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A Comparative study on performance of select commercial and Co-operative banks

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ABSTRACT

Banking Sector plays an important role in economic development of a country. The banking system of India is featured by a large network of bank branches, serving many kinds of financial needs of the people. Co-operative and commercial bank plays a major role in providing credit facilities to the people in India. The present study is comparing the Financial performance of commercial and co-operative banks by calculating their income and expenditure, loans and deposits, etc., the analysis is made through calculating ratios like Leverage ratio, Cash inflow indicators ratio, Debt coverage ratio. The study is beneficial to determine the current status and financial performance of both commercial and co-operative banks for the last five years

1. Introduction

Finance and banking are the life blood of trade, commerce and industry. Now-days, banking sector acts as the backbone of modern business. Development of any country mainly depends upon the banking system. This

era is the age of specialization with the changing situation in the world economy, banking functions have broadened. Banks main function is to give loans and encouraging people to deposit, but at present scenario, due to covid -19 and other reasons some banks have reduced its interest rates from 3% to 2.75%and given moratorium on EMI's... “. There are various types of banks which operate in our country to meet the financial requirements of different categories of people engaged in agriculture, business, and profession etc., National Bank, Commercial Bank, Co-operative Bank etc.

Commercial Banks like SBI, Andhra Bank, ICICI Bank operates for profit. It accepts deposits from the general public and extends loans to the households, the firms and the government. Another distinguish feature of commercial bank is that a large part of their deposits is demand deposits withdrawal and transferable by cheque. The traditional commercial bank is a brick and mortar institution with tellers, safe deposit boxes, ATMs. The main business of Co-operative banks is to provide finance to Agriculture. They aim at developing a system of credit. The co-operative banks play a useful role in providing cheap exit facilities to the farmers. Commercial banks are controlled by the RBI, whereas co-operative banks are mainly under the control of the state governments. Co-operative banks are an important constituent of the Indian financial system.

2. Review of literature:

Aarathi K. U., etal (2020) Today, the lending sector is considered as the fastest rising sectors, also plenty of funds is been devoted in banks. Thus, it involves so much of complexity and proper evaluation of its performance is needed. There are various models available for assessing the routine act of the bank. In this study we use CAMEL model as an instrument to estimate the budgetary presentation of Bharat Cooperative bank. This model comprises of Capital Adequacy, Management Efficiency, Asset quality, Liquidity and Earnings. Bharat Cooperative bank has been selected for the time period of 2014-18 for studying and evaluating its financial performance. The study was conducted in accordance with the data collected from the yearly report of the respective in situation. Aiming the performance evaluation of the bank we have used 19 ratios related to CAMEL model. From the overall evaluation it was found that the state of capital adequacy was satisfactory. While considering Asset quality it was not up to the level, that is, it is not in a good state. The state of Management efficiency was also not up to the standard. The general earning capacity and the liquidity position were found favourable and satisfiable for the bank.

Khushboo Bhatia, etal (2015) this study focused on field study taking a sample size of 50 and a strong reliability of .901 was measured on cronbach's alpha reliability test using SPSS version 16.0 further an independent T-test was applied to data. And the final output is banking

sector is facing stiff competition and a thirst to enhance their service quality in order to gain a competitive edge.

Dr. Sukhmani Waraich et al (2013) the study concentrates on the main objective of cooperative banks is to provide timely and low-cost advances to the farmers. In the present study, an attempt has been made to analyse the performance of selected six District Central Cooperative Banks (DCCBs) of Punjab with the help of CAMEL Model. For analysis of data, mathematical and statistical tools i.e. ratio analysis, mean, compound annual growth rate and t test have been applied. It has been found that in terms of capital adequacy, Sangrur, Mansa and Gurdaspur DCCBs had not attained the prescribed capital adequacy ratio of seven percent. All the six DCCBs had managed well to keep its NPA at a low level and had very good assets portfolio

Jyoti Gupta (2012). The study is based on some successful co-op banks in Delhi (India). The study of the bank's performance along with the lending practices provided to the customers is herewith undertaken. The customer has taken more than one type of loan from the banks. Moreover, they suggested that the bank should adopt the latest technology of the banking like ATMs, internet / online banking, credit cards etc. so as to bring the bank at par with the private sector banks.

3. Need for the study

The criteria for selection of study is to understand the difference between Cooperative and commercial bank and then comparative performance of Cooperative and Commercial bank and performing the best. Hence, this would help to develop financial system in both banks. Meet the financial requirements of people in agriculture, business, profession etc. Expand income and give opportunity for the people to choose best bank for their investments. For knowing the role played by banks in providing credit facilities.

4. Objectives of the study:

- ❖ To focus the concepts and the status or financial performance of loan, deposits, income and expenditure, of selected commercial and co-operative banks.
- ❖ To examine the profile and functions of selected commercial and co-operative banks.
- ❖ To analyse the loans, deposits, interest etc., of selected commercial and co-operative banks.

Methodology of the study is it is purely analytical research and the data has been collected is primary and secondary, the sampling size is taken as the number of the selected bank company's data analysis.

5. Data interpretation of the study:

Current Ratio: (Rs.in crs)

Banks	19-20	18-19	17-18	16-17	15-16
SBI	0.09	0.08	0.07	0.07	0.06
Andhra Bank	0.06	0.05	0.03	0.03	0.02
HDFC	0.03	0.04	0.06	0.07	0.04
ICICI	0.112	0.12	0.12	0.13	0.06
DCCB	0.08	0.07	0.05	0.05	0.02

Dividend Pay-out Ratio: (Rs.in crs)

Banks	19-20	18-19	17-18	16-17	15-16
SBI	-	20.11	20.28	20.21	20.56
Andhra Bank	-	6.30	18.82	-	14.89
HDFC	-	19.53	19.62	-	19.38
ICICI	-	21.50	-	29.89	25.93
DCCB	-	-	-	-	-

Debt Equity Ratio: (Rs.in crs)

Banks	19-20	18-19	17-18	16-17	15-16
SBI	15.79	15.08	14.24	13.87	13.54
Andhra Bank	20.92	17.97	16.74	16.92	17.74
HDFC	8.58	8.02	8.25	8.00	9.36
ICICI	7.28	6.58	6.86	6.64	6.65
DCCB	-	-	-	-	-

DEPOSITS OF BANKS (Rs.in crs)

Banks	19-20	18-19	17-18	16-17	15-16
SBI	2706343.29	2044751.39	1730722.44	1576793.25	1394408.50
Andhra Bank	208070.48	195441.25	174302.40	155012.24	141845.12
HDFC	788770.64	643639.66	546424.19	450795.64	367337.48
ICICI	560975.21	490039.06	421425.71	361562.73	331913.66
DCCB	580.30	477.07	369.20	265.39	221.05

ADVANCES OF BANKS (Rs.in crs)

Banks	19-20	18-19	17-18	16-17	15-16
SBI	19,34,888.19	15,17,078.38	14,63,700.42	13,00,026.39	12,09,828.72
Andhra Bank	1,49,064.13	1,36,846.33	1,30,787.89	1,25,954.73	1,07,644.20
HDFC	6,58,333.09	5,54,568.20	4,64,593.96	3,65,495.03	3,00,300.27
ICICI	5,12,395.29	4,64,232.08	4,35,263.94	3,87,522.07	3,38,702.65
DCCB	1044.06	862.19	672.76	445.47	445.22

TOTAL EXPENDITURE OF BANKS (Rs.in crs)

Banks	19-20	18-19	17-18	16-17	15-16
SBI	2,71,645.47	2,00,495.07	1,81,893.00	1,61,871.39	1,44,012.56
Andhra Bank	23,759.12	20,161.39	18,659.31	17,230.01	15,194.57
HDFC	77,974.92	67,052.81	58,676.95	47,250.35	40,576.80
ICICI	65,608.10	63,859.68	58,336.19	50,336.19	44,795.55
DCCB	100.24	89.79	73.73	60.31	36.88

TOTAL NET PROFIT/LOSS OF BANKS (Rs.in crs)

Banks	19-20	18-19	17-18	16-17	15-16
SBI	-12,954.82	10,484.42	9,950.97	13,101.89	10,891.51
Andhra Bank	-3,411.00	269.33	634.84	694.60	533.58
HDFC	50,155.67	38,077.33	30,924.00	24,870.07	19,610.56
ICICI	25,522.36	26,933.28	26,987.71	24,493.94	19,712.77
DCCB	-12.63	-14.78	-16.81	-20.87	-24.6

6. Results:

ICICI has highest current ratio of 0.13% and DCCB has 0.07%. Commercial banks have high current ratio, but it has more fluctuations than co-operative banks. Debt equity is more in Andhra Bank with 20.92%, SBI is 15.79%. Co-operative banks have no investment activities like shareholders. Co-operative banks have net loss every year. SBI and Andhra bank are also having net loss in one particular year 2019-20. it can be noticed that the commercial banks are maintaining more income as well as expenditure, but the co-operative banks have stable income and expenditure with less fluctuations. Deposits of both commercial and co-operative banks

whereas the deposits in the co-operative bank DCCB has very less amount of deposits because the commercial banks will calculate the annual reports throughout the country wide including their branches but co-operative banks are permitted up-to district wide only. SBI has more deposits because it is one of the well trusted banks. debt equity ratio is seen in Andhra Bank with 20.92% and next is SBI with 15.79%. This shows that the high debt equity ratio means the banks has been aggressive in financing its growth with debt. However, if the cost of debt financing outweighs the increased income generated, share values may decline. Co-operative banks have no investment activities like shareholders so there is no debt equity ratio for DCCB. There is no dividend pay-out ratio, which means there are no profits in the banks. ICICI has highest dividend pay-out of 29.89%. The banks like DCCB have more Net loss will carry-forward, so the co-operative banks have no profits. So we can't calculate the dividends by net income. it can be observed that the SBI one of the commercial banks has more loans and advances in year 2019-20 with 19crores because the bank had implemented more schemes for the loans and advances. Co-operative banks focused more on providing loans for the agriculture and to loans for the rural area development. And it is noticed that noticed that the commercial banks are maintaining more income as well as expenditure, but the co-operative banks have stable income and expenditure with less fluctuations. Co-operative banks have net loss every year because the net loss each preceding year is being carry-forward for the succeeding year. Though the banks like SBI and Andhra bank are also having net loss in one particular year 2019-20.

7. Suggestions:

- Co-operative banks are giving more importance to Short term loans whereas commercial is giving importance to long term loans, co-operative banks are providing facility for loans mainly for Agriculture. If it improves short term loans, then there will be development of banks.
- The technological applications like ATM services, internet banking, transfer of money etc., are done in commercial banks. Likewise, co-operative banks should also use this type of Technology for their development.
- Commercial Banks have less interest rates which is paid by customers by taking loans which is good for customers as well as bank, along with development of banks. Whereas in co-operative banks high interest rates are provided, so decline in the interest rates can result in the development of co-operative banks.

8. Conclusion:

The present article is focusing on financial performance of both commercial and co-operative banks that mobilize the savings of community into

productive channels. Net Profit generation is more in commercial banks which indicates sound financial position of the bank. Co-operative Banks should service their customers and give awareness about the bank by using more updated technology like ATMs, Electronic fund transfer, debit and credit cards to overcome barriers of time. The growing competition, growing expectations led to increase awareness about banks along with their roles and the importance of technology in banking. Especially in the corona season many bank were followed moratorium it gave to loan holder getting some relief

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