

# Performance Evaluation Of Himachal Pradesh State Cooperative Bank Ltd

Vishal Thakur<sup>1</sup>, Dr. Neel Kumar Singh<sup>2</sup>

<sup>1</sup>AP Goyal Shimla University [vishalhpscb@gmail.com](mailto:vishalhpscb@gmail.com)

<sup>2</sup>AP Goyal Shimla University neel0703@gmail.com

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## ABSTRACT

The cooperative structure is an essential component of our financial system, particularly in rural financing. A large number of cooperative societies operate at the grass root level, assisting in meeting the financial requirements of the rural people. District co-operative banks assist these organizations in raising funds via loans. Finally, state co-operative banks exist to fulfill the requirements of the District co-operative banks. In India, this three-tier structure seems to be functioning effectively. This is a secondary route accessible to rural residents to assist them in resolving their financial problems. It has been observed the published data available here about the demises of various cooperative banks in the past due to their poor functioning or administration resultant poor financial condition of the cooperative bank is seen. This article attempts to examine the performance of state co-operative bank in Himachal Pradesh, namely Himachal Pradesh State Co-operative Bank Ltd. (India). This study is to evaluate the performance of this bank on certain criteria that will be extremely useful in determining the existence and potential of these banks in the future.

**Keywords:** Demises of co-operative Bank, existence and potential of the Bank and Performance & Evaluation.

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## 1. INTRODUCTION

Cooperative banking is a kind of banking that plays a vital role to our financial system. It is also regulated and overseen by NABARD under supervision of central bank (in India, the RBI). The cooperative concept is an ancient as human civilization. It is the foundation of social life. Cooperative efforts are ultimately the group of people allowing them to live together, work together, and assist to each other. The cooperative movement in India was recognized as the most relevant, suitable, and successful method of achieving economic development objectives as early as 1904, when the Primary Agricultural Credit Societies were established under the Co-operative Societies Act and 1912 District Central Co-operative Banks (DCCBs) were formed. These banks were formed to raise the funds for the rural people. However, the current three-tier structure was established in 1931, when the Central Banking Enquiry Committee highlighted the necessity for the establishment of State Co-operative Banks to serve as leaders of the cooperative movement as well as lenders of last resort. Now, India's cooperative credit system is the world's biggest network. The

prime motive of co-operative Bank is to provided more credit in the Indian agricultural sector rather than commercial banks. Cooperative societies in India, in reality, perform multipurpose roles in both rural and urban regions. The fundamental structure of cooperative societies is structured on a three-tiered base. Primary credit societies operate at the village level, followed by central Co-operative Banks operating at the district level, and finally State Co-operative Banks, the Apex co-operative organizations operating at the state level.

In a developing and vast country like India, the co-operative Banks is of great importance because it is an organization which is established for poor, illiterate, and unskilled people for mutual aid and sharing means of development, as well as to overcome the constraints of agricultural development. In India (H.P) agriculture sector plays a vital role to increase the Gross Domestic Product (GDP).

**Table.1. Co-operative Societies**

<b>Co-operative Societies</b>	<b>Societies at different level</b>	<b>Function of Co-operative Societies at district level</b>
Primary Cooperative Societies	Village Level	Members of these Societies contribute money in a pool, and needy members get financial help from the pool.
Central Cooperative Societies	District Level	These banks play an important role in the credit structure of cooperatives at the district level.
State Cooperative Societies	State Level	These banks serve as the apex bank for rural lending in any state, as well as providing financial support to Central Cooperative Banks and Primary Cooperative Societies.

**Co-Operative Banks in Himachal Pradesh:**

In H.P there are four co-operatives banks named as the Mandi Central Co-operative Bank, Mahasu Central Co-operative Bank, Chamba Central Co-operative Bank and Bank of Sirmour. In March 1954, the above co-operative banks were merged into the H.P. State Co-operative Bank.

**Co-Operative Banks Overview at District Level:**

**Table.2. Co-Operative Banks Overview at District Level**

<b>Sr no.</b>	<b>Name of Cooperative Bank in H.P.</b>	<b>District where Co-operative Banks Operate</b>
1.	Himachal Pradesh State Co-operative	Members of these Societies contribute

	Bank Ltd.	money in a pool, and needy members get financial help from the pool.
2.	Kangra Central Co-operative Bank Ltd.	These banks play an important role in the credit structure of cooperatives at the district level.
3.	Jogindra Central Co-operative Bank Ltd.	Solan.

According to the data of 2016 the state has 2037 branches, 1792 ATMs, 1190 public sector bank branches, 123 private sector bank branches, 487 cooperative bank branches and 237 RRB branches. In H.P there are 1639 branches in rural regions, 307 in semi-urban areas, and 92 in metropolitan areas.

## 2. LITERATURE REVIEW

The study of literature aids in understanding the significance, history, and current status of the topic chosen for research. As a result, it is essential to examine current and relevant literature on the topic. Each state's top bank is the state co-operative bank. They function on a state-by-state basis. They organize DCCB operations, control them, and provide necessary advice. In India, there are 31 State Co-operative banks. SCB received funding via share capital, deposit collecting from cooperative institutions, public and private, and a loan from the RBI. Through DCCBs, the state co-operative banks lend money to farmers through providing credit to main agricultural Co-operative organizations. They coordinate the operations of DCCBs, regulate them, and create a conducive atmosphere for the expansion of cooperative activity in the state. So far, little research has been conducted on state cooperative banks (StCBs). There has been little research on the performance of StCBs.

**Dinesh Kumar Sharma et. al. 2015** When the first co-operative society was formed in Panjwar village in Una District in 1892, twelve years before the Co-operative Societies Act was enacted in 1904; Himachal Pradesh ignited the flame of the country's cooperative movement. The Pradesh inherited 663 cooperative societies in 1948, but the number of cooperative societies has grown from 3677 in 1975 to 4426 in 2007-08, a 20.36 percent growth. The cooperative movement in Himachal Pradesh has taken on a crucial and important function, especially since the fifth plan, when the focus has moved to the improvement of the society's weakest sectors. In the contemporary era, a cooperative is formed to fulfill particular tasks. Cooperative societies may be found at the local, regional, national, and worldwide levels, with distinctions made based on the size of the territory they cover. Co-operative societies may be found in the elementary, secondary, and postsecondary sectors. Cooperatives exist in the main industries for farming, selling, processing, fishing, and dairying, among other things. Industrial co-operatives are found in the

secondary sector, while co-operative banking is found in the tertiary sector. Aside from this, there are consumer cooperatives, housing cooperatives, displaced people co-operative organizations, and so on. Despite their disparate objectives, these cooperatives all operate in a similar way. The co-operative business adheres to the following cooperative principles: open and voluntary membership, democratic structure, restricted interest on capital, equitable profit distribution, cooperative education, and cooperative cooperation among cooperatives.

**Nivedita et. al. 2018** NPA is a hot topic these days, attracting the attention of our regulators, the government, and the general public. Non-Performing Assets have a detrimental impact on the financial health of any bank. On the one hand, it has a negative effect on earnings; while on the other hand, it has a bad impact on the bank's goodwill. Higher NPAs erode depositors' confidence in the bank. Prudential standards include NPA recognition and provisioning. In 1996-1997, cooperative banks were made subject to prudential standards. The current study's goal is to get access to the non-performing assets of state cooperative banks throughout India. Cooperative banks receive deposits from both members and non-members; thus, the NPA status of these banks must be determined. The research discovered that the NPA status varies by location in our nation. This study also examines the effect of NPAs on cooperative banks.

**Nivedita et. al. 2018** The National Federation of State Cooperative Banks named Himachal Pradesh State Cooperative Bank Ltd. the best performing bank for the fiscal year 2015-2016. For overall performance, the bank was named first award winner. This research is an attempt to determine the trend of different factors linked to the bank. A bank's primary role is to receive deposits for the purpose of lending. As a result, statistics on deposits, loans, and profit are used in this research. It has been discovered that banks are expanding in all areas.

**Nivedita et. al. 2019** The performance of any bank is a critical component of a country's financial situation. Cooperative banks in India perform a variety of functions in both rural and urban regions. This study investigates the financial development and performance of Himachal Pradesh's apex bank, which is the state's biggest co-operative bank. Performance analysis is carried out utilizing various factors such as share capital, deposits, loans and advances, borrowing, profit, and so on. This analytical research shows that the HPSCB's company is consistently growing in a favorable direction. It must focus on its loan portfolio in order to improve its performance since interest revenue from advances is smaller than income from investments.

**Dr. Sunil Bhaskar Chandanshive 2019** Co-operative banks play an important role in India since they were formed to offer financial services to the rural people. They were founded with the goal of increasing financial inclusion and improving the rural economy. They play an important part in India's social and economic growth. This study focuses on the structure, development, and

performance of cooperative banks in order to identify issues and provide recommendations to improve the financial situation of cooperative banks. The information was gathered from SCB, DCCB, and PACS annual reports. For data analysis, statistical techniques such as %, percentage change, co-efficient of variance, compound annual growth rate, and graphs were utilized. The research will aid policymakers in their attempts to enhance the operational performance of cooperative banks. Some factors have been studied to assess the performance of cooperative banks, such as the number of branches, total deposit, productivity per employee and branch, percentage of late to demand, NPA, and profitability, among others. The results indicate that they are dealing with issues such as high overdue more NPA, low productivity per employee and branch, and low profitability, which is causing them to lose money. The difficulties that cooperative banks confront are many, but specific efforts must be made by these banks, such as a focus on recovery, employee training to increase productivity, and government assistance since they have the capacity to address these problems.

**Sikandar Ali et. al. 2019** Co-operative banks play a critical role in the Indian economy, particularly for those involved in agricultural and agriculture-related activities. Despite the RBI's attempts to reform this critical sector of the Indian financial system, the demand for change must originate from the cooperative banks themselves. With the younger generation growing more reliant on the virtual convenience of working, the brick-and-mortar banking system of co-operatives must improve. While it is a helping hand in the financial economy, commercial banks have been expanding their presence by giving full assistance. It is easy to conclude that, although these commercial banks' businesses are thriving, customers will not be completely alleviated of the agony they have been experiencing for so long. Cooperative banks, with their better attitude toward current situations, may be seen as a beacon of hope, similar to the illusion of an oasis in the desert. The Indian Rural Sector is dominated by agriculture. The bulk of the population's involvement in farming and similar seasonal activities results in their employment providing much fewer returns to meet their future needs. These banks also play a significant role in India's banking and financial sector.

### **3. OBJECTIVES OF THE STUDY**

The main objective of the study is to evaluate the performance and customer satisfaction of HPStCB in the post- liberalized era and research is limited for the period 2013-14 to 2019-20. In this research primary and secondary data is considered.

1. To appraise the financial performance of HPStCB.
2. To study the impact of "size of bank" on the efficiency of the Cooperative Banks.
3. To know the lending practices of cooperative banks in H.P.

#### **4. RESEARCH METHODOLOGY**

##### **4.1. Research Design and Sampling:**

The research design of the study is descriptive and analytical in nature. Following an extensive study of the literature, essential criteria for evaluating the overall performance of HPStCB were developed. Each of these basic parameters is the sum of many sub-parameters. This study's factors will include (1) capital adequacy, (2) asset quality, (3) managerial efficiency, (4) earnings quality, (5) liquidity, (6) growth, (7) social banking, and (8) customer satisfaction.

The research is limited to the post-liberalized era, and data for the seven-year period from fiscal year 2013-14 to fiscal year 2019-20 will be utilized.

The research will make use of both primary and secondary data.

1. Secondary data- The majority of the study is based on secondary data supplied by various organizations and organizations associated with cooperative banks. The Reserve Bank of India's publications, Annual Reports of respective banks, Data published by the IBA, Government of India's Economic Survey, National Federation of Cooperative Banks, Audit reports of respective co-operative banks, and published reports, books, journals, and official websites of various banks, universities, organizations, and so on.
2. Primary data - Primary data collection is restricted to the state of H.P. Here multistage random sampling technique is used to choose the sample responders.

#### **5. HYPOTHESIS**

Hypothesis relating to the financial performance, customer service and customer satisfaction are:

1. There is no significant relationship between customer satisfaction and financial performance of HPStCB.
2. There is no significant difference in the means of the ratios among bank and branches of HPStCB.
3. There is no significant relationship of customers and Bank branches for shifting their loans.

#### **6. ANALYSIS**

##### **6.1. Analysis of data:**

This research secondary data is studied to analyze the objectives and hypothesis by statistical tools like ratios, regression and co-relation, and other various tools. Here performance of bank is assessed for the given period (2013-14 to 2019-20) is assessed over a seven-year period using average ratios, and branches are then graded. Bank district averages are calculated and compared

using the banks' mean ratios. The CAMEL concept evaluates the bank's total performance (i.e., performance across all metrics) and identifies the top bank branch.

**PERFORMANCE OF HIMACHAL PRADESH STATE COOPERATIVE BANK LTD IN HIMACHAL PRADESH SINCE 2013 to 2020 (Total no. of HPStCB Branches 241)**

Upto	Share capital (Rs. in crore)	Aggregate Advances (Rs. in crore)	Over the year growth (%)	Aggregate deposit (Rs. in crore)	Over the year growth (%)	CD Ratio	Net Profit (Rs. in crore)	Over the year growth (%)
2013-14	8.52	3023.13	---	6327.92	---	47.77	40.68	---
2014-15	8.57	3591.75	18.81	7159.89	13.15	50.16	59.85	47.12
2015-16	8.58	4361.50	21.43	8197.67	14.50	53.20	53.90	(9.94)
2016-17	8.74	4758.26	9.10	9092.84	10.92	52.33	93.20	72.91
2017-18	8.77	5162.01	8.49	9954.56	9.48	51.86	49.78	(46.59)
2018-19	8.90	5620.26	8.88	11030.65	10.81	50.95	41.09	(17.46)
2019-20	8.92	6850.83	21.90	11844.21	7.38	57.84	50.48	22.85

(Source: 55<sup>th</sup> Annual report 2019-20 of HPStCB Ltd.)

\*Average population per branch of all banks operational in H.P year 2015-16 is 3511, 2016-17 is 3330, 2017-18 is 3202, 2018-19 is 3209 & 2019-20 is 3156 (Source: compiled from Economic survey of H.P 2015 to 2019-20)

**7. CONCLUSION**

- The current research attempted to analyze the co-operative banks from several perspectives in order to assess their respective performance. After reviewing all of the criteria, it is determined that HPSCB was able to grow shareholder wealth throughout the study period, as shareholder funds grew at a satisfactory pace. HPSCB's performance is commendable with an average growth of Rs.8.71 crore over the period considered above.
- In this research it was found that banks' financial position in respect of deposit and advances were strong. The research also discovered that, although HPSCB's net earnings seem to be acceptable on an average throughout the time at the given period, however net profit of bank shows fluctuation and have shown declined growth rate in year 2015-16, 2017-18 and 2018-19 from their previous years. However co-operative bank re-bounced as far as their financial position i.e. in terms of deposits and advances by the shareholders and customers.
- Bank liquidity positions are excellent as on date as depict in the above data. Bank has a sufficient quantity of liquid assets to deal with any situation. Bank has a high degree of

efficiency. They have advantageous CD ratios, advances to total assets ratios, and so forth. Finally, the research finds that profitability is a major issue for bank, and as a result, bank must reduce their operational costs and seek other revenue streams since their non-interest income is so low. In order to increase their revenues, bank may consider offering Third Party goods and go for opening new Bank branches to attract more customers and adopt new technology for financing to young customers.

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