        | 70             | 69             |
| Interest earned to total Fund Ratio             | Pearson Correlation | .249*   | .222     | -.370**                       | 1                                   | .873**                            | -.113                      | .089                             | .847**                      | -.134                          | -.315**         | .377**             | -.071                | .302*                                | -.298*  | .025                                     | -.309**                   | .367**         | .263*          |
|   | Sig. (2-tailed)     | .037    | .064     | .002                          | .                                   | .000                              | .352                       | .462                             | .000                        | .269                           | .008            | .001               | .560                 | .011                                 | .012  | .840                                     | .009                      | .002           | .029           |
|   | N                   | 70      | 70       | 70                            | 70                                  | 70                                | 70                         | 70                               | 70                          | 70                             | 70              | 70                 | 70                   | 70                                   | 70  | 70                                       | 70                        | 70             | 69             |
| Interest paid to total fund Ratio               | Pearson Correlation | .304*   | .262*    | -.567**                       | .873**                              | 1                                 | -.351**                    | -.036                            | .901**                      | -.332**                        | -.544**         | .562**             | -.053                | .404**                               | -.378**   | -.029                                    | -.218                     | .571**         | .284*          |
|   | Sig. (2-tailed)     | .010    | .029     | .000                          | .000                                | .                                 | .003                       | .765                             | .000                        | .005                           | .000            | .000               | .663                 | .001                                 | .001  | .811                                     | .070                      | .000           | .018           |
|   | N                   | 70      | 70       | 70                            | 70                                  | 70                                | 70                         | 70                               | 70                          | 70                             | 70              | 70                 | 70                   | 70                                   | 70  | 70                                       | 70                        | 70             | 69             |
| Return on total fund ratio                      | Pearson Correlation | .123    | .210     | .951**                        | -.113                               | -.351**                           | 1                          | .680**                           | -.197                       | .762**                         | .486**          | -.402**            | .493**               | -.064                                | .297*   | -.093                                    | -.123                     | -.448**        | .178           |
|   | Sig. (2-tailed)     | .311    | .081     | .000                          | .352                                | .003                              | .                          | .000                             | .102                        | .000                           | .000            | .001               | .000                 | .601                                 | .013  | .443                                     | .310                      | .000           | .144           |
|   | N                   | 70      | 70       | 70                            | 70                                  | 70                                | 70                         | 70                               | 70                          | 70                             | 70              | 70                 | 70                   | 70                                   | 70  | 70                                       | 70                        | 70             | 69             |
| Return on capital employed ratio                | Pearson Correlation | .379**  | .421**   | .599**                        | .089                                | -.036                             | .680**                     | 1                                | -.038                       | .597**                         | .088            | .006               | .382**               | .630**                               | .224  | -.702**                                  | -.179                     | -.101          | .407**         |
|   | Sig. (2-tailed)     | .001    | .000     | .000                          | .462                                | .765                              | .000                       | .                                | .752                        | .000                           | .467            | .963               | .001                 | .000                                 | .062  | .000                                     | .138                      | .403           | .001           |
|   | N                   | 70      | 70       | 70                            | 70                                  | 70                                | 70                         | 70                               | 70                          | 70                             | 70              | 70                 | 70                   | 70                                   | 70  | 70                                       | 70                        | 70             | 69             |
| Cost of external fund ratio                     | Pearson Correlation | .136    | .111     | -.421**                       | .847**                              | .901**                            | -.197                      | -.038                            | 1                           | -.175                          | -.227           | .260*              | .004                 | .226                                 | -.424**   | .134                                     | -.184                     | .265*          | .136           |
|   | Sig. (2-tailed)     | .263    | .362     | .000                          | .000                                | .000                              | .102                       | .752                             | .                           | .147                           | .058            | .030               | .972                 | .060                                 | .000  | .270                                     | .128                      | .027           | .266           |
|   | N                   | 70      | 70       | 70                            | 70                                  | 70                                | 70                         | 70                               | 70                          | 70                             | 70              | 70                 | 70                   | 70                                   | 70  | 70                                       | 70                        | 70             | 69             |
| Net profit to total fund ratio                  | Pearson Correlation | -.031   | .020     | .752**                        | -.134                               | -.332**                           | .762**                     | .597**                           | -.175                       | 1                              | .497**          | -.293*             | .283*                | .034                                 | .284*   | -.143                                    | -.296*                    | -.430**        | .009           |
|   | Sig. (2-tailed)     | .796    | .869     | .000                          | .269                                | .005                              | .000                       | .000                             | .147                        | .                              | .000            | .014               | .018                 | .782                                 | .017  | .237                                     | .013                      | .000           | .940           |
|   | N                   | 70      | 70       | 70                            | 70                                  | 70                                | 70                         | 70                               | 70                          | 70                             | 70              | 70                 | 70                   | 70                                   | 70  | 70                                       | 70                        | 70             | 69             |
| Net worth ratio                                 | Pearson Correlation | -.375** | -.326**  | .524**                        | -.315**                             | -.544**                           | .486**                     | .088                             | -.227                       | .497**                         | 1               | -.898**            | .045                 | -.560**                              | .146  | .204                                     | .123                      | -.896**        | -.348**        |
|   | Sig. (2-tailed)     | .001    | .006     | .000                          | .008                                | .000                              | .000                       | .467                             | .058                        | .000                           | .               | .000               | .712                 | .000                                 | .227  | .090                                     | .311                      | .000           | .003           |
|   | N                   | 70      | 70       | 70                            | 70                                  | 70                                | 70                         | 70                               | 70                          | 70                             | 70              | 70                 | 70                   | 70                                   | 70  | 70                                       | 70                        | 70             | 69             |
| Debet equity ratio                              | Pearson Correlation | .397**  | .354**   | -.466**                       | .377**                              | .562**                            | -.402**                    | .006                             | .260*                       | -.293*                         | -.898**         | 1                  | -.017                | .609**                               | -.031   | -.218                                    | -.170                     | .822**         | .372**         |
|   | Sig. (2-tailed)     | .001    | .003     | .000                          | .001                                | .000                              | .001                       | .963                             | .030                        | .014                           | .000            | .                  | .889                 | .000                                 | .797  | .069                                     | .160                      | .000           | .002           |
|   | N                   | 70      | 70       | 70                            | 70                                  | 70                                | 70                         | 70                               | 70                          | 70                             | 70              | 70                 | 70                   | 70                                   | 70  | 70                                       | 70                        | 70             | 69             |
| Credit deposit ratio                            | Pearson Correlation | .105    | .197     | .514**                        | -.071                               | -.053                             | .493**                     | .382**                           | .004                        | .283*                          | .045            | -.017              | 1                    | .083                                 | .301*   | .165                                     | -.019                     | -.008          | .129           |
|   | Sig. (2-tailed)     | .388    | .102     | .000                          | .560                                | .663                              | .000                       | .001                             | .972                        | .018                           | .712            | .889               | .                    | .496                                 | .011  | .173                                     | .878                      | .950           | .292           |
|   | N                   | 70      | 70       | 70                            | 70                                  | 70                                | 70                         | 70                               | 70                          | 70                             | 70              | 70                 | 70                   | 70                                   | 70  | 70                                       | 70                        | 70             | 69             |
| Curent Labilities to net worth ratio            | Pearson Correlation | .486**  | .462**   | -.140                         | .302*                               | .404**                            | -.064                      | .630**                           | .226                        | .034                           | -.560**         | .609**             | .083                 | 1                                    | -.044   | -.792**                                  | -.171                     | .502**         | .473**         |
|   | Sig. (2-tailed)     | .000    | .000     | .246                          | .011                                | .001                              | .601                       | .000                             | .060                        | .782                           | .000            | .000               | .496                 | .                                    | .719  | .000                                     | .157                      | .000           | .000           |
|   | N                   | 70      | 70       | 70                            | 70                                  | 70                                | 70                         | 70                               | 70                          | 70                             | 70              | 70                 | 70                   | 70                                   | 70  | 70                                       | 70                        | 70             | 69             |
| Total investments and advances to depoist ratio | Pearson Correlation | .044    | .071     | .342**                        | -.298*                              | -.378**                           | .297*                      | .224                             | -.424**                     | .284*                          | .146            | -.031              | .301*                | -.044                                | 1   | -.046                                    | .126                      | -.164          | .058           |
|   | Sig. (2-tailed)     | .719    | .557     | .004                          | .012                                | .001                              | .013                       | .062                             | .000                        | .017                           | .227            | .797               | .011                 | .719                                 | .   | .708                                     | .297                      | .175           | .637           |
|   | N                   | 70      | 70       | 70                            | 70                                  | 70                                | 70                         | 70                               | 70                          | 70                             | 70              | 70                 | 70                   | 70                                   | 70  | 70                                       | 70                        | 70             | 69             |
| Long term depoist to total deposit ratio        | Pearson Correlation | -.471** | -.442**  | -.074                         | .025                                | -.029                             | -.093                      | -.702**                          | .134                        | -.143                          | .204            | -.218              | .165                 | -.792**                              | -.046   | 1  | .008                      | -.129          | -.456**        |
|   | Sig. (2-tailed)     | .000    | .000     | .542                          | .840                                | .811                              | .443                       | .000                             | .270                        | .237                           | .090            | .069               | .173                 | .000                                 | .708  | .  | .948                      | .289           | .000           |
|   | N                   | 70      | 70       | 70                            | 70                                  | 70                                | 70                         | 70                               | 70                          | 70                             | 70              | 70                 | 70                   | 70                                   | 70  | 70                                       | 70                        | 70             | 69             |
| Overdue to advances ratio                       | Pearson Correlation | .070    | .060     | -.062                         | -.309**                             | -.218                             | -.123                      | -.179                            | -.184                       | -.296*                         | .123            | -.170              | -.019                | -.171                                | .126  | .008                                     | 1                         | -.162          | .058           |
|   | Sig. (2-tailed)     | .563    | .622     | .609                          | .009                                | .070                              | .310                       | .138                             | .128                        | .013                           | .311            | .160               | .878                 | .157                                 | .297  | .948                                     | .                         | .181           | .636           |
|   | N                   | 70      | 70       | 70                            | 70                                  | 70                                | 70                         | 70                               | 70                          | 70                             | 70              | 70                 | 70                   | 70                                   | 70  | 70                                       | 70                        | 70             | 69             |
| Solvency Ratio                                  | Pearson Correlation | .300*   | .260*    | -.500**                       | .367**                              | .571**                            | -.448**                    | -.101                            | .265*                       | -.430**                        | -.896**         | .822**             | -.008                | .502**                               | -.164   | -.129                                    | -.162                     | 1              | .273*          |
|   | Sig. (2-tailed)     | .012    | .029     | .000                          | .002                                | .000                              | .000                       | .403                             | .027                        | .000                           | .000            | .000               | .950                 | .000                                 | .175  | .289                                     | .181                      | .              | .023           |
|   | N                   | 70      | 70       | 70                            | 70                                  | 70                                | 70                         | 70                               | 70                          | 70                             | 70              | 70                 | 70                   | 70                                   | 70  | 70                                       | 70                        | 70             | 69             |
| Total business                                  | Pearson Correlation | .997**  | .996**   | .087                          | .263*                               | .284*                             | .178                       | .407**                           | .136                        | .009                           | -.348**         | .372**             | .129                 | .473**                               | .058  | -.456**                                  | .058                      | .273*          | 1              |
|   | Sig. (2-tailed)     | .000    | .000     | .475                          | .029                                | .018                              | .144                       | .001                             | .266                        | .940                           | .003            | .002               | .292                 | .000                                 | .637  | .000                                     | .636                      | .023           | .              |
|   | N                   | 69      | 69       | 69                            | 69                                  | 69                                | 69                         | 69                               | 69                          | 69                             | 69              | 69                 | 69                   | 69                                   | 69  | 69                                       | 69                        | 69             | 69             |

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

a. District = MEHSANA

**Mehsana**

**Correlations<sup>a</sup>**

|   |                     | Deposit | Advances | Operating Profit Margin Ratio | Interest earned to total Fund Ratio | Interest paid to total fund Ratio | Return on total fund ratio | Return on capital employed ratio | Cost of external fund ratio | Net profit to total fund ratio | Net worth ratio | Debet equity ratio | Credit deposit ratio | Curent Labilities to net worth ratio | Total investments and advances to depoist ratio | Long term depoist to total deposit ratio | Overdue to advances ratio | Solvency Ratio | Total business |
|---|---------------------|---------|----------|-------------------------------|-------------------------------------|-----------------------------------|----------------------------|----------------------------------|-----------------------------|--------------------------------|-----------------|--------------------|----------------------|--------------------------------------|---|--|---------------------------|----------------|----------------|
| Deposit   | Pearson Correlation | 1       | .969**   | .035                          | .116                                | -.147                             | .053                       | .166                             | -.058                       | -.359*                         | .043            | .039               | .430**               | .478**                               | -.452**   | -.354*                                   | .528**                    | -.039          | .995**         |
|   | Sig. (2-tailed)     | .       | .000     | .828                          | .464                                | .354                              | .738                       | .293                             | .717                        | .020                           | .787            | .807               | .004                 | .001                                 | .003  | .021                                     | .000                      | .805           | .000           |
|   | N                   | 42      | 42       | 42                            | 42                                  | 42                                | 42                         | 42                               | 42                          | 42                             | 42              | 42                 | 42                   | 42                                   | 42  | 42                                       | 42                        | 42             | 42             |
| Advances  | Pearson Correlation | .969**  | 1        | .089                          | .197                                | -.086                             | .126                       | .247                             | .002                        | -.315*                         | .008            | .051               | .595**               | .533**                               | -.483**   | -.360*                                   | .414**                    | -.003          | .989**         |
|   | Sig. (2-tailed)     | .000    | .        | .575                          | .211                                | .586                              | .425                       | .114                             | .992                        | .042                           | .959            | .747               | .000                 | .000                                 | .001  | .019                                     | .006                      | .984           | .000           |
|   | N                   | 42      | 42       | 42                            | 42                                  | 42                                | 42                         | 42                               | 42                          | 42                             | 42              | 42                 | 42                   | 42                                   | 42  | 42                                       | 42                        | 42             | 42             |
| Operating Profit Margin Ratio                   | Pearson Correlation | .035    | .089     | 1                             | .311*                               | -.273                             | .968**                     | .944**                           | -.344*                      | .791**                         | .123            | -.144              | .208                 | .175                                 | -.080   | -.133                                    | -.149                     | -.087          | .058           |
|   | Sig. (2-tailed)     | .828    | .575     | .                             | .045                                | .081                              | .000                       | .000                             | .026                        | .000                           | .436            | .363               | .186                 | .268                                 | .617  | .401                                     | .345                      | .582           | .717           |
|   | N                   | 42      | 42       | 42                            | 42                                  | 42                                | 42                         | 42                               | 42                          | 42                             | 42              | 42                 | 42                   | 42                                   | 42  | 42                                       | 42                        | 42             | 42             |
| Interest earned to total Fund Ratio             | Pearson Correlation | .116    | .197     | .311*                         | 1                                   | .677**                            | .491**                     | .477**                           | .608**                      | .187                           | -.113           | .084               | .307*                | .070                                 | -.207   | .102                                     | -.174                     | .122           | .151           |
|   | Sig. (2-tailed)     | .464    | .211     | .045                          | .                                   | .000                              | .001                       | .001                             | .000                        | .236                           | .476            | .598               | .048                 | .658                                 | .188  | .519                                     | .270                      | .443           | .340           |
|   | N                   | 42      | 42       | 42                            | 42                                  | 42                                | 42                         | 42                               | 42                          | 42                             | 42              | 42                 | 42                   | 42                                   | 42  | 42                                       | 42                        | 42             | 42             |
| Interest paid to total fund Ratio               | Pearson Correlation | -.147   | -.086    | -.273                         | .677**                              | 1                                 | -.070                      | -.128                            | .900**                      | -.169                          | -.330*          | .306*              | .112                 | -.230                                | .032  | .399**                                   | -.224                     | .306*          | -.123          |
|   | Sig. (2-tailed)     | .354    | .586     | .081                          | .000                                | .                                 | .657                       | .418                             | .000                        | .285                           | .033            | .049               | .479                 | .143                                 | .842  | .009                                     | .153                      | .049           | .439           |
|   | N                   | 42      | 42       | 42                            | 42                                  | 42                                | 42                         | 42                               | 42                          | 42                             | 42              | 42                 | 42                   | 42                                   | 42  | 42                                       | 42                        | 42             | 42             |
| Return on total fund ratio                      | Pearson Correlation | .053    | .126     | .968**                        | .491**                              | -.070                             | 1                          | .974**                           | -.160                       | .769**                         | .104            | -.130              | .279                 | .161                                 | -.101   | -.109                                    | -.182                     | -.069          | .084           |
|   | Sig. (2-tailed)     | .738    | .425     | .000                          | .001                                | .657                              | .                          | .000                             | .311                        | .000                           | .512            | .412               | .074                 | .310                                 | .522  | .494                                     | .247                      | .666           | .596           |
|   | N                   | 42      | 42       | 42                            | 42                                  | 42                                | 42                         | 42                               | 42                          | 42                             | 42              | 42                 | 42                   | 42                                   | 42  | 42                                       | 42                        | 42             | 42             |
| Return on capital employed ratio                | Pearson Correlation | .166    | .247     | .944**                        | .477**                              | -.128                             | .974**                     | 1                                | -.140                       | .734**                         | .225            | -.250              | .351*                | .353*                                | -.240   | -.278                                    | -.128                     | -.190          | .201           |
|   | Sig. (2-tailed)     | .293    | .114     | .000                          | .001                                | .418                              | .000                       | .                                | .378                        | .000                           | .152            | .110               | .022                 | .022                                 | .126  | .074                                     | .417                      | .227           | .201           |
|   | N                   | 42      | 42       | 42                            | 42                                  | 42                                | 42                         | 42                               | 42                          | 42                             | 42              | 42                 | 42                   | 42                                   | 42  | 42                                       | 42                        | 42             | 42             |
| Cost of external fund ratio                     | Pearson Correlation | -.058   | .002     | -.344*                        | .608**                              | .900**                            | -.160                      | -.140                            | 1                           | -.205                          | -.030           | .008               | .147                 | .036                                 | -.166   | .099                                     | -.150                     | .004           | -.033          |
|   | Sig. (2-tailed)     | .717    | .992     | .026                          | .000                                | .000                              | .311                       | .378                             | .                           | .193                           | .848            | .959               | .352                 | .820                                 | .293  | .534                                     | .343                      | .981           | .834           |
|   | N                   | 42      | 42       | 42                            | 42                                  | 42                                | 42                         | 42                               | 42                          | 42                             | 42              | 42                 | 42                   | 42                                   | 42  | 42                                       | 42                        | 42             | 42             |
| Net profit to total fund ratio                  | Pearson Correlation | -.359*  | -.315*   | .791**                        | .187                                | -.169                             | .769**                     | .734**                           | -.205                       | 1                              | .298            | -.337*             | -.064                | .011                                 | .073  | -.122                                    | -.392*                    | -.286          | -.343*         |
|   | Sig. (2-tailed)     | .020    | .042     | .000                          | .236                                | .285                              | .000                       | .000                             | .193                        | .                              | .055            | .029               | .688                 | .946                                 | .646  | .440                                     | .010                      | .066           | .026           |
|   | N                   | 42      | 42       | 42                            | 42                                  | 42                                | 42                         | 42                               | 42                          | 42                             | 42              | 42                 | 42                   | 42                                   | 42  | 42                                       | 42                        | 42             | 42             |
| Net worth ratio                                 | Pearson Correlation | .043    | .008     | .123                          | -.113                               | -.330*                            | .104                       | .225                             | -.030                       | .298                           | 1               | -.971**            | -.072                | .259                                 | -.203   | -.771**                                  | .252                      | -.990**        | .029           |
|   | Sig. (2-tailed)     | .787    | .959     | .436                          | .476                                | .033                              | .512                       | .152                             | .848                        | .055                           | .               | .000               | .651                 | .098                                 | .198  | .000                                     | .108                      | .000           | .856           |
|   | N                   | 42      | 42       | 42                            | 42                                  | 42                                | 42                         | 42                               | 42                          | 42                             | 42              | 42                 | 42                   | 42                                   | 42  | 42                                       | 42                        | 42             | 42             |
| Debet equity ratio                              | Pearson Correlation | .039    | .051     | -.144                         | .084                                | .306*                             | -.130                      | -.250                            | .008                        | -.337*                         | -.971**         | 1                  | .073                 | -.312*                               | .183  | .757**                                   | -.171                     | .959**         | .044           |
|   | Sig. (2-tailed)     | .807    | .747     | .363                          | .598                                | .049                              | .412                       | .110                             | .959                        | .029                           | .000            | .                  | .647                 | .044                                 | .247  | .000                                     | .280                      | .000           | .781           |
|   | N                   | 42      | 42       | 42                            | 42                                  | 42                                | 42                         | 42                               | 42                          | 42                             | 42              | 42                 | 42                   | 42                                   | 42  | 42                                       | 42                        | 42             | 42             |
| Credit deposit ratio                            | Pearson Correlation | .430**  | .595**   | .208                          | .307*                               | .112                              | .279                       | .351*                            | .147                        | -.064                          | -.072           | .073               | 1                    | .322*                                | -.206   | -.200                                    | -.069                     | .065           | .502**         |
|   | Sig. (2-tailed)     | .004    | .000     | .186                          | .048                                | .479                              | .074                       | .022                             | .352                        | .688                           | .651            | .647               | .                    | .038                                 | .191  | .204                                     | .666                      | .683           | .001           |
|   | N                   | 42      | 42       | 42                            | 42                                  | 42                                | 42                         | 42                               | 42                          | 42                             | 42              | 42                 | 42                   | 42                                   | 42  | 42                                       | 42                        | 42             | 42             |
| Curent Labilities to net worth ratio            | Pearson Correlation | .478**  | .533**   | .175                          | .070                                | -.230                             | .161                       | .353*                            | .036                        | .011                           | .259            | -.312*             | .322*                | 1                                    | -.646**   | -.598**                                  | .113                      | -.239          | .505**         |
|   | Sig. (2-tailed)     | .001    | .000     | .268                          | .658                                | .143                              | .310                       | .022                             | .820                        | .946                           | .098            | .044               | .038                 | .                                    | .000  | .000                                     | .475                      | .128           | .001           |
|   | N                   | 42      | 42       | 42                            | 42                                  | 42                                | 42                         | 42                               | 42                          | 42                             | 42              | 42                 | 42                   | 42                                   | 42  | 42                                       | 42                        | 42             | 42             |
| Total investments and advances to depoist ratio | Pearson Correlation | -.452** | -.483**  | -.080                         | -.207                               | .032                              | -.101                      | -.240                            | -.166                       | .073                           | -.203           | .183               | -.206                | -.646**                              | 1   | .384*                                    | -.383*                    | .159           | -.468**        |
|   | Sig. (2-tailed)     | .003    | .001     | .617                          | .188                                | .842                              | .522                       | .126                             | .293                        | .646                           | .198            | .247               | .191                 | .000                                 | .   | .012                                     | .012                      | .313           | .002           |
|   | N                   | 42      | 42       | 42                            | 42                                  | 42                                | 42                         | 42                               | 42                          | 42                             | 42              | 42                 | 42                   | 42                                   | 42  | 42                                       | 42                        | 42             | 42             |
| Long term depoist to total deposit ratio        | Pearson Correlation | -.354*  | -.360*   | -.133                         | .102                                | .399**                            | -.109                      | -.278                            | .099                        | -.122                          | -.771**         | .757**             | -.200                | -.598**                              | .384*   | 1  | -.265                     | .747**         | -.359*         |
|   | Sig. (2-tailed)     | .021    | .019     | .401                          | .519                                | .009                              | .494                       | .074                             | .534                        | .440                           | .000            | .000               | .204                 | .000                                 | .012  | .  | .090                      | .000           | .019           |
|   | N                   | 42      | 42       | 42                            | 42                                  | 42                                | 42                         | 42                               | 42                          | 42                             | 42              | 42                 | 42                   | 42                                   | 42  | 42                                       | 42                        | 42             | 42             |
| Overdue to advances ratio                       | Pearson Correlation | .528**  | .414**   | -.149                         | -.174                               | -.224                             | -.182                      | -.128                            | -.150                       | -.392*                         | .252            | -.171              | -.069                | .113                                 | -.383*  | -.265                                    | 1                         | -.240          | .484**         |
|   | Sig. (2-tailed)     | .000    | .006     | .345                          | .270                                | .153                              | .247                       | .417                             | .343                        | .010                           | .108            | .280               | .666                 | .475                                 | .012  | .090                                     | .                         | .125           | .001           |
|   | N                   | 42      | 42       | 42                            | 42                                  | 42                                | 42                         | 42                               | 42                          | 42                             | 42              | 42                 | 42                   | 42                                   | 42  | 42                                       | 42                        | 42             | 42             |
| Solvency Ratio                                  | Pearson Correlation | -.039   | -.003    | -.087                         | .122                                | .306*                             | -.069                      | -.190                            | .004                        | -.286                          | -.990**         | .959**             | .065                 | -.239                                | .159  | .747**                                   | -.240                     | 1              | -.025          |
|   | Sig. (2-tailed)     | .805    | .984     | .582                          | .443                                | .049                              | .666                       | .227                             | .981                        | .066                           | .000            | .000               | .683                 | .128                                 | .313  | .000                                     | .125                      | .              | .878           |
|   | N                   | 42      | 42       | 42                            | 42                                  | 42                                | 42                         | 42                               | 42                          | 42                             | 42              | 42                 | 42                   | 42                                   | 42  | 42                                       | 42                        | 42             | 42             |
| Total business                                  | Pearson Correlation | .995**  | .989**   | .058                          | .151                                | -.123                             | .084                       | .201                             | -.033                       | -.343*                         | .029            | .044               | .502**               | .505**                               | -.468**   | -.359*                                   | .484**                    | -.025          | 1              |
|   | Sig. (2-tailed)     | .000    | .000     | .717                          | .340                                | .439                              | .596                       | .201                             | .834                        | .026                           | .856            | .781               | .001                 | .001                                 | .002  | .019                                     | .001                      | .878           | .              |
|   | N                   | 42      | 42       | 42                            | 42                                  | 42                                | 42                         | 42                               | 42                          | 42                             | 42              | 42                 | 42                   | 42                                   | 42  | 42                                       | 42                        | 42             | 42             |

\*\* Correlation is significant at the 0.01 level (2-tailed).

\* Correlation is significant at the 0.05 level (2-tailed).

a. District = SABARKANTHA

Correlations<sup>a</sup>

|   |                     | Deposit | Advances | Operating Profit Margin Ratio | Interest earned to total Fund Ratio | Interest paid to total fund Ratio | Return on total fund ratio | Return on capital employed ratio | Cost of external fund ratio | Net profit to total fund ratio | Net worth ratio | Debet equity ratio | Credit deposit ratio | Curent Labilities to net worth ratio | Total investments and advances to depoist ratio | Long term deposit to total deposit ratio | Overdue to advances ratio | Solvency Ratio | Total business |
|---|---------------------|---------|----------|-------------------------------|-------------------------------------|-----------------------------------|----------------------------|----------------------------------|-----------------------------|--------------------------------|-----------------|--------------------|----------------------|--------------------------------------|---|--|---------------------------|----------------|----------------|
| Deposit   | Pearson Correlation | 1       | .941**   | -.300                         | .614**                              | .849**                            | -.019                      | .108                             | .809**                      | -.552**                        | -.618**         | .582**             | -.262                | .690**                               | -.627**   | -.405*                                   | -.259                     | .651**         | .990**         |
|   | Sig. (2-tailed)     | .       | .000     | .121                          | .001                                | .000                              | .925                       | .583                             | .000                        | .002                           | .000            | .001               | .178                 | .000                                 | .000  | .033                                     | .183                      | .000           | .000           |
|   | N                   | 28      | 28       | 28                            | 28                                  | 28                                | 28                         | 28                               | 28                          | 28                             | 28              | 28                 | 28                   | 28                                   | 28  | 28                                       | 28                        | 28             | 28             |
| Advances  | Pearson Correlation | .941**  | 1        | -.302                         | .739**                              | .899**                            | .002                       | .123                             | .905**                      | -.504**                        | -.630**         | .623**             | -.004                | .741**                               | -.563**   | -.180                                    | -.259                     | .663**         | .980**         |
|   | Sig. (2-tailed)     | .000    | .        | .119                          | .000                                | .000                              | .992                       | .533                             | .000                        | .006                           | .000            | .000               | .983                 | .000                                 | .002  | .360                                     | .183                      | .000           | .000           |
|   | N                   | 28      | 28       | 28                            | 28                                  | 28                                | 28                         | 28                               | 28                          | 28                             | 28              | 28                 | 28                   | 28                                   | 28  | 28                                       | 28                        | 28             | 28             |
| Operating Profit Margin Ratio                   | Pearson Correlation | -.300   | -.302    | 1                             | -.108                               | -.502**                           | .940**                     | .893**                           | -.409*                      | .412*                          | .458*           | -.453*             | .278                 | -.339                                | .312  | -.214                                    | -.090                     | -.509**        | -.305          |
|   | Sig. (2-tailed)     | .121    | .119     | .                             | .584                                | .007                              | .000                       | .000                             | .031                        | .029                           | .014            | .016               | .152                 | .077                                 | .106  | .275                                     | .648                      | .006           | .114           |
|   | N                   | 28      | 28       | 28                            | 28                                  | 28                                | 28                         | 28                               | 28                          | 28                             | 28              | 28                 | 28                   | 28                                   | 28  | 28                                       | 28                        | 28             | 28             |
| Interest earned to total Fund Ratio             | Pearson Correlation | .614**  | .739**   | -.108                         | 1                                   | .774**                            | .174                       | .248                             | .781**                      | -.085                          | -.577**         | .576**             | .253                 | .667**                               | -.292   | -.024                                    | -.421*                    | .553**         | .676**         |
|   | Sig. (2-tailed)     | .001    | .000     | .584                          | .                                   | .000                              | .377                       | .203                             | .000                        | .667                           | .001            | .001               | .193                 | .000                                 | .131  | .904                                     | .026                      | .002           | .000           |
|   | N                   | 28      | 28       | 28                            | 28                                  | 28                                | 28                         | 28                               | 28                          | 28                             | 28              | 28                 | 28                   | 28                                   | 28  | 28                                       | 28                        | 28             | 28             |
| Interest paid to total fund Ratio               | Pearson Correlation | .849**  | .899**   | -.502**                       | .774**                              | 1                                 | -.197                      | -.086                            | .974**                      | -.339                          | -.609**         | .604**             | .032                 | .692**                               | -.540**   | -.159                                    | -.327                     | .657**         | .883**         |
|   | Sig. (2-tailed)     | .000    | .000     | .007                          | .000                                | .                                 | .316                       | .662                             | .000                        | .078                           | .001            | .001               | .872                 | .000                                 | .003  | .418                                     | .090                      | .000           | .000           |
|   | N                   | 28      | 28       | 28                            | 28                                  | 28                                | 28                         | 28                               | 28                          | 28                             | 28              | 28                 | 28                   | 28                                   | 28  | 28                                       | 28                        | 28             | 28             |
| Return on total fund ratio                      | Pearson Correlation | -.019   | .002     | .940**                        | .174                                | -.197                             | 1                          | .989**                           | -.099                       | .321                           | .299            | -.302              | .338                 | -.145                                | .169  | -.284                                    | -.213                     | -.343          | -.010          |
|   | Sig. (2-tailed)     | .925    | .992     | .000                          | .377                                | .316                              | .                          | .000                             | .616                        | .096                           | .122            | .119               | .079                 | .462                                 | .389  | .143                                     | .277                      | .074           | .959           |
|   | N                   | 28      | 28       | 28                            | 28                                  | 28                                | 28                         | 28                               | 28                          | 28                             | 28              | 28                 | 28                   | 28                                   | 28  | 28                                       | 28                        | 28             | 28             |
| Return on capital employed ratio                | Pearson Correlation | .108    | .123     | .893**                        | .248                                | -.086                             | .989**                     | 1                                | .011                        | .261                           | .223            | -.229              | .329                 | -.051                                | .091  | -.328                                    | -.261                     | -.264          | .116           |
|   | Sig. (2-tailed)     | .583    | .533     | .000                          | .203                                | .662                              | .000                       | .                                | .957                        | .181                           | .254            | .241               | .087                 | .795                                 | .644  | .088                                     | .179                      | .175           | .556           |
|   | N                   | 28      | 28       | 28                            | 28                                  | 28                                | 28                         | 28                               | 28                          | 28                             | 28              | 28                 | 28                   | 28                                   | 28  | 28                                       | 28                        | 28             | 28             |
| Cost of external fund ratio                     | Pearson Correlation | .809**  | .905**   | -.409*                        | .781**                              | .974**                            | -.099                      | .011                             | 1                           | -.313                          | -.527**         | .535**             | .178                 | .654**                               | -.533**   | -.096                                    | -.316                     | .581**         | .862**         |
|   | Sig. (2-tailed)     | .000    | .000     | .031                          | .000                                | .000                              | .616                       | .957                             | .                           | .105                           | .004            | .003               | .364                 | .000                                 | .003  | .628                                     | .101                      | .001           | .000           |
|   | N                   | 28      | 28       | 28                            | 28                                  | 28                                | 28                         | 28                               | 28                          | 28                             | 28              | 28                 | 28                   | 28                                   | 28  | 28                                       | 28                        | 28             | 28             |
| Net profit to total fund ratio                  | Pearson Correlation | -.552** | -.504**  | .412*                         | -.085                               | -.339                             | .321                       | .261                             | -.313                       | 1                              | .403*           | -.281              | .541**               | -.245                                | .508**  | .081                                     | -.510**                   | -.440*         | -.540**        |
|   | Sig. (2-tailed)     | .002    | .006     | .029                          | .667                                | .078                              | .096                       | .181                             | .105                        | .                              | .033            | .147               | .003                 | .208                                 | .006  | .683                                     | .006                      | .019           | .003           |
|   | N                   | 28      | 28       | 28                            | 28                                  | 28                                | 28                         | 28                               | 28                          | 28                             | 28              | 28                 | 28                   | 28                                   | 28  | 28                                       | 28                        | 28             | 28             |
| Net worth ratio                                 | Pearson Correlation | -.618** | -.630**  | .458*                         | -.577**                             | -.609**                           | .299                       | .223                             | -.527**                     | .403*                          | 1               | -.969**            | .268                 | -.921**                              | .436*   | -.164                                    | .227                      | -.989**        | -.633**        |
|   | Sig. (2-tailed)     | .000    | .000     | .014                          | .001                                | .001                              | .122                       | .254                             | .004                        | .033                           | .               | .000               | .168                 | .000                                 | .020  | .405                                     | .246                      | .000           | .000           |
|   | N                   | 28      | 28       | 28                            | 28                                  | 28                                | 28                         | 28                               | 28                          | 28                             | 28              | 28                 | 28                   | 28                                   | 28  | 28                                       | 28                        | 28             | 28             |
| Debet equity ratio                              | Pearson Correlation | .582**  | .623**   | -.453*                        | .576**                              | .604**                            | -.302                      | -.229                            | .535**                      | -.281                          | -.969**         | 1                  | -.167                | .962**                               | -.391*  | .202                                     | -.305                     | .958**         | .608**         |
|   | Sig. (2-tailed)     | .001    | .000     | .016                          | .001                                | .001                              | .119                       | .241                             | .003                        | .147                           | .000            | .                  | .395                 | .000                                 | .040  | .303                                     | .115                      | .000           | .001           |
|   | N                   | 28      | 28       | 28                            | 28                                  | 28                                | 28                         | 28                               | 28                          | 28                             | 28              | 28                 | 28                   | 28                                   | 28  | 28                                       | 28                        | 28             | 28             |
| Credit deposit ratio                            | Pearson Correlation | -.262   | -.004    | .278                          | .253                                | .032                              | .338                       | .329                             | .178                        | .541**                         | .268            | -.167              | 1                    | -.054                                | .396*   | .450*                                    | -.315                     | -.278          | -.156          |
|   | Sig. (2-tailed)     | .178    | .983     | .152                          | .193                                | .872                              | .079                       | .087                             | .364                        | .003                           | .168            | .395               | .                    | .783                                 | .037  | .016                                     | .102                      | .152           | .427           |
|   | N                   | 28      | 28       | 28                            | 28                                  | 28                                | 28                         | 28                               | 28                          | 28                             | 28              | 28                 | 28                   | 28                                   | 28  | 28                                       | 28                        | 28             | 28             |
| Curent Labilities to net worth ratio            | Pearson Correlation | .690**  | .741**   | -.339                         | .667**                              | .692**                            | -.145                      | -.051                            | .654**                      | -.245                          | -.921**         | .962**             | -.054                | 1                                    | -.429*  | .070                                     | -.394*                    | .916**         | .722**         |
|   | Sig. (2-tailed)     | .000    | .000     | .077                          | .000                                | .000                              | .462                       | .795                             | .000                        | .208                           | .000            | .000               | .783                 | .                                    | .023  | .723                                     | .038                      | .000           | .000           |
|   | N                   | 28      | 28       | 28                            | 28                                  | 28                                | 28                         | 28                               | 28                          | 28                             | 28              | 28                 | 28                   | 28                                   | 28  | 28                                       | 28                        | 28             | 28             |
| Total investments and advances to depoist ratio | Pearson Correlation | -.627** | -.563**  | .312                          | -.292                               | -.540**                           | .169                       | .091                             | -.533**                     | .508**                         | .436*           | -.391*             | .396*                | -.429*                               | 1   | .291                                     | -.151                     | -.513**        | -.609**        |
|   | Sig. (2-tailed)     | .000    | .002     | .106                          | .131                                | .003                              | .389                       | .644                             | .003                        | .006                           | .020            | .040               | .037                 | .023                                 | .   | .132                                     | .443                      | .005           | .001           |
|   | N                   | 28      | 28       | 28                            | 28                                  | 28                                | 28                         | 28                               | 28                          | 28                             | 28              | 28                 | 28                   | 28                                   | 28  | 28                                       | 28                        | 28             | 28             |
| Long term deposit to total deposit ratio        | Pearson Correlation | -.405*  | -.180    | -.214                         | -.024                               | -.159                             | -.284                      | -.328                            | -.096                       | .081                           | -.164           | .202               | .450*                | .070                                 | .291  | 1  | .021                      | .143           | -.315          |
|   | Sig. (2-tailed)     | .033    | .360     | .275                          | .904                                | .418                              | .143                       | .088                             | .628                        | .683                           | .405            | .303               | .016                 | .723                                 | .132  | .  | .917                      | .469           | .102           |
|   | N                   | 28      | 28       | 28                            | 28                                  | 28                                | 28                         | 28                               | 28                          | 28                             | 28              | 28                 | 28                   | 28                                   | 28  | 28                                       | 28                        | 28             | 28             |
| Overdue to advances ratio                       | Pearson Correlation | -.259   | -.259    | -.090                         | -.421*                              | -.327                             | -.213                      | -.261                            | -.316                       | -.510**                        | .227            | -.305              | -.315                | -.394*                               | -.151   | .021                                     | 1                         | -.187          | -.263          |
|   | Sig. (2-tailed)     | .183    | .183     | .648                          | .026                                | .090                              | .277                       | .179                             | .101                        | .006                           | .246            | .115               | .102                 | .038                                 | .443  | .917                                     | .                         | .342           | .177           |
|   | N                   | 28      | 28       | 28                            | 28                                  | 28                                | 28                         | 28                               | 28                          | 28                             | 28              | 28                 | 28                   | 28                                   | 28  | 28                                       | 28                        | 28             | 28             |
| Solvency Ratio                                  | Pearson Correlation | .651**  | .663**   | -.509**                       | .553**                              | .657**                            | -.343                      | -.264                            | .581**                      | -.440*                         | -.989**         | .958**             | -.278                | .916**                               | -.513**   | .143                                     | -.187                     | 1              | .666**         |
|   | Sig. (2-tailed)     | .000    | .000     | .006                          | .002                                | .000                              | .074                       | .175                             | .001                        | .019                           | .000            | .000               | .152                 | .000                                 | .005  | .469                                     | .342                      | .              | .000           |
|   | N                   | 28      | 28       | 28                            | 28                                  | 28                                | 28                         | 28                               | 28                          | 28                             | 28              | 28                 | 28                   | 28                                   | 28  | 28                                       | 28                        | 28             | 28             |
| Total business                                  | Pearson Correlation | .990**  | .980**   | -.305                         | .676**                              | .883**                            | -.010                      | .116                             | .862**                      | -.540**                        | -.633**         | .608**             | -.156                | .722**                               | -.609**   | -.315                                    | -.263                     | .666**         | 1              |
|   | Sig. (2-tailed)     | .000    | .000     | .114                          | .000                                | .000                              | .959                       | .556                             | .000                        | .003                           | .000            | .001               | .427                 | .000                                 | .001  | .102                                     | .177                      | .000           | .              |
|   | N                   | 28      | 28       | 28                            | 28                                  | 28                                | 28                         | 28                               | 28                          | 28                             | 28              | 28                 | 28                   | 28                                   | 28  | 28                                       | 28                        | 28             | 28             |

\*\* Correlation is significant at the 0.01 level (2-tailed).

\* Correlation is significant at the 0.05 level (2-tailed).

a. District = BANASKANTHA

Sabar Kantha

