

# An empirical study on financial performance of the West Bengal State co-operative bank Ltd for 2008-09 to 2017-18

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## Abstract

**Objectives:** To find out and analyze the trend and progress of financial performance of WBSCB Ltd. and to offer some effective suggestions for improving effectiveness in the operation of the WBSCB Ltd.

**Methods/Statistical analysis:** The data which has been used for this study was totally secondary in nature. The financial performance was verified, examined and analyzed taking the help of table, accounting tools such as ratio analysis, statistical tools like Mean, Standard Deviation, Coefficient of Variance and Trend Analysis.

**Findings:** On the date of 31<sup>st</sup> March 2018 WBSCB Ltd. was with a total deposit of ₹703,973.99 lakhs, loans and advances ₹571,327.53 lakhs, Net Profit ₹206.25 lakhs and gross NPA was ₹29623.06 lakhs, whereas net NPA percentage was 1.45%. Went through a vivid study and examination of the audited Financial Statements, it has evident that, there has inflation in capital, reserve, deposits, borrowings and loans & advances, these are indicators of growth but on the other hand increase of investment was not even during the study period and profitability of the bank has not been raised accordingly. WBSCB Ltd. through facilitating different types of banking services to their customers and society members and by attracting more household to be associated with them has been enhancing the financial inclusion process in West Bengal.

**Application/Improvements:** Growth of WBSCB Ltd. indirectly boosting up the financial inclusion process in West Bengal. A healthy training and education is needed by organizing seminar and workshops for increasing and modifying the level of performance of the personnel associated with the banking operation for improving the financial performance of the WBSCB Ltd.

**Keywords:** Financial Performance, Deposit, Loans & Advance, Investment, C/D Ratio.

## 1. Introduction

Co-Operative bank plays an important role in the banking system of our country. The West Bengal State Co-operative Bank Ltd. (WBSCB Ltd.) also has been playing a great role for the West Bengal state since its inception. When co-operative Credit Societies Act in 1904 implemented, in India Co-operative Credit movement started its journey. Agriculture is the key source of livelihood of more than 65% of the population in India. The grand reason of launching of Co-operative Credit System actually was the helplessness of small farmers due to unscrupulous private money lenders. Like all other state in West Bengal also has the zenith body of the co-operative banking system, The WBSCB Ltd. As per Co-operative Societies Act-II of 1912 before getting the independence, a cooperative society namely "Bengal Provincial Co-operative Federation Ltd." was registered. In 1923 the federation changed into a bank named "The Bengal Provincial Co-operative Bank Ltd." In 1964, after the conversion of provinces into states, the name of the bank changed to The WBSCB Ltd. After that on 2<sup>nd</sup> July 1966, the bank was enlisted in the second schedule of Reserve Bank of India. The ultimate objective of The WBSCB Ltd is to accelerate agricultural lending, retaining a focus on low –Income group and related issues in a systematic and professional manner. The bank has been providing banking hospitalities taking the help of latest technology both in rural areas as well as in urban areas. It has 43 branches throughout the West Bengal along with a Head Office. Total number of regional offices is three and they are in Coochbehar, Barasat and Diamond Harbour. Total number of affiliated CCBs is 17. Total number of branches of CCBs and WBSCBs are 352. Total number of PACS affiliated to WBSCB Ltd. Are 1102 as on 31.003.2018. Number of working PACS in West Bengal is 3963.

The shape of Co-operative banking structural system is like Pyramid in characteristics. At the top State Co-operative Banks(SCBs)supervises as the zenith body and in the district level 17 District Central Co-operative Banks (DCCBs) has been working. In West Bengal units of The WBSCBs have been operating its business in several districts of West Bengal such as North 24 Pgs, South 24-Parganas and Coochbehar. At the village level 5056 Primary Agricultural Credit Co-operative Societies(PACs) have been conducting its operation.

## 2. Literature survey

A number of previous studies investigated the performance of co-operative banks situated in various states of India as well as around the globe. I review a few meaningful studies in the subsequent paragraphs. In [1] investigated the magnitude of NPA in co-operative bank and main causes behind of an account becoming non-performing. According to him NPA growth involves the necessities of provisions, which reduces the overall profits and weaken the cooperative structure. They have emphasized on the purpose of finding out the NPA management of WBSCB and rural cooperative banks of West Bengal as a whole. In [2] examined the welfare of the people and their economic condition, and progress and prosperity of agricultural sector. He has pointed out that the farmers are in need of higher amounts of credit/loan for the purpose of undertaking agricultural activities. He has argued that Co-operative Banks have been performing well in mobilizing small rural savings and using the same, besides the funds mobilized from other sources, to finance the needs of different growth sectors including agricultural sector. He has tried to examine the operational performance of Urban Co-operative Banks as well as Rural Credit Institutions with an emphasis on unearthing the reasons for the mounting losses and non-performing assets. For the purpose they have used both primary and secondary data. In [3] pointed out that Vidyasagar Central Cooperative Bank has been serving the people of agricultural, non-agricultural and individual sectors actively for the development of their socio-economic status. They have attempted to assess the performance and profitability of the said bank. For the purpose they have used primary data. They have concluded that the bank is facing the problem of lower profitability and they have highlighted that bank's burden ratio in comparison with its spread ratio is increasing rapidly.

They have expressed their views that when interest rate cut short, the bank with its normal banking operations in bound to suffer in terms of its profitability and presence of huge non-performing assets is also making the profitability conditions of the bank even bleaker. In [4] examined the technical efficiency of co-operative banks functioning in Jammu and Kashmir. For this they have used Charnes, Cooper and Rhodes(CCR) model (1978) of Data Envelopment Analysis (DEA) and the Banker, Charnes and Cooper (BCC) model (1984). If efficiency is measured in terms of constant returns to scale, three banks are comparatively more efficient. If efficiency is measured in terms of variable returns to scale, five banks are comparatively more efficient. They have offered valuable insights to policymakers and managers to improve the proficiency and operation of the co-operative banking sector. They have suggested that by improving management of deposits, number of employees, loan advances and investment operations, the less efficient banks can successfully acquire efficiency in resource utilization. In [5] attempted to assess the financial inclusion in rural areas, reasons for low inclusion, satisfaction level of the rural people toward banking services and to measure the proficiency of the co-operative and regional rural banks. For the purpose they have used structured questionnaire to collect data from 200 people. He has concluded that there is lot of opportunity for the commercial banks to explore the rural unbanked areas as most of the Regional Rural Banks and Primary Agriculture Credit Societies are running losses. In [6] tried to explore and evaluate the growth prospect, operational profitability, stability and recovery performance. He has taken some important parameters like deposits, loans and advances and business. His study covers 2001-02 to 2010-11. He has used "Burden Coverage Ratio" and Z score to judge whether overall profitability is at satisfactory level.

## 3. Objectives of the Study

1. To investigate the financial performance of The West Bengal State Co-operative Ltd.
2. To anatomize the trend of Share Capital, Reserve as well as Borrowings of WBSCB Ltd.
3. To examine the growth of Deposit, Loans & Advances as well as Investment.
4. To inquire the growth trend of C/D Ratios and also the overall profit of WBSCB Ltd.

#### 4. Research Methodology

The study has carried out with the help of secondary data, which include Audited Annual Accounts of. The WBSCB Ltd [7] other reports like co-operative journals, websites available on net also have been taken into consideration.

The time span of study is of ten years from 2008-2009 to 2017-2018.

In this study The WBSCB Ltd as a whole has been taken into consideration for the study.

To present and analyze the collected data, tables, trend analysis [8] and ratio analysis [9] have been used to express the problem under study.

#### 5. Limitations of the study

1. Leaving other co-operative banks of the state, a sample of The WBSCB Ltd in the state West Bengal has taken into the preview of the study.
2. No primary data has been considered except secondary data for the purpose of present study.

#### 6. Data analysis and Findings

Financial performance is detailed process of relative, comparative and detailed examination and investigation of the financial position of an enterprise using methods and procedures of the financial statement analysis. Here for conducting of analysis tables, trend analysis and ratio analysis have been used. The Table 1 exhibits the funds of WBSCB Ltd. in terms of Capital, Reserves and Borrowings. The amount of Capital showed ₹3172.30 lakhs in 2008-2009 and gradually it began to increase and reached ₹9293.06 lakhs in 2017-2018 with 192.94% (292.94-100) growth trend. Whereas, there were the reserves ₹13951.19 lakhs in 2008-2009, and gradually it began to increase during the initial period of study such as during the year 2009-2010, 2010-2011 and in the year 2011-2012 and onwards it became fluctuating and ultimately in the year 2017-2018 it was recorded ₹24706.38 lakhs, with a percentage of 77.09% (177.09-100) growth trends. To fulfill the short as well as long term credit requirements borrowings were received by WBSCB Ltd. during the year 2008-2009, ₹111152.32 lakhs and reached to ₹190034.42 lakhs in the year 2017-2018, with a boost of 70.97% (170.97-100).

Table 1. Trend of Capital, Reserves and Borrowings of WBSCB Ltd. of West Bengal, India (₹ in Lakhs)

Year	Capital		Reserves		Borrowings	
	Amount	Trend%	Amount	Trend%	Amount	Trend%
2008-2009	3172.3	100.00	13951.19	100.00	111152.32	100.00
2009-2010	3303.1	104.12	14639.09	104.93	112751.41	101.44
2010-2011	3589.48	113.15	15863.11	113.70	119490.28	107.50
2011-2012	4028.66	126.99	16076.96	115.24	164934.21	148.39
2012-2013	4882.47	153.91	16072.25	115.20	94280.11	84.82
2013-2014	5961.63	187.93	16072.2	115.20	112104.02	100.86
2014-2015	6870.66	216.58	22560.39	161.71	129345.01	116.37
2015-2016	7667.09	241.69	22084.68	158.30	144241.79	129.77
2016-2017	8706.74	274.46	22934.12	164.39	225434.1	202.82
2017-2018	9293.06	292.94	24706.38	177.09	190034.42	170.97
Mean	5747.52	181.18	18496.04	132.58	140376.77	126.29
S.D	2292.18	72.26	4051.45	29.04	41389.83	37.24
C.V	39.88	39.88	21.90	21.90	29.48	29.48

Source: Audited Published Annual Accounts Of WBSCB Ltd.

Base Year: 2008-2009

The table has depicted that there is a fluctuating trend has been seen in the growth of borrowings of WBSCB Ltd. regarding credit requirement of the bank. From the above table it has seen that there is an average growth of Capital, Reserve and Borrowings were 181.18%, 132.58% and 129.26% respectively. If we assimilate the Standard Deviation of Capital, Reserve and Borrowings, we will see Capital has more accordant than Reserves and Borrowings.

*Table 2. Trend of Deposits, Loans & Advances and Investment of WBSCB Ltd. of West Bengal, India (₹. In Lacs)*

Year	Deposits		Loans & Advances		Investment	
	Amount	Trend%	Amount	Trend%	Amount	Trend%
2008-2009	336849.17	100.00	217016.09	100.00	144893.34	100.00
2009-2010	491623.38	145.95	236551.55	109.00	348566.98	240.57
2010-2011	503155.97	149.37	330300.29	152.20	285617.43	197.12
2011-2012	481301.59	142.88	288071.66	132.74	301708.5	208.23
2012-2013	562210.65	166.90	369147.47	170.10	260093.85	179.51
2013-2014	639023.97	189.71	491002.44	226.25	281487.55	194.27
2014-2015	677808.24	201.22	499490.79	230.16	322747.91	222.75
2015-2016	777974.08	230.96	550790.6	253.80	391389.82	270.12
2016-2017	687904.25	204.22	602005.67	277.40	330090.91	227.82
2017-2018	703973.99	208.99	571327.53	263.27	348971.3	240.85
Mean	586182.53	174.02	415570.41	191.49	301556.76	208.12
S.D	134068.91	39.80	144217.85	66.45	67256.39	46.42
C.V	22.87	22.87	34.70	34.70	22.30	22.30

*Source: Audited Published Annual Accounts Of WBSCB Ltd.*

*Base Year: 2008-2009*

The Table 2 showed and analyzed the Deposit, Credit and Investment of WBSCB Ltd. The amount of Deposit was ₹336849.17 lakhs in 2008-2009 and it has been gradually increased and reached ₹703973.99 lakhs in 2017-2018 with 108.99% (208.99-100) growth trend. To fulfill the short and long term credit requirements Loans and Advances were given by WBSCB Ltd. and there were ₹217016.09 lakhs in 2008-2009, and gradually it started raising and ultimately reached ₹571327.53 lakhs in the year 2017-2018, with a growth trend percentage of 163.27%(263.27-100). In the year 2008-2009 investment was ₹144893.34 lakhs and reached to ₹348971.30 lakhs in the year 2017-2018, with an increase of 140.85% (240.85-100). The table has depicted that there is a variable trend in the growth of Investment of WBSCB Ltd. It is transparent from the above table that the average increase of Deposit, Loans & Advance and Investment were 174.02%, 191.49% and 208.12% respectively. If we compare the Standard Deviation of Deposit, Loans & Advances and Investment, we shall watch Loans & Advances has more consistent than Deposit and Investment.

*Table 3. Deposits, Credits and C/D Ratio of WBSCB Ltd., West Bengal, India (₹ in Lakhs)*

Year	Deposits	Loans and Advances	C/D Ratio
2008-2009	336849.17	217016.09	64.43
2009-2010	491623.38	236551.55	48.12
2010-2011	503155.97	330300.29	65.65
2011-2012	481301.59	288071.66	59.85
2012-2013	562210.65	369147.47	65.66
2013-2014	639023.97	491002.44	76.84
2014-2015	677808.24	499490.79	73.69
2015-2016	777974.08	550790.6	70.80
2016-2017	687904.25	602005.67	87.51
2017-2018	703973.99	571327.53	81.16
Mean	586182.529	415570.409	69.37
S.D	134068.91	144217.85	11.25
C.V	22.87	34.70	16.22

*Source: Audited Published Annual Accountsof WBSCB Ltd.*

If we look in the Table 3 we will watch that credit deposit ratio had been changing over the study period 2008-2009, 2009-2010, 2010-2011 and 2012-2012 after that, there was a trend of increasing and ultimately reached to 81.16% in the year 2017-2018. It implies WBSCB Ltd has utilized their deposit fund properly and efficiently to mitigate the short and long term financial requirement of the customer. If we look into the above graph-5, we shall watch that the above said words are justified [10]. From the Table 4 it is transparent that the universal profitability of the bank has been decreasing day after day. During the year 2008-2009 it was ₹. 1656.48 lakhs and during the year 2011-2012 WBSCB Ltd. suffered a huge loss a sum of ₹ -5986.91 lakhs, on the other hand in the year it earned a huge profit of ₹ 6449.18 lakhs in the year 2014-2015 and ultimately net Profit was amounting to ₹206.25 lakhs in the year 2017-2018 [11].

Table 4. Profit(+) /Loss(-) Of WBSCB Ltd., West Bengal, India (₹ In Lakhs)

Year	Net Profit(+)/Net Loss(-)	
	Amount	Trend%
2008-2009	1656.48	100.00
2009-2010	1423.6	85.94
2010-2011	1003.11	60.56
2011-2012	-5986.91	-361.42
2012-2013	1003.64	60.59
2013-2014	-1063.67	-64.21
2014-2015	6449.18	389.33
2015-2016	179.03	10.81
2016-2017	320.56	19.35
2017-2018	206.25	12.45
Mean	519.13	31.34
S.D	3033.75	183.14
C.V	584.40	584.40

Source: Audited Annual Accounts of WBSCB Ltd.

## 7. Conclusion and Recommendation

Using different accounting and statistical tools and techniques a comprehensive analysis has been made and it is found that the growth of capital increased almost triple, reserves increased 1.8 times and borrowings heightened almost 1.7 times during the study period, with a marginal percentage of fluctuation. In case of deposits and loans & advances of the bank, there were raising trend throughout the study period and finally they become approximately 2 times and 2.6 times during the year 2017-2018 respectively. On the other hand Investment with some change ultimately it become approximately 2.4 times in the year 2017-2018. In the first three years of the study period if we see Credit Deposit Ratio (C/D Ratio) of the bank, it were in changing trend after that in the next three years it were in raising trend and ultimately last few years it were in changing trend. From the very beginning to the end of the study period, profits of the WBSCB Ltd. were in diminishing trend and in the year 2011-2012 it extended the lowest of ₹5986.91 lakhs and ultimately it diminished to 12.45% by losing 97.55% throughout the examination period. The researcher has attempted to determine and measure the financial activity and proficiency of The WBSCB Ltd.

After rigorous analysis it has disclosed from the examination that deposit, loans & Advances has been increasing as usual, which implies that confidence of the customers remained intact upon on the bank. It can be concluded from the examination that advances to deposit ratio has been increasing trend which implies that credit disbursement process has been increased accordingly with the inflation in the deposit. It is evident from the examination that net profit has been decreasing, which indicates that The WBSCB Ltd. has quite unsuccessful to utilize its total working funds to maximize its profits to some extent. So The WBSCB Ltd. should have to take essential initiation for the proper utilization of available fund resources so that profit may increase according to expectation. Growth of WBSCB Ltd indirectly boosting up the financial inclusion process in West Bengal through facilitating different types of banking services to their customers and society members and by attracting more households to open new accounts or to be associated with primary agricultural co-operative societies.

A healthy training and education is needed by organizing seminar and workshops for increasing and modifying the level of performance of the personnel associated with the banking operation for improving the financial performance of the WBSCB Ltd.

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