

A STUDY ON PERFORMANCE OF THE HIMACHAL PRADESH STATE CO-OPERATIVE BANK LIMITED.

ABSTRACT

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State Co-operative Bank in a state is an important part of the entire cooperative credit system. State Co-operative Bank is the high estagency of the three tier cooperative credit structure in a state. RBI and NABARD provide credit and State Co-operative Banks help in its proper disbursement and proper utilization and also help to prevent its mutualisation. It serves as a link between RBI/NABARD at national level, District Central Co-operative Banks at district level and Primary Cooperative Societies at village level. State Co-operative Bank meets the financial requirement of its members engaged in agriculture and allied activities. The purpose of this paper is to highlight the growth of Himachal Pradesh State Co-operative Bank functioning in Himachal Pradesh. Being the highest authority of Cooperatives in a State it is important to study the performance of this bank. For this purpose the different financial and operating indicators have been studied in details. The data has been collected for twelve years from 2001-02 to 2012-13. The study shows that the share of fixed deposits in total deposits highest in comparison with other type of deposits. It was observed that non-agricultural outstanding loans of the bank ranged between 82.90 and 93.98 percent during the period of twelve years. Recovery performance of the while profits of the bank show a decreasing trend.

Key Words: *State Co-operative Banks (SCBs), Himachal Pradesh State Co-operative Bank (HPSCB), Apex Bank.*

1. INTRODUCTION:

The economy of India is based on agriculture and most of the people who are involved in agricultural activities reside in rural areas. Therefore, the development of the economy of India in general and agriculture in particular is associated with the development of rural areas. The Government of India has framed various plans & schemes and has also implemented them in order to help in the growth of the rural areas of India. To help the rural people through these schemes it is important to have a strong rural credit structure, for the economic development of rural people and the upliftment and employment of rural masses at the very grass root level. In this field the cooperative institutions need to be empowered to plays a significant role. Therefore, there is a need to strengthen the rural

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Cooperative structure for higher productivity and for the empowerment of the rural masses. Credit is needed for agricultural and non-agricultural purposes in rural and urban area respectively by the members of the cooperative societies.

Co-operative Credit Institutions in India can be broadly bifurcated into two categories:

- (i) **Urban Co-operative Banks**, the institutions catering to the needs of urban and semi urban people. However, the urban credit institutions consist of a single tier commonly referred to as Urban Cooperative Banks(UCB).
- (ii) **Rural Cooperatives**, these caters to the needs of the rural sector.

The Rural Co-operative Credit Institutions can be further bifurcated into Short term and Long Term Institutions.

- The Long-term Credit Institutions.

The long-term (LT) credit structure has Primary Co-operative Agricultural and Rural Development Banks (PCARDBs) at the base level and State Co-operative Agricultural and Rural Development Banks(SCARDBs) at the apex level.

- Short Term Rural Co-operative.

The short term rural co-operatives provide crop and other working capital loans to farmers and rural artisans primarily for short-term purposes. These credit institutions have a three-tier federal structure.

- The apex of the system is the State Co-operative Banks (SCBs) in each state.
- At the middle or District level there are Central Co-operative Banks, which are also known as District Central Co-operative Banks (DCCBs)
- At the lowest level (or village) level, there are the Primary Agricultural Credit Societies (PACS). The smaller states and Union Territories (UTs) have a two-tier structure with SCBs directly meeting the credit requirements of PACs.(Aggarwal Babita 2012)

The major portion of cooperative credit is developed for agricultural purposes. Thus, rural credit forms the most important segment of the entire cooperative credit structure in the state. In this field Co-operative Banks play an important role. The main strength of the cooperative institution is their network which reaches every corner of country at the grass root level. Co-operative Banks were basically established to provide institutional credit to farmers at lower rates of

interest and on easy terms in comparison to private money-lenders who used to charge exorbitant rates of interest and impose humiliating terms of repayment. Co-operative Banks are institutions, which are functioning according to the principle of "each for all and all for each". Apex Co-operative bank in a state is an important part of the entire co-operative credit system. It meets the financial needs of its members engaged with credit societies at the apex, secondary and primary level.

2. Co-operative Banks in Himachal Pradesh

In Himachal Pradesh there are two-tier as well as three-tier cooperative credit structures. The Himachal Pradesh State Co-operative Bank is functioning as the Apex, which covers six districts and has two-tier credit structure. The three-tier credit structure is in operation in two remaining five districts, where the Kangra Central Co-operative Bank and the Jogindra Central Co-operative Bank provide their services. The Apex bank is playing an important role in mobilizing financial resources (Bisotra, 1994). It also establishes close contact with the member District Central Co-operative Banks and Credit Societies at base level. It is a balancing agency of the co-operative institutions working in the state. It coordinates the policies at the state level. It is also playing an important role in formulating and executing the co-operative policies in the state.

Himachal Pradesh State Co-operative Bank with its head office at Shimla was registered in August 1953 under the Co-operative Societies Act, 1912. At the time of its registration, there were three Central Co-operative Banks, one joint stock bank and 663 co-operative Societies, which were registered under the Societies Act 1912. The main objectives of the bank are to secure deposits from the public and various other agencies to make advances to rural masses, through Co-operative Societies, for marketing and consumer activities and also to meet the credit requirement of Co-operative Societies for the supply of controlled and essential commodities under the public distribution system. In Himachal Pradesh, since that time, the Himachal Pradesh State Co-operative Bank had been working as the sole central financing agency on a unitary basis. Himachal Pradesh State Co-operative Bank acts as the lender of the last resort of the Central Co-operative Banks of the state by providing cash credit and over draft facilities and by re-discounting their bills.

3. REVIEW OF LITERATURE

There were various studies conducted and numerous suggestions were sought to bring effectiveness to the working and operations of financial institutions. A. Sukumaran et al (1991), Ravishankar (1996), Sayulu (1995), Deepak Shah (2007), Lakshman (2007), G. Bhaskar (1994)

and Pathania (2009) observed that the main factor responsible for NPAs in corporate institution was wilful default, ineffective management and supervision, poor recovery of loans, utilisation of loans for unproductive purposes, political interference, unsound lending policies, inadequate supervision, unsatisfactory management & lack of right type of leadership. It implies that recovery of loans is affected by various local factors. The people have not been really involved in the cooperatives. Autonomy is important and essential for the growth of the cooperative movement.

Chinnappa K. (1992) observed that the Co-operative Banks do not have the professional manpower. G. Bhaskar (1994) pointed out that lack of cooperation and active involvement of the rural masses is also one of the basic weaknesses of the cooperative sector. He finds that bank officials approach the public, nor educate them about the various schemes under which they can get loans. Dinabandhu (1987) stated that apex banks were not getting much capital from the Government. The Individuals are not attracted by the services of Co-operative Banks. Pathania & Singh (1988) observed that the performance of Himachal Pradesh State Co-operative Bank in terms of membership drive, share capital, deposit mobilization, working capital and advances had improved over a period of five years, i.e. from 1991-92 to 1995-96. However recovery performance was unsatisfactory and NPAs had increased sharply due to inadequate professional man power, training & a sense of competition. They also observed that the recovery performance of the Himachal Pradesh State Co-operative Bank was unsatisfactory and overdues had increased sharply due to the after effects of loan waiver schemes of the government.

Patel (1997) and Chakraborty (1999) argue that the Co-operative Banks have failed so far to provide adequate credit to the needy rural people and weaker section in terms of their purpose of credit. The sanctioning of inadequate amount of loans and also their deployment and disbursement are commonly observed features of co-operative credit. Bhatt et. al (1989), Bankim Chakraborty (1996), Lakshmanan (2007), suggested that the bank may try to increase call deposits to commercial banks to improve income position of banks. The bank should try to mobilize more deposits from unapproved sources and should try to extend loans to uncovered sectors. Jagdish Kapoor (2000), Gagan (2005), A.R. Patel (2000), Deepak Shah (2001), Srinath (2000) and Mihir Shah et. al. (2007) advocates that to meet the requirement of finance in rural India, we required changes in the rural financing structure. The Co-operative Banks should be free from the interference of state Government and the registrar can be fully brought under the preview of RBI/NABARD.

Govindarajan and Singh (2006) attempt to examine the performance in terms of profitability and look at the various factors responsible for the

bank's profitability. Three different ratios have been used to analyse the profitability of banks viz. Spread Ratio, Burden Ratios and Profitability ratio. In case of spread ratio if it shows a positive percentage during the study period, it indicates that the bank has used the working funds but it requires more efficiency for full utilization. In case of burden ratio it is suggested that the bank should have control over the non-interest expenditure and earn more non-interest income, due to diversification of its activities.

Reddy and Srinivasa (2008) stated that Co-operative Banks have to equip themselves with trained manpower to serve the rural sector in general and rural artisans in particular, special credit development branches must be established by over coming all existing problems that are being faced both by artisans in rural areas and bankers working in rural areas.

Das(2012) in his study on Meghalaya Co-operative Apex Bank, finds that the bank is performing very well in terms of profitability and operational efficiency. He suggests that loans from credit societies should be granted in such a manner and under such conditions that these are used productively and not misused. Tarasankar Das (2013) evaluates the growth prospect, operational profitability, stability and recovery performance of the West Bengal State Co-operative Bank Ltd. In order to measure the growth prospect of the banks, some important parameters like deposits, loans and advances, and business are analysed from the year 2001-02 to 2010-11. The study shows that all the variables exhibit positive and significant growth during the period of study. It is found that over all profitability of the banks during the study period is satisfactory as Burden Coverage Ratio in all the years is more than one.

4. METHODOLOGY AND DATABASE

The present paper is mainly based on secondary data and which is compiled from the other information provided by the bank in its published annual reports for the period from 2001-02 to 2012-13. The data collected is analysed with the help of mathematical, statistical tools like ratios, percentage, average and compound growth rate. Financial and operating performance have been analysed with the help of selected accounting ratio.

5. OBJECTIVES OF THE STUDY

The following are the objectives of the study:

- (i) To study the growth pattern of the bank on the basis of selected parameters.
- (ii) To analyse the performance of the bank with the help of ratio analysis.

- (iii) To study the deposits, advances pattern and recovery performance of the bank.

6. GEOGRAPHICAL COVERAGE

At present the Himachal Pradesh State Co-operative Bank Limited is functioning through 201 branches and 7 nodal offices in six districts of the state i.e. Bilaspur, Chamba, Kinnaur, Mandi, Shimla and Sirmour, The apex bank is also running a staff training College known as Agriculture Co-operative Staff Training Institute (ACSTI) in order to strengthen the training needs. The bank is the first State Co-operative Bank in India to implement Total Branch Automation software in all its branches.

Table 1: District-wise Branch Network of Himachal Pradesh State Co-operative Bank Limited (As on 10.11.2015)

Sr. No.	Name of District	No. of Branches
1	Bilaspur	29
2	Chamba	19
3	Kinnaur	13
4	Mandi	50
5	Shimla	61
6	Sirmour	28
Branches outside Himachal Pradesh		1 (New Delhi)
Total Branches		201

Source: Official record of the bank

7. DEPOSITS MOBILIZATION

The Co-operative Banking system aims at mobilization of savings from the middle-income groups and provides credit to the middle class and economically weaker sections of the society. Thus, it occupies an important position in the financial system of the economy. (Samwell, K. Lopoyetom 2004). Deposit mobilization is an important financial activity of the bank. A good amount of deposits from individual, cooperative societies and other sources indicates the extent of dynamism the management exhibits. Deposits are the main source of the funds of Himachal Pradesh State Co-operative Bank. Deposits accepted by the bank are the loans provided by the public which are repay able on demand. They act as the base for the bank and as the back bone for its credit expansion. (Yadav, B.S., Kaynat Tabassum 2006)

Table 2: Composition of Deposits of the H.P. State Co-operative Bank

Amount Rs. in Lakh

Year	Saving Deposits		Current Deposits		Fixed Deposits		Money Call at Short Notice		Total Deposits
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount
2001-02	31,950.65 (-)	23.57	2,403.01 (-)	1.77	1,01,104.39 (-)	74.58	107.78 (-)	0.08	1,35,565.83 (-)
2002-03	39,005.33 (22.08)	25.89	4,181.57 (74.01)	2.78	1,07,385.82 (6.21)	71.27	105.15 (-2.45)	0.07	1,50,677.88 (11.15)
2003-04	46,645.40 (19.59)	28.28	4,067.97 (2.72)	2.47	1,14,078.03 (6.23)	69.16	159.74 (51.92)	0.1	1,64,951.14 (9.47)
2004-05	54,935.85 (17.77)	29.58	3,415.42 (-16.04)	1.84	1,27,209.77 (11.51)	68.49	173.28 (8.47)	0.09	1,85,734.32 (12.6)
2005-06	60,909.66 (10.87)	28.77	7,097.22 (107.8)	3.35	1,43,534.19 (12.83)	67.79	205 (18.31)	0.1	2,11,746.07 (14.0)
2006-07	69,191.63 (13.6)	28.7	6,647.34 (-6.34)	2.76	1,64,930.65 (14.91)	68.42	282.5 (37.8)	0.12	2,41,052.12 (13.84)
2007-08	82,225.30 (18.84)	23.98	4,163.68 (-37.36)	1.21	2,56,182.04 (55.33)	74.71	314.41 (11.3)	0.09	3,42,885.43 (42.25)
2008-09	96,764.61 (17.68)	23.81	6,301.60 (51.34)	1.55	3,02,873.56 (18.23)	74.54	379.15 (20.59)	0.09	4,06,318.91 (18.51)
2009-10	1,16,352.40 (20.24)	23.54	5,656.31 (-10.24)	1.14	3,71,698.07 (22.72)	75.22	471.47 (24.35)	0.1	4,94,178.25 (21.62)
2010-11	1,45,052.03 (24.67)	28.98	6,009.22 (-6.24)	1.2	3,48,952.27 (6.12)	69.71	538.79 (14.28)	0.11	5,00,552.31 (1.29)
2011-12	1,62,837.49 (12.26)	31.06	9,713.07 (61.64)	1.85	3,51,047.69 (0.6)	66.97	620.82 (15.22)	0.12	5,24,219.07 (4.73)
2012-13	1,80,945.41 (11.12)	31.10	10,073.04 (3.71)	1.73	3,90,115.18 (11.13)	67.05	658.69 (6.12)	0.11	5,81,792.32 (10.98)
Mean	90,567.98		5,810.79		2,31,592.64		334.73		3,28,306
S.D.	48,099.21		2,269.53		1,10,997.53		189.29		1,58,910
C.V.	53.11		39.06		47.93		56.55		48.4
C.G.R.	17.07		13.92		13.06		17.89		14.16

Source: Annual Reports of the Himachal Pradesh State Co-operative Bank Ltd.

Note: Figures in parenthesis indicate the percentage change over the previous year.

The deposits of the Himachal Pradesh State Co-operative Bank can be classified into three broad groups i.e. saving deposits, fixed deposits, and term deposits. The percentage of saving deposits to total deposits ranged between 23.54 percent to 31.10 percent through out the period under study. The saving deposits were Rs. 31,950.65 lakh in the year 2001-02 which increased to Rs. 1,80,945.41 lakh in the year 2012-13. This shows an increase of 466.33 percent over the year 2001-02. Deposits in the fixed deposits accounts were more than other kind of deposits throughout the period from 2001-02 to 2012-13. These deposits ranged from 66.97 percent to 75.22 percent of total deposits during the study period. The amount of fixed deposits was Rs. 1,01,104.39 lakh in the year 2001-02 which increased to Rs. 3,90,115.18 lakh in the year 2012-13, registering a compound growth rate of 13.06 percent. It continuously increased during the study period. The share of the current deposits ranged from 1.14 percent to 3.35 percent during the study period. Here, it is important to note that current deposits have the lowest cost of funds. Hence, an attempt should be made to increase these deposits further. In case of fixed deposits, the proposition is costly for a bank because of the higher rate of interest paid on them. However, it is advantageous because the bank can exercise more discretion in the deployment of funds generated through fixed deposits as the customers cannot seek the repayment of such deposits before maturity in normal circumstances.

Table 3 : Progress of Himachal Pradesh State Co-operative Bank Limited

Period	Membership (Numbers)	Branches (Numbers)	Share Capital (Rs. in Lakh)	Reserves (Rs. in Lakh)	Working Capital (Rs. in Lakh)	Volume of Business (Rs. in Lakh)	Profits (Rs. in Lakh)	Income (Rs. in Lakh)	Expenditure (Rs. in Lakh)	Profits (Rs. in Lakh)	Investment (Rs. in Lakh)
2001-02	1,926	129	715	14,547	1,69,140	1,72,933	3,157	18,521	15,365	3,157	1,01,615
2002-03	1,882 (-2.28)	142 (10.08)	740 (3.45)	17,122 (17.70)	1,93,114 (14.17)	1,92,542 (11.34)	1,764 (-44.10)	18,986 (2.51)	17,222 (12.09)	1,764 (-44.10)	1,29,996 (27.93)
2003-04	1,698 (-9.78)	146 (2.82)	749 (1.15)	21,070 (23.05)	2,20,090 (13.97)	2,27,203 (18.00)	1,989 (12.74)	18,977 (-05)	16,988 (-1.36)	1,989 (12.74)	1,29,894 (-08)
2004-05	1,710 (.71)	148 (1.37)	762 (1.78)	21,332 (1.25)	2,46,228 (11.88)	2,62,779 (15.66)	2,891 (45.34)	19,113 (.71)	16,221 (-4.51)	2,891 (45.34)	1,40,056 (7.82)
2005-06	1,713 (.18)	154 (4.05)	758 (-0.56)	24,032 (12.66)	2,78,131 (12.96)	2,90,310 (10.48)	4,411 (52.58)	22,607 (18.28)	18,196 (12.17)	4,411 (52.58)	1,66,786 (19.09)
2006-07	1,708 (-0.29)	160 (3.90)	791 (4.42)	25,190 (4.82)	3,13,292 (12.64)	3,48,658 (20.10)	2,940 (-33.35)	22,753 (.65)	19,813 (8.89)	2,940 (-33.35)	1,77,825 (6.62)
2007-08	1,711 (0.18)	175 (9.38)	799 (0.97)	32,235 (27.97)	4,18,391 (33.55)	4,67,656 (34.13)	4,429 (50.65)	32,506 (42.86)	28,077 (41.71)	4,429 (50.65)	2,19,421 (23.39)
2008-09	1,711 (-)	175 (-)	812 (1.69)	34,463 (6.91)	4,92,768 (17.78)	5,46,073 (16.77)	2,823 (-36.27)	42,292 (30.11)	39,469 (40.58)	2,823 (-36.27)	3,08,913 (40.79)
2009-10	1,720 (0.53)	175 (-)	823 (1.31)	40,195 (16.63)	5,90,851 (19.90)	6,58,620 (20.61)	3,553 (25.88)	46,106 (9.02)	42,553 (7.81)	3,553 (25.88)	3,50,595 (13.49)
2010-11	1,725 (0.29)	175 (-)	838 (1.78)	43,538 (8.32)	6,63,283 (12.26)	7,21,595 (9.56)	4,003 (12.66)	51,766 (12.28)	47,763 (12.24)	4,003 (12.66)	3,90,487 (11.38)
2011-12	1,728 (0.17)	175 (-)	843 (0.62)	53,422 (22.70)	6,72,381 (1.37)	7,60,386 (5.38)	4,142 (3.49)	55,995 (8.17)	51,853 (8.56)	4,142 (3.49)	3,93,094 (.67)
2012-13	1,727 (-.06)	184 (5.14)	847 (0.54)	61,396 (14.93)	7,08,897 (5.43)	8,47,167 (11.41)	5,046 (21.83)	62,388 (11.41)	57,342 (10.59)	5,046 (21.83)	3,97,344 (1.08)
Mean	1,746.58	161.50	789.80	32,378.50	4,13,880.48	4,57,993.50	3,429	34,334	30,905	3,429	2,42,168.90
S.D.	71.46	16.67	42.45	14,132.74	1,95,035.22	2,31,598.48	968	15,785	15,170	968	1,12,093.03
C.V	4.09	10.32	5.37	43.65	47.12	50.57	28	46	49.09	28	46.29
C.G.R.	~.987	3.28	1.56	13.99	13.91	15.54	4.36	11.67	12.72	4.36	13.20

Source: Annual Reports of the HP State Co-operative Bank Ltd.

Note: Figures in parenthesis indicate the percentage change over the previous year.

8. GROWTH PATTERN OF HIMACHAL PRADESH STATE COOPERATIVE BANK

The selected various financial and operating indicators of the bank like Share Capital, membership, income, expenditure, branch expansion, reserves, working capital, volume of business, profits and investment over a period of twelve years has been shown in table-III.

Membership strength and capital position are the two necessary ingredients which lead to success of cooperative institutions. As far as membership of the bank is concerned, there was a negative growth during the study period. However the branch network shows positive growth from 2001-02 to 2006-07. And there was no change from 2007-08 to 2011-12 and in the year 2012-13 it opened nine new branches in the area of operation. The table reveals that the Compound growth rate of share capital was 1.56 percent during the study period. In 2001-02 the share capital was Rs. 715 lakh which increased to Rs. 847 lakh in 2012-13. There was a decrease over previous year in 2005-06 at 0.56 percent. Similarly, reserves of the bank also increased to Rs. 61,396 lakh in the year 2012-13 from Rs. 14,547 lakh in the year 2001-02 listing a compound growth rate of 13.99 per cent whereas working capital shows 13.91% compound growth rate. The business of a bank mainly consists of deposits mobilization and credit deployment. The Volume of business is an indicator which shows the quantum of business done by a bank.

The volume of business which was Rs. 1,72,933 lakh in the year 2001-02 increased to Rs. 8,47,167 lakh in 2012-13, showing a compound growth rate of 15.54%. Total income of the bank which was Rs. 18,521 lakh in 2001-02 increased to Rs. 62,388 lakh in 2012-13 and average income of the bank was registered as Rs. 34,334 lakh during the study period. Expenditure of the bank show safluctuating trend till the year 2004-05 and increased with high rate and increased to Rs. 57,342 lakh in 2012-13. Highest growth over the last year was observed in the year 2007-08 (41.71%) and 2008-09 (40.58%). The difference of total income and total expenditure is termed as profit/loss. The profitability position of the bank shows that the bank earned profits during the study period and there was no loss. The profits of the bank increased during the study period except in the year, 2002-03, 2006-07 and 2008-09. These years show a high fall in the percentage of profits over the previous year.

9. OUTSTANDING ADVANCES

The Himachal Pradesh State Co-operative Bank provides short term, medium term and long term loans to the co-operative societies / institutions and individuals. The main objective of the bank is rural development and to achieve this objective the bank has been providing credit facilities to the co-

operative sectors in rural areas. The Co-operative Banks in Himachal Pradesh have introduced a large number of schemes for providing finance to the rural poor.

Table 4: Outstanding Advances of the Himachal Pradesh State Co-operative Bank

Year	ADVANCES						(Amount Rs. in Lakh)
	Short Term	% of Total	Medium Term	% of total	Long Term	% of total	Total
2001-02	15,495.71 --	41.47	20,777.26 --	55.60	1,094.01 --	2.93	37,367.35 --
2002-03	13,152.75 (-15.12)	31.42	22,463.73 (8.12)	53.66	6,247.22 (471.04)	14.92	41,864.05 (12.03)
2003-04	13,951.70 (6.07)	22.41	37,776.76 (68.17)	60.68	10,522.85 (68.44)	16.90	62,251.83 (48.70)
2004-05	18,332.38 (31.40)	23.79	43,956.34 (16.36)	57.05	14,755.74 (44.23)	19.15	77,045.09 (23.76)
2005-06	21,361.10 (16.52)	27.19	33,605.57 (-23.55)	42.77	23,597.18 (59.92)	30.04	78,564.41 (1.97)
2006-07	40,200.88 (88.20)	37.36	40,559.85 (20.69)	37.69	26,844.50 (13.76)	24.95	1,07,606.03 (36.97)
2007-08	42,716.10 (6.26)	34.24	43,317.81 (6.80)	34.72	38,735.79 (44.30)	31.05	1,24,770.56 (15.95)
2008-09	45,220.32 (5.86)	32.36	52,324.86 (20.79)	37.44	42,208.17 (8.96)	30.20	1,39,754.33 (12.01)
2009-10	54,453.51 (20.42)	33.11	52,227.77 (-19.19)	31.76	57,759.99 (36.85)	35.12	1,64,441.27 (17.66)
2010-11	66,084.78 (31.36)	29.90	54,017.13 (3.43)	24.44	1,00,941.22 (74.76)	45.67	2,21,043.13 (34.42)
2011-12	72,689.78 (9.99)	30.78	58,923.18 (9.08)	24.95	1,04,553.73 (3.58)	44.27	2,36,166.69 (6.84)
2012-13	77,277.40 (6.31)	29.12	58,840.64 (-0.14)	22.17	1,29,256.83 (23.63)	48.71	2,65,374.87 (12.37)
Mean	40,078		43,233		46,376		1,29,687
S.D.	22,728		12,367		41,113		74,209
C.V	56.71		28.61		88.65		57.22
C.G.R.	15.73		9.93		54.31		19.51

Source: Annual Reports of the H.P. State Co-operative Bank Ltd.

Note: Figures in parenthesis indicate the percentage change over the previous year.

The aggregate loans and advances issued by the bank increased from Rs. 37,367.35 lakh in the year 2001-02 to Rs. 2, 65,374.87 lakh in the year 2012-13, thus, recording an increase of 610.18 percent over the year 2001-02. The short term loans include overdraft facility and cash credit facility provided to the co-operative societies and individuals by the bank. In case of short term loans, it ranged from 22.41% to 41.47% of total advances during the study period. Maximum portion of loans was in the form of medium term loans which ranged from 22.17 % to 60.68 per cent of total advances during the study period. The long term loans ranged between 2.93 percent and 48.71 percent of total outstanding loans. The mean score of short-term, medium term and long term was observed to be Rs.40,078 lakh, Rs.43,233 lakh and Rs.46,376 lakh. On the basis of the above analysis, it is concluded that the long term loans increase data high errate followed by short term loans and medium term loans.

10. PURPOSE-WISE ADVANCES

Purpose-wise loans are classified as agricultural loans and non-agricultural loans. Agricultural loan includes loan provided for agriculture sector and agriculture related allied services. The agricultural loans extended by Co-operative Banks are again divided into productive credit and investment credit (Yadav, B.S. and Kaynat Tabassum 2006). The Short-term Agricultural operational loans and Medium- term agricultural loans are included in production credit while the investment credit includes the loans given for digging wells, for purchasing motor pumpsets and tractors. Table-IV shows the purpose-wise outstanding loans and advances i.e. Agricultural and Non Agricultural loans. The table shows that maximum proportion of outstanding loans in the category of was Non-Agricultural loans with 83.74 percent to 96.04 per cent during the study period. Agricultural loans remained 3.97 percent to 16.26 percent percent of total outstanding loans during the study period. Agricultural loans registered 31.3 per cent compound growth rate. On the other hand Non Agricultural Loans showed a 17.14 percent compound growth rate. The coefficient of variation of agricultural loans was observed to be the highest in case of agriculture loans which indicates that agricultural loans are less stable in comparison to non-agricultural loans.

Table 5: Agricultural and Non- Agricultural Outstanding Advances of The Himachal Pradesh State Co-operative Bank

Year	Agricultural Loan		Non-Agricultural Loan		Total Loan
	Amount	% of Total	Amount	% of Total	Amount
2001-02	4,834.89	12.94	32,532.10	87.06	37,366.99
	--		--		--
2002-03	4,183.03 (-13.48)	9.99	37,680.66 (15.83)	90.01	41,863.69 (12.03)
2003-04	3,745.84 (-10.45)	6.02	58,505.44 (55.27)	93.98	62,251.28 (48.70)
2004-05	5,286.54 (41.13)	6.86	71,757.90 (22.65)	93.14	77,044.44 (23.76)
2005-06	7,598.94 (43.74)	9.67	70,964.92 (-1.11)	90.33	78,563.86 (1.97)
2006-07	9,932.00 (30.7)	9.23	97,673.20 (37.64)	90.77	1,07,605.20 (36.97)
2007-08	14,171.46 (42.68)	11.36	1,10,598.30 (13.23)	88.64	1,24,769.76 (15.95)
2008-09	32,162.20 (126.95)	23.01	1,07,591.20 (-2.72)	76.99	1,39,753.40 (12.01)
2009-10	23,878.77 (-25.76)	14.52	1,40,526.50 (30.61)	85.48	1,64,405.27 (17.64)
2010-11	28,952.48 (21.25)	13.10	1,92,090.65 (36.69)	86.90	2,21,043.13 (34.45)
2011-12	36,793.07 (27.08)	15.58	1,99,373.62 (3.79)	84.42	2,36,166.69 (6.84)
2012-13	45,375.47 (23.33)	17.09	2,19,999.40 (10.35)	82.90	2,65,374.87 (12.37)
Mean	18,076.22		1,11,607.82		1,29,684
S.D.	14,067.06		61,070.04		74,209
C.V	77.82		54.72		57.22
C.G.R.	22.58		18.98		19.51

Source: Annual Reports of the H.P. State Co-operative Bank Ltd.

Note: Figures in parenthesis indicate the percentage change over the previous year.

11. RECOVERY PERFORMANCE

The ability of a bank to serve as an active channel of credit is largely determined by its recovery of loans as otherwise there will be stagnation in the credit flow. The main reason for this is the mounting overdues, which are clogging the process of credit recycling. Table 4.9 shows the recovery performance of the Himachal Pradesh State Cooperative Bank during the period under study. Table-VI shows the recovery performance of the bank. In the year 2002-03, the bank had collected Rs. 5,270 lakh against the demand of Rs.6,434 lakh which amounted to 81.91 percent of the total dues. On the other hand, the total demand in 2005-06 was Rs.10,269 lakh out of which Rs.8.471 lakh was recovered, which was around 82.49 percent of the total demand.

In the year 2012-13, the bank had collected Rs. 64,556 lakh against the demand of Rs. 48,675 lakh which amounted to 75.4 percent of the total dues. The maximum percentage of the overdue was recorded at 25.62 percent and minimum at 10.69 percent in the years 2003-04 and 2007-08 respectively. The compound growth rate of demand and collection was recorded at 25.93 percent and 24.90 percent respectively.

Table 6: Recovery Performance of Himachal Pradesh State Co-operative Bank Limited

Period	Demand		Recovery		Overdues		Recovery (%)	Overdues (%)
	Amount	% increase/Decrease	Amount	% Increase/Decrease	Amount	% Increase/Decrease		
2001-02	NA	--	NA	--	NA	--	NA	--
2002-03	8,414	--	5,278	--	3,136	--	62.73	37.27
2003-04	10,760	27.88	7,741	46.67	3,019	-3.73	71.94	14.68
2004-05	12,752	18.51	10,085	30.28	2,667	-11.66	79.09	9.94
2005-06	13,110	2.81	10,073	-0.12	3,037	13.87	76.83	-2.86
2006-07	13,808	5.32	10,503	4.27	3,305	8.82	76.06	-1.00
2007-08	27,693	100.56	23,613	124.82	3,777	14.28	86.36	13.54
2008-09	27,084	-2.20	23,151	-1.96	3,933	4.13	85.48	-1.02
2009-10	25,312	-6.54	20,254	-12.51	5,058	28.60	80.02	-6.39
2010-11	42,240	66.88	28,301	39.73	13,939	175.58	67.00	-16.27
2011-12	40,855	-3.28	29,565	4.47	11,290	-19.00	72.37	8.01
2012-13	47,150	15.41	35,874	21.34	11,276	-0.12	76.08	5.13
Mean	24.47		18,585.27		5,857.91		24.19	--
S.D.	13,288.24		9,851.06		3,965.39		6.81	--
C.V	54.38		53.00		67.69		28.15	--
C.G.R	18.81		21.12		13.65		-4.34	--

Source: Annual Reports of the H.P. State Co-operative Bank Ltd.

Note: Figures in parenthesis indicate the percentage change over the previous year.

12. RATIO ANALYSIS

Profitability of the Himachal Pradesh State Co-operative Bank has been assessed by examining the pattern and trends of deposits, income from advances, expenditure, recovery etc. The ratio of possibility has been derived by relating various components of profit and loss account to a common denominator, namely, volume of business which is arrived at as the balance sheet total less contra items. The indicators as follows:

$$(i) \text{ Interest Received Ratio: } (r) = \frac{\text{Interest Earned}}{\text{Volume of Business}} \times 100$$

$$(ii) \text{ Interest Paid Ratio: } (k) = \frac{\text{Interest Paid}}{\text{Volume of Business}} \times 100$$

$$(iii) \text{ Manpower Expenses Ratio } (m) = \frac{\text{Total Manpower Expenses}}{\text{Volume of Business}} \times 100$$

$$(iv) \text{ Non-interest Income Ratio: } (c) = \frac{\text{Non-interest Income}}{\text{Volume of Business}} \times 100$$

$$(v) \text{ Non-interest Expenditure Ratio: } (o) = \frac{\text{Non-interest Expense}}{\text{Volume of Business}} \times 100$$

The equations derived from the above key indicators, are:

Spread Ratio = Interest Received Ratio- Interest Paid Ratio (r-k)

Burden Ratio = $\frac{\text{Manpower Expenses Ratio} + \text{Non-Interest Expenses Ratio}}{\text{Non-interest Ratio}} (m+o-c)$

Profitability Ratio = Spread Ratio-Burden Ratio.

The Credit Deposit Ratio plays a significant role in the operations of a bank. The Credit Deposit Ratio refers to the proportion of the credit sanctioned by banks in a region, to the deposits collected in the region. It explains the extent to which a region benefits from the bank credit out of its own deposits variations in this ratio, indicate that certain regions/states gain more than others in terms of credit flows, thus aggravating regional imbalance (Varshney, R. L. 1968). The higher the Credit Deposit ratio, the greater is the lending performance of a banking institution. C-D ratio of the bank shows a fluctuating trend during the study period. The maximum ratio was observed during the year 2012-13 (45.6%) and minimum in 2001-02(27.6%). It is observed that this ratio is below the bench mark (60%) in all the twelve years.

Table 7: Ratio Analysis

Period	Credit Deposit Ratio	Interest Earned Ratio (r)	Interest Paid Ratio (k)	Non-interest Expenditure Ratio (o)	Non-Interest Income Ratio (c)	Manpower Expenses Ratio (m)	Burden Efficiency Ratio (m + o - c)	Spread Ratio (r-k)	Net Profit Ratio (Spread Ratio-Burden Ratio)
2001-02	27.6	9.82	6.46	1.38	0.88	1.04	1.54	3.36	1.82
2002-03	27.8	9.44	6.25	1.66	0.42	1.03	2.27	3.19	0.92
2003-04	37.7	8.06	5.76	0.81	0.29	0.91	1.43	2.31	0.87
2004-05	41.5	7.03	4.40	0.88	0.24	0.89	1.53	2.64	1.10
2005-06	37.1	6.54	4.06	1.35	1.25	0.86	0.96	2.48	1.52
2006-07	44.6	6.15	3.98	0.91	0.38	0.79	1.33	2.17	0.85
2007-08	36.4	6.49	4.37	0.99	0.46	0.65	1.18	2.13	0.94
2008-09	34.4	7.14	5.43	1.08	0.60	0.71	1.19	1.71	0.52
2009-10	33.3	6.84	5.01	0.79	0.16	0.66	1.30	1.83	0.54
2010-11	44.2	7.03	5.00	0.93	0.14	0.69	1.48	2.03	0.55
2011-12	45.1	7.14	5.21	0.87	0.22	0.73	1.38	1.93	0.55
2012-13	45.6	7.28	5.13	0.82	0.09	0.82	1.55	2.15	0.60
Average	37.93	7.41	5.09	1.04	0.43	0.82	1.43	2.33	0.90
S.D.	6.15	1.09	0.91	0.27	0.33	0.13	0.30	0.49	0.40
C.V.	16.21	14.73	17.87	25.57	76.39	15.81	21.34	21.13	44.12
C.G.R.	4.68	-2.68	-2.074	-4.62	-18.721	0.059	0.059	-3.98	-9.60

Source: Compiled from annual reports of Himachal Pradesh State Co-operative Bank Limited.

Profit is considered as an indicator of efficiency in the deployment of resources of banks. Income received ratio indicates the healthy performance of assets which contributes directly to profitability. This ratio ranges from 6.15 percent to 9.82 percent. To ensure a comfortable income for a bank, the ratio must be improved. Interest paid ratio was brought to the lowest in the twelve years of study i.e. to 3.98 percent in 2006-07. This trend has to be maintained in order to earn more profits. It is observed that the non-interest income ratio ranges from 0.09 percent to 1.25 percent. In the present competitive banking arena, other income plays an important role in the ensuring and enhancing profit. Therefore the Himachal Pradesh State Co-operative Bank must pay attention to improve the ratio. Manpower expenses ratio indicates the expenses under manpower reduce of the bank. Manpower expenses cannot be reduced sharply; it can affect the performance of the employees which result in the decrease of profits. There is a need for training programmes to increase efficiency of employees. This is not considered as expenses but as an investment. Spread is the difference between interest earned and interest paid. The higher the spread, the greater the profit margin of the bank. A higher value of spread ratio indicates better performance of the bank. This ratio shows a fluctuating trend during twelve years. Net Profit to Volume of Business shows a decreasing trend during the study period which is really a major concern at the management level.

13. CONCLUSION AND SUGGESTION

There is no significant growth in the number of members during the study period. But, the number of branches has been increasing with a compound growth rate of 3.28 percent during the study period. The deposits mobilization activity of the bank shows a positive growth rate of 14.16 percent, which indicates that the bank is achieving its objective of deposit mobilization in its operation area. The fixed deposits share in total deposits is more than the saving and current deposits of the bank. It is suggested that bank should reduce fixed deposits and pay emphasison current deposits and saving deposits to reduce interest expenses. The bank has shown good performance in providing loans. The compound growth of long term loans is higher than that for the short term loan and medium term loans. The bank should increase reserve funds adequately to face any contingency. Profits of the bank shows a fluctuating trend during the study period and overall profits shows a low compound growth rate which is a matter of concern. The bank should control its expenses and find new opportunities in the market for income generation. Share capital of the bank also shows a low compound growth rate, so the bank should increase its share capital for a better financial position. The growth rate of overdues has increased by 13.65 percent which is less than the growth rate of loan and advances (19.51 percent). The recovery (collection as percentage of demand) has remained above 62 percent during the study period. It means that recovery performance of the bank is below the satisfactory level. The credit deposit ratio for the study period has been registered as very low it is much less than the ideal ratio. The bank should make concerted efforts to increase credit deposit ratio by diversifying its lending activities.

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