A Study on the Operational Efficiency of Mettupalayam Urban Cooperative Bank through Ratios with reference to Coimbatore District in Tamil Nadu

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Abstract

The Urban Cooperative banks provide credit to the middle class people such as the small traders, and artisans, salaried people who had a limited fixed income in urban or semi-urban areas. Besides, protecting them from the clutches of money lenders, the urban bank is also expected to inculcate the habit of thrift and saving among them. These banks were traditionally countered on communities, localities work place groups. It essentially lent to small borrowers and businesses. The Urban Cooperative bank undertake various competitive banking services for the benefit of the urban people but the urban cooperative banks faced many issues by loan operation, recovery of loan, overdues NPA etc. This study is made to attempt to analyse the operational efficiency with regard to working capital management, operational management and profitability management of urban Cooperative banks and given the solution to the same.

Key words: Urban Cooperative Bank, working capital, operational efficiency, profitability.

Introduction

The term Urban Cooperative Banks are located in urban and semi-urban areas. These banks, till 1996 were allowed to lend only for non-agricultural purposes. This distinction dose does not hold today. These banks were traditionally countered on communities, localities work place groups. It essentially lent to small borrowers and businesses. Today, the scope of operations has widened considerably. The Cooperative Credit Societies Act, 1904 was amended in 1912, with a view broad basing it to enabled organisation of non-credit societies, the Maclagan Committee of 1915 was appointed to review their performance and suggest measures for strengthening them. The committee observed that such institutions were eminently suited to cater to the needs of the lower and middle income group of society and would inculcate the principles of banking amongst the middle classes. The committee also felt that the urban cooperative credit movement was more viable than agricultural credit societies. The Recommendations of the Committee went a long way in the urban cooperative credit movement in its own right. The constitutional reforms which led to the passing of the government of India Act in 1919 transferred the subject of “cooperation” from government of India to the provincial Governments. The Governments of Bombay passed the first State Cooperative Societies Act which not only gave the movement its size and shape but was a pace setter of cooperative activities and stressed the basic concept of thrift, self help and mutual aid.” Other states were followed. This marked the beginning of the second phase in the history of cooperative credit institutions..

Review of literature

The present study operational efficiency of Urban Cooperative Banks in Mettupalayam Taluk with reference to Coimbatore District, the related review of literature are given below for relevant study.

R.P. Gupta (2003) in his study entitled “An Appraisal of the working of scheduled Urban Cooperative Banking in India: Problems and Prospects” has highlighted some weakness of this sector like duality of control, frequent changes in the top management and board of directors, limited product base, poor resource base, inadequate infrastructure, adverse publicity by media in case of small aberration, etc. he further pointed out that prohibition for undertaking certain activities like brokerage, factoring is also responsible for poor performance of this sector.

Kanchankumar Purohit and Bidhan Chandra Mazumdar (2003) have presented and article entitled "Postmortem of Financial Performance and Prediction of Future Earning Capability of a Bank: An Application of CAMEL Rating and Balanced Scored Board". In this article the performance of BASIC Bank of Bangladesh has been evaluated. The authors suggested that the banks should give emphasis on new product development and service diversification and this will ensure sustained growth of long-term profitability.

Lopoyetum S.K (2004)"Working Capital and Profitability Analysis of Pudukkottai District central Cooperative Bank, Tamilnadu" revealed that some of the liquid assets, cash in hand, and balance with other banks in current accounts were idle in the reserve that the bank did not derive any income from them. On some other liquid assets e.g., money at call and short notices and investment, the return was lower as compared to other profitable uses of the bank funds.

Teli R.B. (2004)"Financial Performance of Urban Cooperative Bank" Indian Cooperative Review"study identified that the problems faced by the UCBs were dual control untrained human capital, limited area of operation, lack of marketing view, limited resources, lack of support from the government, problem of recovery, low computerization, lack of transparency, incomplete corporate governance, lack of conceptual awareness etc.

Ravi Prasad S. (2004) in his article, "Performance of Urban Cooperative Banks: Some aspects" has observed a number of problems faced by this sector, such as lack of banking knowledge by the board of management, lack of professionalism, political influence in the sanction and collection of loans , narrow margins and improper investment in government securities and other approved securities, bonds etc., He has opined that employees and members of Board of Management of all urban cooperative banks should have some moral values and sincerity, so that they should set an example for other to emulate.

Sugat Marjit and IndrajitMallick (2004) Performance of District Cooperative Central Bank" in their study stated that in recent years there has been increasing concern over the financial health of banks in different economics. This study attempted to understand an aspect of this important problem and to contribute to a better understanding of potential regulatory policy, which can mitigate this problem.

Teli.R.B(2005) "Financial Performance of Urban Cooperative Bank" pointed out that percentage of net profit to working capital had shown fluctuating trend during the study period. It was due to the slackness in trade and commerce.

Samvel.K.Land others (2005) "Financial Analysis of Urban Cooperative Banks in Dindigul District"revealed that the rate of interest earned on loans and advances (62.29percent) was higher than the rate of interest earned on investment to average working funds (89.43percent). This clearly indicated that the major usage of working funds was deployed in investment which was high in earning assets.

B.B.Goel (2006) "Cooperative Research: Identification of Priority Gaps" his article revealed that the market oriented regime of twenty first century is conducive environment for re-inventing Urban Cooperative banks by re-designing its vision. Suggested that continuous improvement and benchmarking in its operations on the part of United Progressive Alliance of ruling Government to constitute an independent Commission for Cooperative Sector for a thorough introspection and plan of action. There is no reason as to why cooperatives do not turn victorious

Ramu.N (2007) Working Capital Management of Sri Lakshminarayana Cooperative Urban Bank Ltd" stated that the deposits (86.26 percent) were the major source of resources of the UCBs. The members had more willing to invest in fixed deposits than other types of deposits.

Sujatha V. (2007) "Financial Performance of Krishna Cooperative Central Banks Ltd" revealed that the manpower ratio had come down mainly because of significant reduction in the number of employees and non-filling up of the vacancies that arose due to retirement and other factors.

Gurumurthy (2008)"Urban Cooperative Banks and RBI Guidelines" in his study based article observed that, the letters NPA strike in banking and business circles today. The now say that domestic finance should be based on counter cyclical approach, that is, if the economy is under-performing there should be liberal financing to lift the economy. Today's NPA policy is precisely the other way round. Universalized NPA rule is a western strategy to keep global banking and finances under its thumb. It is tailor made to suit equity – driven economies, that is western ones.

Jain .B.K (2008) "Customers Services with a Difference – A Study of AmreliNagrikSahakari Bank" identified that the unique services had offered by the AmreliNagrikSahakari Bank such as centrally air conditioned hall with comfortable seating arrangement, free tea /coffee, notes counting machines for customers, extended banking hours, interest discount on loans and advances, gift to regular loan repayers and free accident insurance.

UttamkumarDuttaa (2008) "Appraisal of Financial Performance of Urban Cooperative Banks" was indicated that the credit Deposit Ratio (CD Ratio) of the bank was unsatisfactory which ranged between 22.19 and 17.94 percent (Desired CD Ratio level 60-70 percent).

Statement of the problem

The Urban Cooperative banks provide credit to the middle class people viz., the small traders, and artisans, salaried people who had a limited fixed income in urban or semi-urban areas. Besides, protecting them from the clutches of money lenders, the urban bank is also expected to inculcate the habit of thrift and saving among them. They finance individuals, small industrialist and artisans who are working in urban areas. They are making a significant contribution to the industrial development. They also undertake various competitive banking services for the benefit of the urban people but the urban cooperative banks faced many problems by loan operation, recovery of loan, overdues NPA etc. This study is made to attempt to find out the problems of urban Cooperative banks and given the solution to the same. The researchers kept in mind the following questions arise were: What is the flow of funds? How to earn profit ? How to mobilize the deposits ? What are the sources and uses of funds? What is the recovery performance? And what extent the business performance in the near future? Besides, the study is made to attempt and analyze the Operational efficiency of Mettupalaym Urban Cooperative Bank with reference to Coimbatore District.

Objectives of the study

The main objective of the study is:

- To analysis the Operational Efficiency through ratios and findings, suitable suggestions and conclusion

Methodology

A case study method was adopted for the percent study. Data relating to the general working, financial statement, loan operation and level of satisfaction members collected from annual report, Audit report and other available records from the bank. Discussions are also done with the officials of the Bank whenever and wherever necessary. Mettupalayam Urban Cooperative Bank is purposively selected for the study and at it is one of the profits earning bank in MettupalayamTaluk. The statistical tools used to collect data from the selected bank, a comprehensive Schedule and Questionnaire prepared and used

Operational efficiency

Efficiency in simple terms is the ratio between input and output, effort and results, expenditure and income, cost and result. It is also termed as the ability to achieve the desired goal with minimum of time and effort in relation to the amount of work successfully. Operational efficiency denotes the good working condition at all levels of an organization, under which a co-operative organization may be able to discharge its working to member's satisfaction. The key indicators off cooperative operational efficiency are promptness in service, self-reliance in resources, and democracy in management efficiency of personnel. Private organizations are profit seeking enterprises, where as co-operative are services giving enterprise,

Ratio analysis

Ratio analysis is the process of determining and presenting the relationship between figures and group of figures drawn from the financial statements in arithmetical terms. The following ratios are applied in the business results for find out the operational efficiency. As far as working capital ratios, such as Owned funds to Working Capital, Deposits to Working Capital, Borrowings to Working Capital, Owned funds to Borrowed funds, Net Profit to Working capital, Gross Profit to Working Capital and besides Operational ratios such as

Interest earned to Total Income, Interest Paid to Total Income, Total Expenditure to Total Income, Interest Paid on Borrowed funds. With regard to profitability ratios like Net Profit to Total Income, Net Profit to Total Deposits, Return on assets and NPA to Total Assets, NPA to Loan outstanding was analysed.

Owned funds to Working Capital

The urban cooperative banks have reserve funds apart from share capital. The share capital and reserves constitute bank's owned funds. Owned funds consist of paid up share capital plus the reserve funds created by the bank. Owned funds indicate the self reliance of a cooperative institution. Strong owned funds base means the Urban Cooperative Bank can stand on its own leg and it need not depend heavily on external resources. This ratio is very helpful in assessing the percentage of Owned funds to Working Capital

Table-1

Ratio of Owned funds to Working Capital

(Rs. In lakhs)

Year	Owned fund	Working capital	Ratio
2008-2009	525.25	3859.38	13.60
2009-2010	542.7	3828.51	14.17
2010-2011	540.06	4007.73	13.47
2011-2012	562.44	4185.84	13.43
2012-2013	621.48	4528.19	13.72
2013-2014	622.03	5311.03	11.71
2014-2015	633.63	6270.15	10.10
2015-2016	634.63	7287.54	8.70
2016-2017	753.26	8288.77	9.08
2017-2018	734.25	10637.35	6.90
Average			11.49

$$\text{Ratio of Owned funds to Working Capital} = \frac{\text{Owned fund}}{\text{Working capital}}$$

The Ratio of Owned funds to Working Capital ranged between 13.60 and 6.90 an average ratio is 13.72 percent per annum. This implies that about 13.72 of the working capital us earned from owned fund. However, the bank should initiate steps initiate steps to arrest the declining trend in working capital in the year 2012-13onwards. Hence a satisfactory performance of the bank is observed.

Deposits to Working Capital

Deposit is one of the main functions of banking business and so an important source of working fund for the bank. The Urban Cooperative Bank has to increase their financial resources by way of deposit mobilization. Deposit mobilization is an indispensable factor to increase the source of the Urban Cooperative Bank to serve effectively. This ratio is very helpful in assessing the percentage of Deposits to Working Capital

$$\text{Ratio of Deposits to Working Capital} = \frac{\text{Deposits}}{\text{Working capital}}$$

Table-2

Ratio of Deposits to Working Capital

(Rs. In lakhs)

Year	Deposits	Working capital	Ratio
2008-2009	3314.78	3859.38	85.88
2009-2010	3265.82	3828.51	85.30
2010-2011	3447.31	4007.73	86.01
2011-2012	3598.86	4185.84	85.97
2012-2013	3883.49	4528.19	85.76
2013-2014	4665.71	5311.03	87.84
2014-2015	5611.18	6270.15	89.49
2015-2016	6512.92	7287.54	89.37
2016-2017	7532.95	8288.77	90.88
2017-2018	9874.04	10637.35	92.82
Average			87.93

With regard to Deposits to Working Capital ratio is analysed above the table No.2. From the period 2008-2009 ratio ranged between 85.88 and 92.82 and an average ratio is 85.76 percent. It is indicated that the ratio of deposit working capital is satisfactory position over the period of study. This implies that about 85.76 of the working capital earned from Deposits. Nevertheless, the bank should take necessary steps to improve the further development from the members as well as general public. Moreover, the study indicated that, a satisfactory performance of operational efficiency of the urban cooperative bank.

Borrowings to Working Capital

In addition to deposits the Urban Cooperative Bank borrow from other financial agencies such as State Cooperative Banks, Reserve Bank of India, NABARD, Government and Commercial banks. Borrowings also constitute an important source of working funds of the Urban Cooperative Bank. The main source of borrowings of the Urban Cooperative Bank has always been the State Cooperative Banks. This ratio is very helpful in assessing the percentage of Borrowings to Working Capital

Table-.3

Ratio of Borrowings to Working Capital (Rs. In lakhs)

Year	Borrowings	Working capital	Ratio
2008-2009	18.65	3859.38	0.48
2009-2010	19.98	3828.51	0.52
2010-2011	20.36	4007.73	0.50
2011-2012	21.54	4185.84	0.51
2012-2013	22.91	4528.19	0.50
2013-2014	23.29	5311.03	0.43
2014-2015	25.34	6270.15	0.40
2015-2016	27.54	7287.54	0.37
2016-2017	28.02	8288.77	0.33
2017-2018	29.06	10637.35	0.27
Average			0.43

The Ratio of Borrowings to Working Capital ranged between 0.48 and 0.27 an average ratio is 0.50 % per annum. This implies that about 0.50 of the working capital us earned from Borrowings; being in a bank organization it has to be like that only . However the bank should initiate steps initiate steps to arrest the declining trend in working capital in the year 2012-13. Hence a satisfactory performance of the bank is observed

Owned funds to borrowed funds

Owned funds refer to the funds provided by the owners. Borrowed funds refer to the borrowings of a business firm. In a company, borrowed funds consist of the finance raised from debenture holders, public deposits, financial institutions and commercial banks.

Table -4

Ratio of Owned funds to Borrowed fund (Rs. In lakhs)

Year	Owned fund	Borrowings	Ratio
2008-2009	525.25	18.65	2816.35
2009-2010	542.07	19.98	2716.21
2010-2011	540.06	20.36	2652.55
2011-2012	562.44	21.54	2611.14
2012-2013	621.48	22.91	2712.70
2013-2014	622.03	23.29	2670.80
2014-2015	633.63	25.34	2500.51
2015-2016	634.63	27.54	2304.39
2016-2017	753.26	28.02	2688.29
2017-2018	734.25	29.06	2526.66
Average			**2619.96**

As far as an owned fund to borrowed funds is analyzed above the table, the ratios ranged between 2816.35 and 2526.66 during the study period from 2008-2009 to 2017-2018 and an average ratio is 2619.96 percent per annum. It is indicated that owned fund is high than the borrowed fund. However, the bank may be take necessary measures to improve the owned funds during the study period. Even though, the bank has a satisfactory performance of operational efficiency position is observed

Net Profit to Working capital

Net working capital is a liquidity calculation that measures a company's ability to pay off its current liabilities with current assets. This measurement is important to management, vendors, and general creditors because it shows the firm's short-term liquidity as well as management's ability to use its assets efficiently.

Table-5

Ratio of Net Profit to Working capital (Rs. In lakhs)

Year	Net profit	Working capital	Ratio
2008-2009	108.75	3859.38	2.81
2009-2010	113.4	3828.51	2.96
2010-2011	161.9	4007.73	4.03
2011-2012	172.2	4185.84	4.11
2012-2013	254.09	4528.19	5.61
2013-2014	313.48	5311.03	5.90
2014-2015	386.68	6270.15	6.16
2015-2016	451.14	7287.54	6.19
2016-2017	492.94	8288.77	5.94
2017-2018	19.02	10637.35	0.17
Average			4.39

The Ratio of Net profit to Working Capital ranged between 2.81 and 0.17 an average ratio is 5.61 % per annum. This implies that about 5.61 of the Net profit us earned from Working capital; being in a bank organization it has to be like that only. However the bank should initiate steps initiate steps to arrest the

Fluctuating trend in working capital in the year 2012-13.Hence a satisfactory performance of the bank is observed

Gross Profit to Working Capital

Gross working capital is the sum of all of a company's current assets (assets that are convertible to cash within a year or less). Gross working capital includes assets such as cash, accounts receivable, inventory, short-term investments and marketable securities. In this ratio is very useful to assess the percentage Gross Profit to Working Capital.

Table-6

Ratio of Gross Profit to Working Capital (Rs. In lakhs)

Year	Gross profit	Working capital	Ratio
2008-2009	112.03	3859.38	2.90
2009-2010	761.02	3828.51	19.87
2010-2011	114.56	4007.73	2.85
2011-2012	901.55	4185.84	21.53
2012-2013	181.47	4528.19	4.00
2013-2014	174.65	5311.03	3.28
2014-2015	232.95	6270.15	3.71
2015-2016	152.54	7287.54	2.09
2016-2017	109.98	8288.77	1.32
2017-2018	106.37	10637.35	0.99
Average			6.26

The Ratio of Gross Profit to Working Capital ranged between 2.90 and 0.99 an average ratio is 4.00 percent per annum. This implies that about 6.26 percent of the working capital us earned from Gross profit . However the bank should initiate steps initiate steps to arrest the Fluctuating trend in working capital in the year 2012-13 to 2017-2018. Even though, high level percentages of gross profit to working capital is satisfactory performance of the bank is indicated.

Operational ratios

Interest earned to Total Income

Interest income is the revenue earned by a lender for use of his funds or an investor on their investment over a period of time. This revenue is typically taxable and reported in the other income section of the statement. This ratio is very helpful in assessing the percentage Interest earned to Total Income.

Table-7

Ratio of Interest earned to Total Income

(Rs. In lakhs)

Year	Interest earned	Total Income	Ratio
2008-2009	1224.65	414.25	295.63
2009-2010	1202.08	376.85	319.17
2010-2011	1234.62	418.54	294.98
2011-2012	388.02	414.72	93.56
2012-2013	507.19	538.41	94.20
2013-2014	531.6	560.2	94.89
2014-2015	555.95	577.8	96.21
2015-2016	727.45	705.62	103.09
2016-2017	857.71	883.45	97.08
2017-2018	1081.98	113.93	949.68
Average			94.20

From the above table indicated that the Ratio of Interest earned to total income ranged between 295.63 and 949.68 and the overall an average ratio is 94.20 percent per annum, it implies that about 94.20 of the total Income us earned from Interest earned only. Further, earlier trend is fluctuating position after that increasing trend in the year 2012-13. Therefore, it is stated that the ratio of interest earned to total income is satisfactory performance of the bank is observed

Interest Paid to Total Income

A typical bank's assets consist of all forms of personal and commercial loans, mortgages and securities. The liabilities are the customer deposits.

Table-8
Ratio of Interest Paid to Total Income (Rs. In lakhs)

Year	Interest paid	Total Income	Ratio
2008-2009	219.39	414.25	52.96
2009-2010	235.61	376.85	62.52
2010-2011	225.61	418.54	53.90
2011-2012	233.35	414.72	56.26
2012-2013	304.00	538.41	56.46
2013-2014	332.09	560.2	59.28
2014-2015	394.03	577.8	68.19
2015-2016	449.02	705.62	63.63
2016-2017	603.75	883.45	68.34
2017-2018	802.51	113.93	704.38
Average			124.59

With regard to Interest Paid to Total Income ratio is analysed to find the operational efficiency, it observed from the table mentioned no.8, it is ranged between 52.96 and 704.38 and an average ratio is 56.46 percent per annum. This implies that about 56.46 of the Total Income earned from interest. However, during the study period, it has gradually increasing trend for total income to earned income. Hence, the study conclude that a satisfactory operational efficiency performance of the bank is observed

Total Expenditure to Total Income

Total expenditure is price time's quantity. Because price and quantity change in opposite directions along a demand curve, changes in total expenditure depend on the relative changes in price and quantity. This ratio is very helpful in assessing the percentage Total Expenditure to Total Income

Table-9
Ratio of Total Expenditure to Total Income
(Rs. In lakhs)

Year	Total Expenditure	Total Income	Ratio
2008-2009	1061.4	414.25	256.2
2009-2010	2484.56	376.85	659.2
2010-2011	1561.09	418.54	372.9
2011-2012	1431.05	414.72	345.0
2012-2013	1086.55	538.41	201.8
2013-2014	612.17	560.2	109.2
2014-2015	402.81	577.8	69.7
2015-2016	153.43	705.62	21.7
2016-2017	169.57	883.45	19.1
2017-2018	1100.18	113.93	965.6
Average			302.09

The above table no.9 mentioned that, the Ratio of total expenditure to total income ranged between 256.2 and 965.6. Further, as much as high in the year 2017-2018 than others. Moreover, an average of the study period is 302.09 i.e. 81 per cent is high. However the bank should initiate steps initiate steps to arrest the declining trend in Total Expenditure in the year 2012-13. Hence, a satisfactory performance of the bank is observed

Interest Paid on Borrowed funds

Money one has received from another party with the agreement that it will be repaid. Most borrowed funds are repaid with interest, meaning the borrower pays a certain percentage of the principal amount to the lender as compensation for borrowing.

Table-10

Ratio of Interest Paid on Borrowed funds (Rs. In lakhs)

Year	Interest paid	Borrowings	Ratio
2008-2009	219.39	18.65	1176.3
2009-2010	235.61	19.98	1179.2
2010-2011	225.61	20.36	1108.1
2011-2012	233.35	21.54	1083.3
2012-2013	304.00	22.91	1326.9
2013-2014	332.09	23.29	1425.8
2014-2015	394.03	25.34	1554.9
2015-2016	449.02	27.54	1630.4
2016-2017	603.75	28.02	2154.7
2017-2018	802.51	29.06	2761.5
Average			1540.15

The table no. 10 the Ratio of ranged Interest Paid on Borrowed funds between 1176.3 and 2761.5 an average ratio is 1540.15 per annum. This implies that about 1540.15 of the borrowed funds earned from Interest paid are indicated good position. However, the bank should initiate steps to reduce the borrowing and improve the owned fund. Even though, there is positive trend position during the study period is satisfactory is analyzed.

Profitability ratio

Net Profit to Total Income

Net income - NI is equal to net earnings (profit) calculated as sales less cost of goods sold, selling, general and administrative expenses, operating expenses, depreciation, interest, taxes and other expenses. Net income also refers to an individual's income after taking taxes and deductions into account. This ratio is very helpful in assessing the percentage Net Profit to Total Income

Table-11

Ratio of Net Profit to Total Income

(Rs. In lakhs)

Year	Net profit	Total Income	Ratio
2008-2009	108.75	414.25	26.25
2009-2010	113.4	376.85	30.09
2010-2011	161.9	418.54	38.68
2011-2012	172.2	414.72	41.52
2012-2013	254.09	538.41	47.19
2013-2014	313.48	560.2	55.95
2014-2015	386.68	577.8	66.92
2015-2016	451.14	705.62	63.96
2016-2017	492.94	883.45	55.79
2017-2018	19.02	113.93	16.68
Average			44.30

The Ratio of Net Profit to Total Income ranged between 26.25 and 16.68. Moreover, an average ratio is 44.30 percent. This implies that about the total Income earned from Net Profit is moderate level. However the bank may be initiate necessary arrangement to improve the net profit through strengthening the operational activities. Hence, a low level satisfactory performance of operational efficiency of Urban Cooperative bank is observed in the selected cooperative bank.

Net Profit to Total Deposits

Net interest **income** is the difference between the revenue that is generated from a bank's assets and the expenses associated with paying its liabilities. The excess revenue that is generated from the interest earned on assets over the interest paid out on deposits is the net interest income. This ratio is very helpful in assessing the percentage Net Profit to Total Deposits.

Table-12
Ratio of Net Profit to Total Deposits

(Rs. In lakhs)

Year	Net profit	Deposits	Ratio
2008-2009	108.75	3314.78	3.28
2009-2010	113.4	3265.82	3.47
2010-2011	161.9	3447.31	4.69
2011-2012	172.2	3598.86	4.78
2012-2013	254.09	3883.49	6.54
2013-2014	313.48	4665.71	6.71
2014-2015	386.68	5611.18	6.89
2015-2016	451.14	6512.92	6.92
2016-2017	492.94	7532.95	6.54
2017-2018	19.02	9874.04	0.19
average			5.00

The above table no.12, the ratio of net profit to total deposits ranged between 3.28 and 0.19 an average ratio is 5.00 percent per annum. Moreover, over the study period 6.89 percent is high in the year 2014-2015. This implies that about 6.54 of the earned Total Deposits from Net Profit. Finally, it concluded that from the analyzed a satisfactory level.

Return on Assets

Return on assets (ROA) is an indicator of how profitable a company is relative to its total assets. ROA gives a manager, investor, or analyst an idea as to how efficient a company's management is at using its assets to generate earnings. Return on assets is displayed as a percentage. This ratio is very helpful in assessing the percentage Return on assets.

Table-12
Ratio of Return on Assets **(Rs. In lakhs)**

Year	Net profit	Total assets	Ratio
2008-2009	108.75	4279.77	2.54
2009-2010	113.4	4317.91	2.62
2010-2011	161.9	4495.01	3.60
2011-2012	172.2	4726.21	3.64
2012-2013	254.09	5406.27	4.69
2013-2014	313.48	5384.19	5.82
2014-2015	386.68	7165.52	5.39
2015-2016	451.14	8124.93	5.55

2016-2017	492.94	9144.82	5.39
2017-2018	19.02	1160.84	1.63
Average			4.09

The Ratio of Total assets to Net profit ranged between 2.54 and 1.63 an average ratio is 4.69 percent per annum. This implies that about 4.69 of the earned Net profit from Total assets; being in a bank organization it has to be like that only. However the bank should initiate steps initiate steps to arrest the Increasing trend in Net profit in the year 2012-13. Hence a satisfactory performance of the bank is observed

NPA to Total Assets

Non-Performing Assets (NPA) are assets for which interest is overdue for more than 90 days. It includes sub-standard assets, doubtful assets and loss assets - all these three assets combined. The net NPA (Net NPA = Gross NPAs- Provisions) divided by the total advances of a branch reflects the gross NPA ratio**.** This ratio is very helpful in assessing the percentage NPA to Total Assets

Table-13
Ratio of NPA to Total Assets

(Rs. In lakhs)

Year	NPA	Total assests	Ratio
2008-2009	487.56	4279.77	11.39
2009-2010	460.37	4317.91	10.66
2010-2011	476.85	4495.01	10.60
2011-2012	433.81	4726.21	9.17
2012-2013	367.16	5406.27	6.79
2013-2014	360.54	5384.19	6.69
2014-2015	339.05	7165.52	4.73
2015-2016	364.16	8124.93	4.48
2016-2017	493.77	9144.82	5.39
2017-2018	560.18	1160.84	48.25
Average			11.81

The Ratio of NPA to Total Assets ranged between 11.39 and 48.25, an average ratio is 11.81 percent per annum. 48.25 is the high level in the year 2017-2018. This implies that earned Total Assets from NPA being in a bank organization positively running. However the bank should initiate steps initiate steps to arrest the declining trend in Total Assets in the year 2012-13. It conclude that, a satisfactory performance of the bank is observed

NPA to Loan outstanding

Outstanding balance refers to the balance in the account at a particular date. The balance is a loan account includes principal amount fewer installments paid and interest etc charged in loan account. Drawing power is the amount which a borrower is entitled to draw at a point of time. I.e, if there is a stock of 60 lacs in a go down against which stock worth Rs 20 lacs is taken in credit and bank stipulated 25% margin on stock, the drawing power is(60–(20+10=) 30 lacs provided the limit is 30 lacs or more. In npa account the drawing power is nil. This ratio is very helpful in assessing the percentage NPA to Loan out standing

Table-14
Ratio of NPA to Loan out standing

(Rs. In lakhs)

Year	NPA	Loans outstanding	Ratio
2008-2009	487.56	2284.47	21.34
2009-2010	460.37	2102.82	21.89
2010-2011	476.85	2404.35	19.83
2011-2012	433.81	2537.02	17.09
2012-2013	367.16	2949.09	12.44
2013-2014	360.54	3363.11	10.72
2014-2015	339.05	3882.11	8.73
2015-2016	364.16	5340.22	6.81
2016-2017	493.77	6027.45	8.19
2017-2018	560.18	6325.43	8.85
Average			13.59

Above table indicated that, the Ratio of NPA to Loan outstanding ranged between 21.34 and 8.85 an average ratio is 13.59 percent per annum. It implies that about a gradual decreasing trend loan outstanding over the study period. Moreover, declining trend in loan outstanding in the year 2012-13 and therefore, a satisfactory performance of the bank is observed.

Conclusion

As far as working capital ratios, such as Owned funds to Working Capital, Deposits to Working Capital, Borrowings to Working Capital, Owned funds to Borrowed funds, Net Profit to Working capital , Gross Profit to Working Capital and besides Operational ratios such as Interest earned to Total Income, Interest Paid to Total Income , Interest Paid on Borrowed funds. With regard to profitability ratios like Net Profit to Total Income, Net Profit to Total Deposits, NPA to Total Assets and NPA to Loan outstanding. Most of the ratios like have shown good performance of the selected bank. Moreover, the bank takes necessary arrangement to improve the deposits position and investment in other organization is advisable. The overall the financial performance of the sample bank is good.

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