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Operational Efficiency of Himachal Pradesh State Co-operative Bank Ltd. An Analysis

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ABSTRACT

Operational efficiency is the capability of an enterprise to deliver products or services to its customers in the most cost effective manner possible while still ensuring the high quality of its product, services and support operational efficiency is often achieved by streamlining a organizations core processes in order to more effectively respond to continually changing market forces in a cost effective manner. In order to attain operational efficiency an organization needs to minimize redundancy and waste while leveraging the resources that contribute most to its success and utilizing the best of its work force, technology and business processes. The reduced internal costs that result from operational efficiency enable to organization to drive higher profit margins or be more successful in highly competitive market. Hence, putting this in mind the present paper is an attempt to evaluate the operational efficiency and performance of Himachal Pradesh State Co-operative Bank Ltd. through selective indicators. It analyses the Deposits Mobilization, Credit Expansion, Productivity, Overdue, NPA position and profitability of the bank etc. This paper also examines the growth of investment, Future Trends of advances of Himachal Pradesh State Co-operative Bank. In this paper an attempt has been made to evaluate the operation efficiency of Himachal Pradesh state cooperative bank. The operational efficiency has been analyzed taking into consideration of different parameters.

Keywords: - Branch Expansion, Deposit, Borrowings, Recovery, and Future Trends.

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1. Introduction

Co-operative bank promotes economic activities and provides banking facilities and services to the people. It is rightly said that the co-operative bank as a mutual society formed, composed and governed by working people themselves for encouraging regular savings and granting small loans on easy terms of interest and repayment. The co-operative banks in India as elsewhere provide banking facilities to the highly disorganized agricultural sector of country. The significant role of co-operative banks in the agricultural economy imparts a lesson to commercial banks and dispels from their minds the age old inertia and the gloom of conservatism by shifting emphasis from credit worthiness of the persons to the credit worthiness of the purpose, and from the tangible security to the character of the borrower. The co-operative banks teach the agriculturists to borrow at the right time, the right amount, for right purpose and to repay at a right time. They also forced the Mahajans and sahukaars to reduce their lending rates. The co-operative banks do not hesitate in accepting non-members as their customers and thus they spread the message of co-operative principles and extend their benefits to wider section of the society.

Co-operative has a crucial role to play in the Indian financial system. The co-operative principles of managing finance in India serve as a via media between the sophisticated institutions like commercial banks on the one hand and on the other hand the unscrupulous money lenders. Despite the fact that the nationalized banks are spreading their operations into the rural areas, co-operative banking remains the best answer for catering the need of small borrowers. The history of co-operative banks in India is about a century old. In 1904, the Co-operative Credit Society Act was enacted to encourage co-operative movement in India. The movement was started in India with a view to encourage and promote thrift and mutual help for the development of persons of small means. But the development of co-operative banks from 1904 to 1951 was most disappointing one. The structure of co-operative banks consists

State Co-operative Bank (Apex Bank)

Central Co-operative Banks (District Level)

Primary Agricultural Co-operative Credit Society (Village Level)

Land Development Banks

Urban Co-operative Banks

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2. Review of Literature

Bhaskaran and Josh (2000) studied the NPA position in Co-operative Rural Financial System. They are of the view that even after introduction of prudential regulations, the reason to the growth of NPA is the unsatisfactory performance of the co-operative credit institutions. They further suggested legislative and policy prescriptions to make co-operative credit institutions more productive profitable and efficient in tune with competitive commercial banks. **Jain (2001)** has analyzed a comparative performance of District Central Co-operative Banks of Western India, namely Rajasthan, Gujraat and Maharashtra on certain parameters like profitability, liquidity and solvency etc. and inferred that as compared to Gujraat and Maharashtra, District Central Co-operative Banks of Rajasthan has performed better in profitability and liquidity. **Mavaluri, Boppana and Nagarjuna (2006)** A study titled "Measurement of efficiency of banks in India" has been made taking into account some selected parameters namely profitability, productivity, asset quality and financial management etc. They advocated that performance of banking in terms of profitability, productivity, asset quality and financial management has become imperative to stabilize the economy. They found that public sector banks have been more efficient than other banks operating within the country. **Singh and Singh (2006)** conducted a study on the funds management in the District Central Co-operative Banks of Punjab with special reference to analysis of financial margin .It revealed that a higher proportion of owned funds and recovery concern have main reason in the increased margin of the District Central Co-operative Banks and thus had a larger provision for non- performing assets. **Singh, Koshta and Chandrakar (2007)** Conducted a study on economic performance of District Central cooperative Banks in Raipur (Chhattisgarh). The main purpose of the study was to evaluate the performance of DCCB in Raipur. It was conducted through estimation of growth rate of performance indicator by recording time series data from 1991-92 to 1998-99. In absolute term, linear trend values of performance indicators had increased by significant manner and overdues was increased by huge amount which was not a good sign for cooperative loans. It was really an alarming situation for the cooperatives because the rate of overdues was increased comparatively faster than that of other indicators. It was suggested to check the overdues because it was not a good sign for healthy economy of cooperatives. **Farooqi (2007)**A study focused on professionalization of management in cooperative banks in Delhi.

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The study concluded that there should be regular emphasis on training and orientation programmes for banking employees and their exposure to recent trends. Mainly the accountability to safeguard the rights and interest of stakeholders was entrusted on the concerned management. The state cooperative society act had given elaborate consideration to this aspect. The cooperative banks should concentrate and work on important issues like Human Resource mobilisation, technical up gradation, motivation, diversified liability base and innovative banking strategies so as to enrich and vitalize the economy. **Dutta and Basak(2008)** suggested that co-operative banks should improve their recovery performance, adopt new system of computerized monitoring of loans, implement proper prudential norms and organise regular workshops to sustain in competitive banking environment. **Samson and Abass (2012)** examined the role of banks deposits in the growth of Nigerian economy. The study was based on time series which covered 1974 to2010. The finding reveals that there exists long run relationship between economic growth and bank credit measures. They therefore advocated for policies that tend to increase the GDP through the financial sector such as increase in bank deposits, low interest rates and high liquidity ratios.

3. Objective

In the present paper an attempt has been made to achieve the following objectives:

- 1) To evaluate the structural growth of Himachal Pradesh State Co-operative Banks through selective indicators.
- 2) To analysis the Deposits mobilization, Productivity, Credit Expansion, Overdue, NPA and Profitability as well as Recovery position of Himachal Pradesh State Co-operative Bank.
- 3) To study the growth of investment by State Co-operative Bank
- 4) To assess the Future Trend of State Co-operative Bank in India.

4. Methodology of the Study

Present paper is based on secondary data, which was collected from Annual Reports of State co-operative Banks Ltd, Books and journals, Articles and Research papers and websites. For analysis of the data, statistical tools such as, Mean, Standard Deviation, Compound growth and Trend analysis has been used to arrive at conclusion.

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5. Operational Efficiency of Himachal Pradesh State Co-operative Bank

The Operational Efficiency of Himachal Pradesh State Co-operative Bank has been analyzed on the basis of Deposit Mobilization, Loan and advances Outstanding, Productivity per Employee and Productivity per Branch, Investment, Borrowing, Profitability, Recovery, Non-Performing Assets, Deposit Trends, Future Advances Trends, Advances and Working Fund. These variables have been discussed as under:

5.1 Branch Expansion

Providing the banking facilities in rural masses is primary aim of co-operative banks. One of the key factors in determining whether co-operatives were successful in searching the rural means can be judged by their branch expansion result over the period of times. The data about branch expansion of Himachal Pradesh State Cooperative Bank have been elicited in Table 1.1 and shown in Graph 1.1

Table 1.1

Branch Expansion of Himachal Pradesh State co-operative Bank

Year	No of Branches	Absolute Growth	Growth in % age
2003-04	146	--	--
2004-05	148	2	1.37
2005-06	154	6	4.05
2006-07	160	6	3.90
2007-08	175	15	9.38
2008-09	175	0	0.00
2009-10	175	0	0.00
2010-11	175	0	0.00
2011-12	183	8	4.57
2012-13	190	7	3.83
CGR	2.8%		

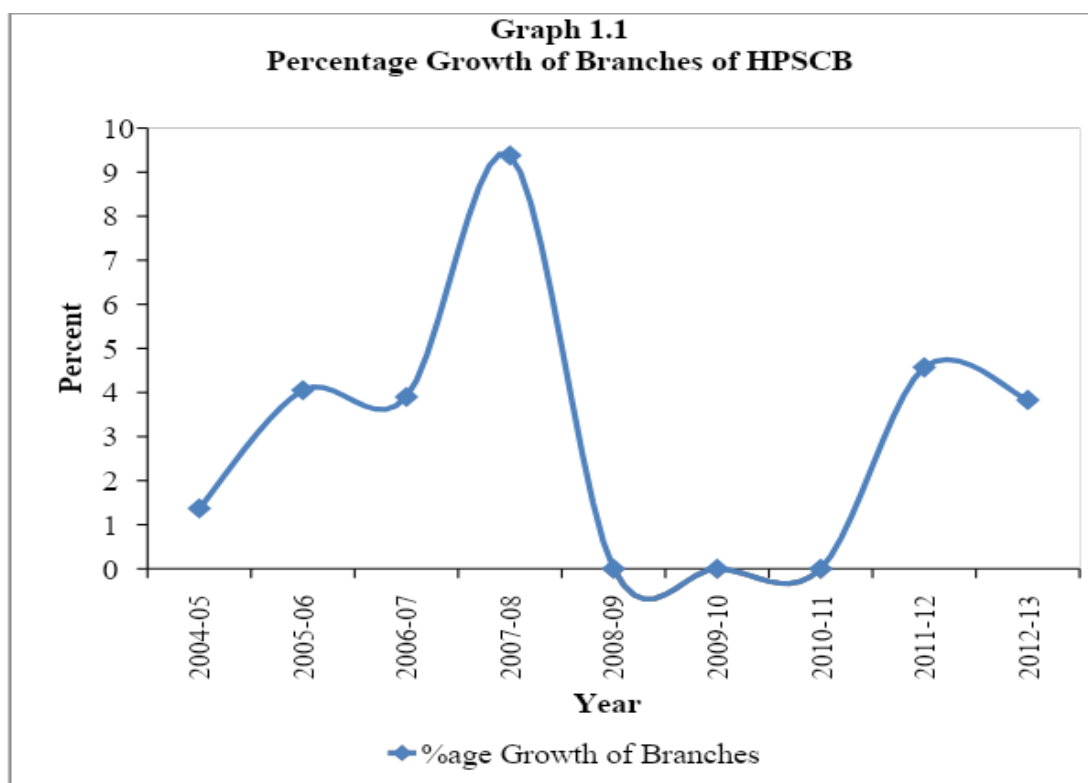
Source: Annual reports of Himachal Pradesh State Co-operative Bank Ltd for the years 2003-04 to 2012-13.

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As is evident from the Table1.1, Himachal Pradesh State Co-operative Bank Ltd has 146 branches in the year 2003-04 it gradually increased up to the year 2006-07 and reached the level of 160. During the year 2007-08, fifteen new branches were opened and number of branches reached the level of 175 and in the year 2012-13, 190 branches were in operation in seven districts of the state, experiencing a compound growth rate of 2.8 per cent per annum.



Though the bank has made considerable efforts in the field of branch expansion, but yet more is to be done in the area regarding opening more branches in the unbanked and business potential rural areas.

5.2 Deposit Mobilization

One of the key indicators in determining the efficiency of any credit institution largely depends upon the ability to mobilize savings of the community in the form of deposits. Deposit mobilized by Himachal Pradesh Co-operative Bank play a key role not only as an important source of funds but also as an instrument for promoting saving and banking habits among masses of the societies. Proper deposits mobilization is a crucial factor for the overall development and performance of the bank.

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The status of deposit mobilization of HP State Cooperative Banks has been given in Table 1.2 and growth trend has been shown in Graph 1.2. Table 1.2 depicts that deposits of Himachal Pradesh State co-operative Bank Ltd are showing on upward trends throughout the period under reference. Deposits stood at Rs 164951.14 Lakh during the year 2003-04 which continuously increased and were reported at Rs 581792.31 Lakh in the year 2012-13, registering a compound growth of 13.05 per cent per annum. The deposits per branch have also shown an increasing trend throughout the study period i.e. Rs 1129.80 Lakh in 2003-04 to Rs 3062.06 Lakh in 2012-13, showing a compound growth of 10.06 per cent per annum. The results of co-efficient of variation of total deposits and deposits per branch are recorded at 42.84 per cent and 37.53 per cent respectively. Coefficient of variation of total deposits is found higher than deposits per branch because of wide fluctuation in total deposits and deposits per branch have shown less spread and it is more consistent as compare to total deposits.

Table1.2
Deposit Mobilization of Himachal Pradesh State Co-operative Bank

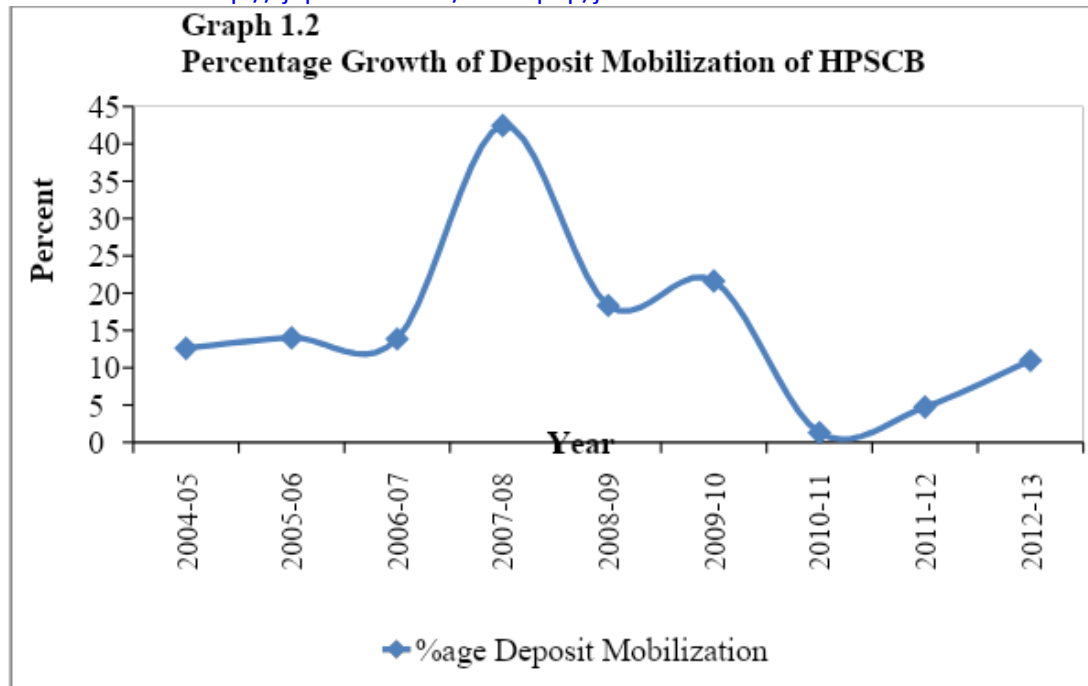
Year	Deposit	No of Branches	Deposit per branch	Deposit Growth	% age Growth
2003-04	164951.14	146	1129.80	--	--
2004-05	185734.31	148	1254.96	20783.17	12.60
2005-06	211746.07	154	1374.97	26011.76	14.00
2006-07	241052.12	160	1506.58	29306.05	13.84
2007-08	343375.01	175	1962.14	102322.9	42.45
2008-09	406318.91	175	2321.82	62943.9	18.33
2009-10	494178.25	175	2823.88	87859.34	21.62
2010-11	500552.31	175	2860.30	6374.06	1.29
2011-12	524219.07	183	2864.59	23666.76	4.73
2012-13	581792.31	190	3062.06	57573.24	10.98
Mean	365391.95		2027.24		
SD	156556.70		760.92		
CV	42.84%		37.53 %		
CGR	13.5%		10.6%		

Source: - Annual reports of Himachal Pradesh State Co-operative Bank Ltd for the years 2003-04 to 2012-13

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5.3 Loan and advances Outstanding

Advancing of loan is considered to be one of the more important function of modern banking. It promotes Economic development by meeting financial needs of industrial and commercial undertaking. Consumers require credit to acquire goods and services in advance for which they are to pay in future. Time gap between production distribution and consumption give the scope for wide use of credit. If bank credit is not available the expansion of productive activities and operations would be limited by the amount of Banking accumulated by the Economy.

Table and figure 1.3 depicts the position of outstanding loan & advances from 2003-04 to 2012-13. During the year 2003-04 the amount of Loan & advances was Rs 62251.31 Lakh, which went up to Rs 265374.86 Lakh in 2012-13, registering a compound growth rate of 15.6 percent . Advances per branch with compound growth of 12.7 per cent per annum are also experiencing a constant increase during the year period under study except in the year 2005-06 and reached the amount of Rs 1396.70 Lakh in 2012-13 from 426.37 Lakh in the year 2001-02.

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International Journal of Economic Perspectives, 8(1), 15-43Retrieved from: <http://ijeponline.com/index.php/journal>**Table1.3****Loan and Advances outstanding of Himachal Pradesh State Co-operative Bank**

(Rs. Lakh)

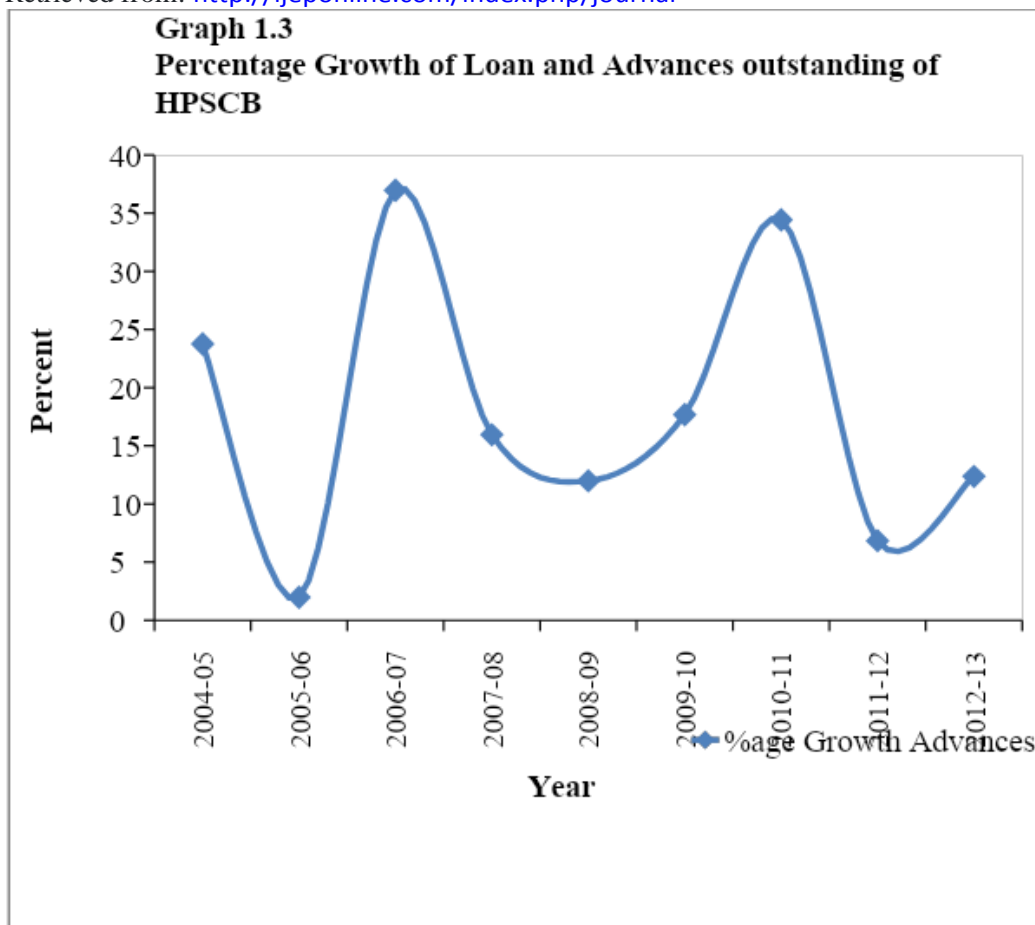
Year	Advances Outstanding	No. of Branches	Advances per Branch.	Advances Growth in Rupees	% Growth
2003-04	62251.31	146	426.38	----	----
2004-05	77044.47	148	520.57	14793.16	23.76
2005-06	78563.86	154	510.15	1519.39	1.97
2006-07	107605.23	160	672.53	29041.37	36.97
2007-08	124769.70	175	712.97	17164.47	15.95
2008-09	139733.35	175	798.48	14963.65	11.99
2009-10	164441.26	175	939.66	24707.91	17.68
2010-11	221043.13	175	1263.10	56601.87	34.42
2011-12	236166.86	183	1290.53	15123.73	6.84
2012-13	265374.00	190	1396.71	29207.14	12.37
Mean	147699.31		853.11		
SD	71959.39		354.02		
CV	48.72%		41.49%		
CGR	15.6%		12.7%		

Source: - Annual reports of Himachal Pradesh State Co-operative Bank Ltd for the years 2003-04 to 2012

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.The result of coefficient of variation of total outstanding advances and advances per branch are recorded at 48.72 per cent and 41.49 per cent respectively. This shows that an outstanding advances per branch is more consistent and uniform as compare to the total outstanding advances. Thus it can be inferred that Himachal Pradesh State co-operative Bank Ltd has achieved a significant progress is credit expansion during the period under reference.

5.4 Productivity of Himachal Pradesh State Co-operative Bank

Productivity per branch and productivity per Employee have been computed by dividing the total number of branches and total number of employees to total business of Himachal Pradesh State co-operative Bank. It has been presented in Table 1.4 and shown in Graph 1.4.

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Table 1.4

Productivity per Employee and Productivity per Branch of Himachal Pradesh State Co-operative Bank

(Rs. in Lakh)

Years	Total Business	% Growth	No. of Employee	No. of branches	Productivity per employee	Productivity per Branche
2003-04	227202.45	---	1094	146	207.68	1556.18
2004-05	262778.78	15.66	1069	148	245.82	1775.53
2005-06	290309.93	10.48	1046	154	277.54	1885.13
2006-07	348657.35	20.10	1335	160	261.17	2179.11
2007-08	468144.71	34.27	1308	175	357.91	2675.11
2008-09	546072.26	16.65	1291	175	422.98	3120.41
2009-10	658619.51	20.61	1239	175	531.57	3763.54
2010-11	721595.44	9.56	1237	175	583.34	4123.40
2011-12	760385.93	5.38	1210	183	628.42	4155.11
2012-13	847167.17	11.41	1356	190	624.75	4458.77
Mean	513093.35				414.19	2969.22
SD	226465.73				166.31	1101.44
CV	44.14%				40.15%	37.0%
CGR	14.1%				11.4%	11.1%

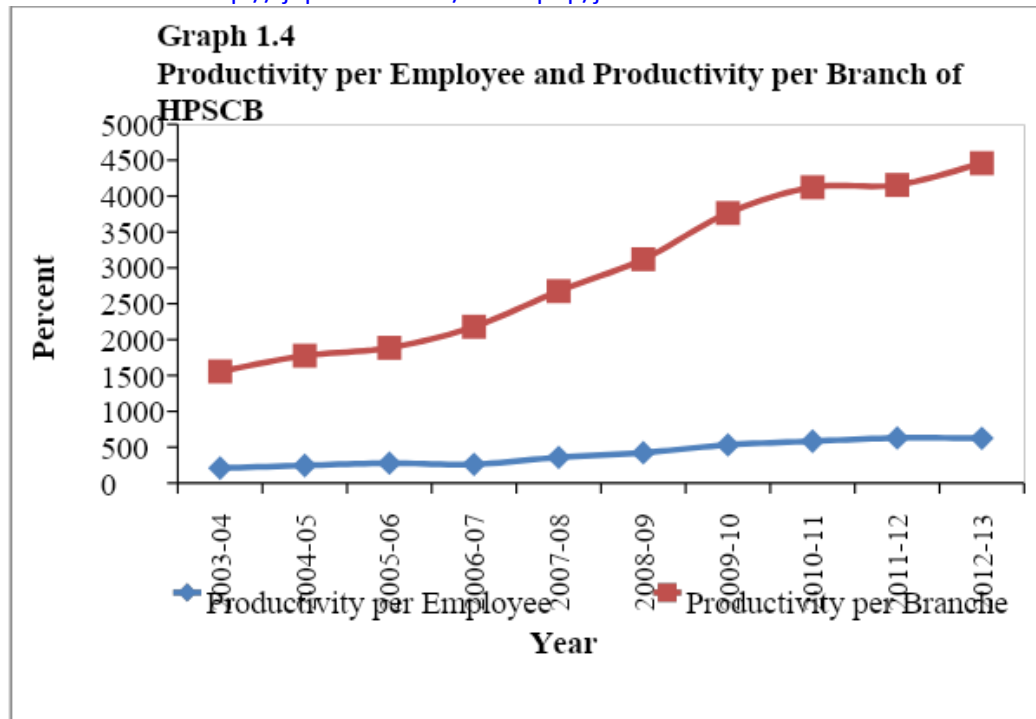
Source: - Annual reports of Himachal Pradesh State Co-operative Bank Ltd for the years 2003-04 to 2012-13

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Total business comprises of total deposits and total outstanding loans and advances has shown a continuous upward trend throughout the study period and it reached to level of Rs. 847167.17 lakh in 2012-13 from Rs.227202.45 lakh in 2003-04 depicting a significant compound growth of 14.1 per cent per annum. Staff productivity was to the tune of Rs 211.94 lakh during the year 2003-04 and it continuously rose to Rs. 628.47 lakh in the year 2011-12 except 2006-07 and 2012-13 because a little downfall was noticed in these years may be due to large increase in number of employees in these particular years. The compound growth rate was recorded at 11.4 per cent annually. Productivity per branch has shown a marked improvement throughout the study period. During the year 2003-04 productivity per branch was of the order of Rs.1556.18 lakh which with continuous enhancement reached the level of Rs. 4458.77 lakh in the year 2012-13 expressing a compound growth of 11.1 per cent. The result of coefficient of variation of total business, productivity per employee and productivity per branch are recorded at 44.14 per cent,40.15 per cent and 37.00 per cent respectively. This indicates that productivity per branch is more consistent and uniform as compare to the productivity per employee and total business of bank. On the basis of above trends of productivity it can be inferred that Himachal Pradesh State co-operative Bank Ltd has marked a significant progress in productivity per employee as well as productivity per branch during the period under reference.

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5.5 Investment

Co-operative Banks made all its investments in accordance with the investment Policy, which was put in place under the guidelines issued accordance with the investment policy which was based on RBI guidelines with latest amendments and advice from time to time. Co-operative Banks generally made their investment in government securities, bonds etc. The investment of Himachal Pradesh State Co-operative Bank has been presented in Table 1.5 and shown in Graph 1.5.

Table 1.5**Investment of Himachal Pradesh State Co-operative Bank**

(Rs. in Lakh)

Year	Investment	No. of Branches	Investment per Branches	Investment Growth	% Growth
2003-04	129894.38	146	889.69	----	----
2004-05	140055.89	148	946.32	10161.51	7.82
2005-06	166786.44	154	1083.03	26730.55	19.09
2006-07	177824.58	160	1111.40	11038.14	6.62
2007-08	219421.17	175	1253.84	41596.59	23.39
2008-09	308913.45	175	1765.22	89492.28	40.79
2009-10	350595.15	175	2003.40	41681.7	13.49
2010-11	390487.40	175	2231.36	39892.25	11.38
2011-12	393093.75	183	2148.05	2606.35	0.67
2012-13	397344.03	190	2091.28	4250.28	1.08
Mean	267441.62		1552.36		
SD	111580.96		544.19		
CV	41.72%		35.05%		
CGR	11.9%		8.9%		

Source: Annual reports of Himachal Pradesh State Co-operative Bank Ltd for the years 2003-04 to 2012-13.

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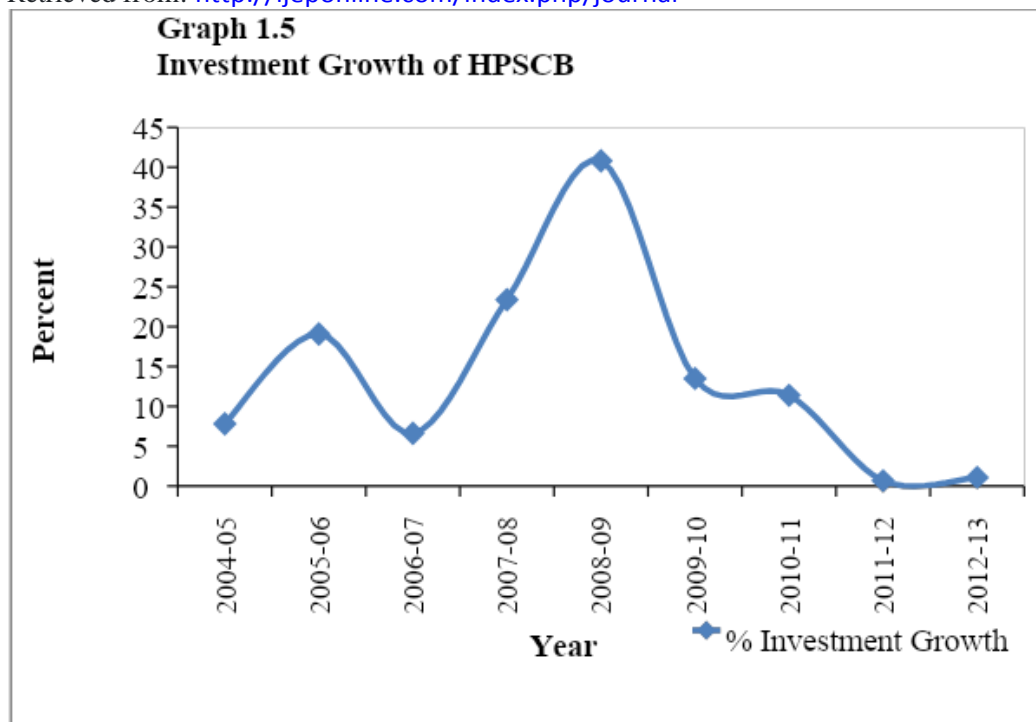


Table 1.5 depicts the investment portfolio of Himachal Pradesh State co-operative bank Ltd which went up to Rs 3973444.03 Lakh in 2012-13 from Rs 129894.38 Lakh in 2003-04 experiencing a continuous increase over the study period and registering a significant compound growth rate of 11.9 per cent per annum. In the year 2008-09 investment portfolio reached a highest annual growth of 40.79% investment per branch also highlight increasing trend till 2010-11, which slightly came down to Rs 2091.28 Lakh in the year 2012-13 might be because of expansion of 15 more branches within last two years of study period. Investment per branch notify positive compound growth rate of 8.9 per cent per branch. The coefficient of variation of total investment and investment per branch are 41.72 per cent and 35.05 percent respectively. This signifies that investment per branch of the bank is more consistent and uniform as compare to total investment.

5.6 Borrowing

To meet out the credit disbursement requirements, the bank had availed the refinance facilities provided by different financial institutions like Reserve Bank of India and National Bank for Agriculture and Rural Development under different schemes at different times. The borrowing of HP State Cooperative bank have presented in Table 1.6 and graphically shown in Graph 1.6.

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Table1.6
Borrowing of Himachal Pradesh State Co-operative Bank

(Rs. in Lakh)

Year	Borrowings	No of Branches	Borrowing per Branches	Borrowing Growth	% Growth
2003-04	23052.11	146	157.89	----	----
2004-05	23782.36	148	160.69	730.25	3.17
2005-06	24218.83	154	157.27	436.47	1.84
2006-07	24645.11	160	154.03	426.28	1.76
2007-08	18310.21	175	104.63	-6334.9	-25.70
2008-09	28507.86	175	162.90	10197.65	55.69
2009-10	35427.48	175	202.44	6919.62	24.27
2010-11	93152.95	175	532.30	57725.47	162.94
2011-12	74927.31	183	409.44	-18225.6	-19.57
2012-13	48887.78	190	257.30	-26039.5	-34.75
Mean	39491.2		229.889		
SD	25342.20		135.96		
CV	64.17%		59.14%		
CGR	7.7%		5.00%		

Source: Annual reports of Himachal Pradesh State Co-operative Bank Ltd for the years 2003-04 to 2012-13

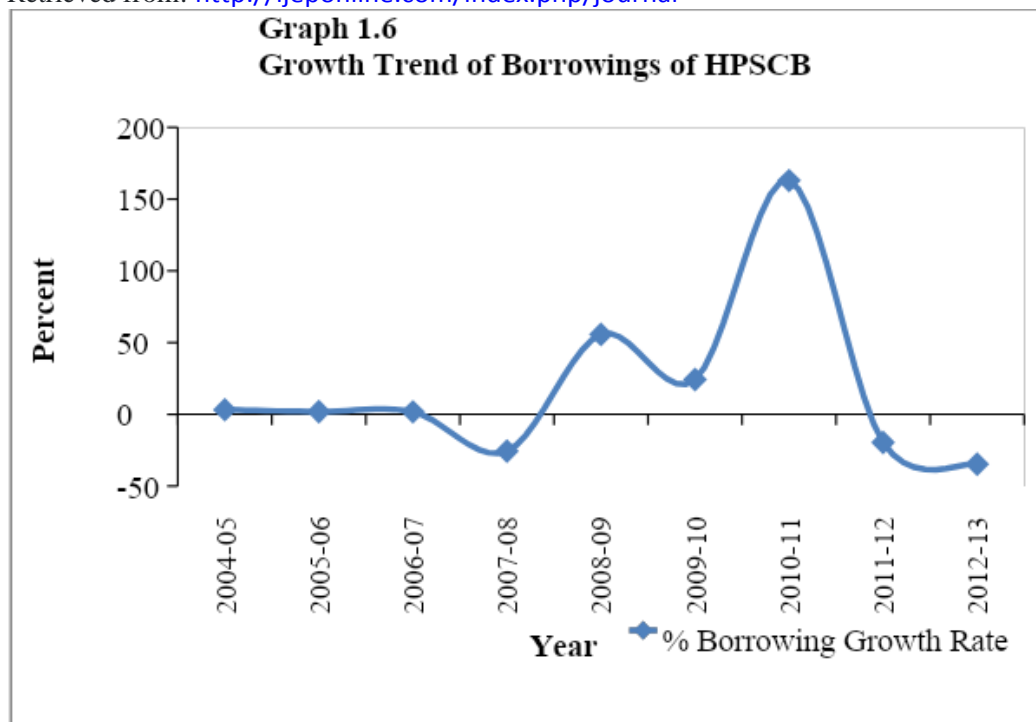
As depicted from Table 1.6 that Total borrowing of bank during the year 2003-04 stood at Rs 23052.11 Lakh followed by upward trend and reached the level of Rs 24635.00Lakh in the year 2006-07. In the next year i.e. 2007-08 it sharply came down to Rs 18310.21 Lakh with negative annual growth of -25.70 per cent. From the year 2008-09 borrowing again followed rising trend till 2011-12 and touched the level of Rs 74927.31 Lakh. In the last year of the study period it came down to Rs 48887.78 Lakh registering an overall compound growth of 7.7 per cent per annum.

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Borrowing per branch with compound growth rate of 5.00 per cent per annum reached the amount of Rs257.30Lakh in 2012-13 as against Rs 157.89 Lakh in the 2003-04. Throughout the period of study i.e. 2003-04 to 2012-13, Total borrowing and borrowing per branch showed mixed trend. The co-efficient of variation of total borrowing and borrowing per branch are 64.17 per cent and 59.14 per cent respectively. Which notifies that less spread has been noted in case of borrowing per branch as against to total borrowing of the bank and it is more uniform and consistent.

5.7 Profitability

Good profit always sounds the institutions on sounder footing. An institution which earns profit can serve the state or region in a better manner than institutions suffering losses. This also become very important to an institution like a bank which has to attract people for deposits, shareholders to purchase share of the bank and has to borrow money. Profit is the difference between total income and total expenditure of the bank. The profitability of Himachal Pradesh State Co-operative Bank has been analyzed in Table 1.7 and shown in Graph 1.7.

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Table1.7**Profitability of Himachal Pradesh State Co-operative Bank**

(Rs. in Lakh)

Year	Total Income	Total Expenses	Profit	% age Growth rate of Profit
2003-04	18977.14	16987.85	1989.29 (10.48)	-
2004-05	19112.66	16221.50	2891.16 (15.13)	45.34
2005-06	22606.93	18195.64	4411.29 (19.51)	52.58
2006-07	22752.98	19812.94	2940.04 (12.92)	-33.35
2007-08	32505.72	28076.54	4429.78 (13.63)	50.67
2008-09	42292.18	39469.48	2822.70 (6.67)	-36.28
2009-10	46106.14	42553.05	3553.88 (7.71)	25.90
2010-11	51765.80	47763.01	4002.79 (7.73)	12.63
2011-12	55995.29	51852.94	4142.35 (7.40)	3.49
2012-13	62387.72	57341.52	5046.20 (8.09)	21.82
Mean	37450.25	33827.44	3622.95	
SD	16355.10	15802.15	944.36	
CV	43.67%	46.71%	26.07%	
CGR	12.9%	12.9%	9.7%	

Source: Annual Report of Himachal Pradesh State Co-Operative Bank Ltd. For the years 2003-04 to 2012-13.

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Note: Figures in parentheses represent percentage.

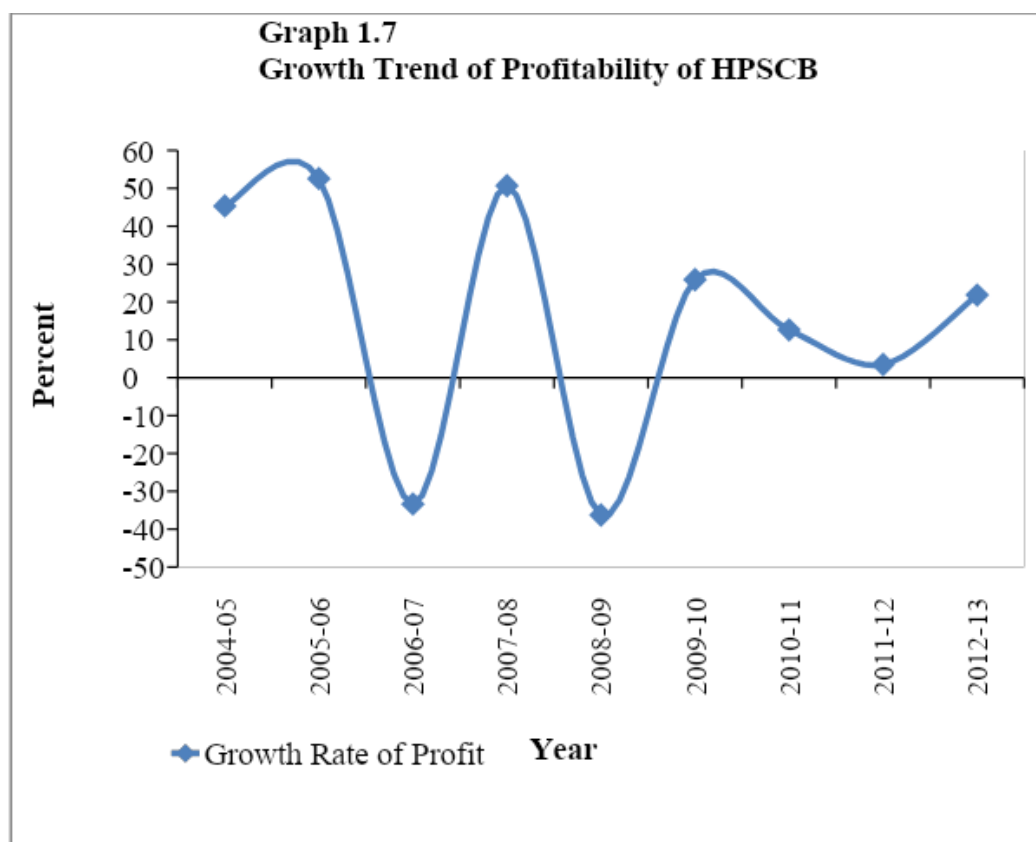


Table 1.7 reveals that income earned by Himachal Pradesh State Co-operative Bank stood at Rs 18977.14 Lakh in year 2003-04 which went up to Rs 62387.72 Lakh in the year 2012-13 thereby indicating a compound growth rate of 12.9 per cent per annum. Total expenses of the bank was 16987.85Lakh in 2003-04 slightly came down to Rs 16221.5 Lakh in 2004-05 and further went up to Rs 57341.52 Lakh in 2012-13 notifying a compound growth rate of 12.9 per cent annually. Profit position of Himachal Pradesh State co-operative Bank Ltd was noted at Rs of 1989.29 Lakh during 2003-04 showing a fluctuating trend, touched an amount of Rs 5046.20 Lakh in 2012-13 registering a compound growth rate of 9.7 per cent per annum. Co-efficient of variation of income, expenses and profits of the bank were 43.67 per cent, 46.71 per cent and 26.07 per cent respectively. Total income have shown less variations as compare to total expenses which mean that less spread has been noted in total income and it is more consistent. Comparison can also be made between the results of income and profits. The co-efficient of variation of income is 43.67 per cent as against the figure of expenses i.e. 46.71 per cent expressing least variation and fluctuation and it is more uniform & consistent as compare to total expenses.

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5.8 Recovery Position of Himachal Pradesh State Co-operative Bank

Recovery of loan is one of the important functions of a bank. However, poor recovery impedes the growth of bank. A loan is said to be overdue when it is not repaid within the stipulated period and erring loaner is defaulter. Once the overdue exceeds an allowable limit, it freezes the financial institution liquidity, cripples the operation of it, checks the lending channel and as a result, affects the very institution trust. Recovery of loan is a source of funds for further operations. If the recovery is low, the bank will have to arrange additional funds through deposit mobilization or borrowings for carrying on the existing and potential business. Recovery of loan has been depicted in Table 1.8 and shown in Graph 1.8

Table 1.8
Recovery of Himachal Pradesh State Co-operative Bank

(Figures in Lakh)

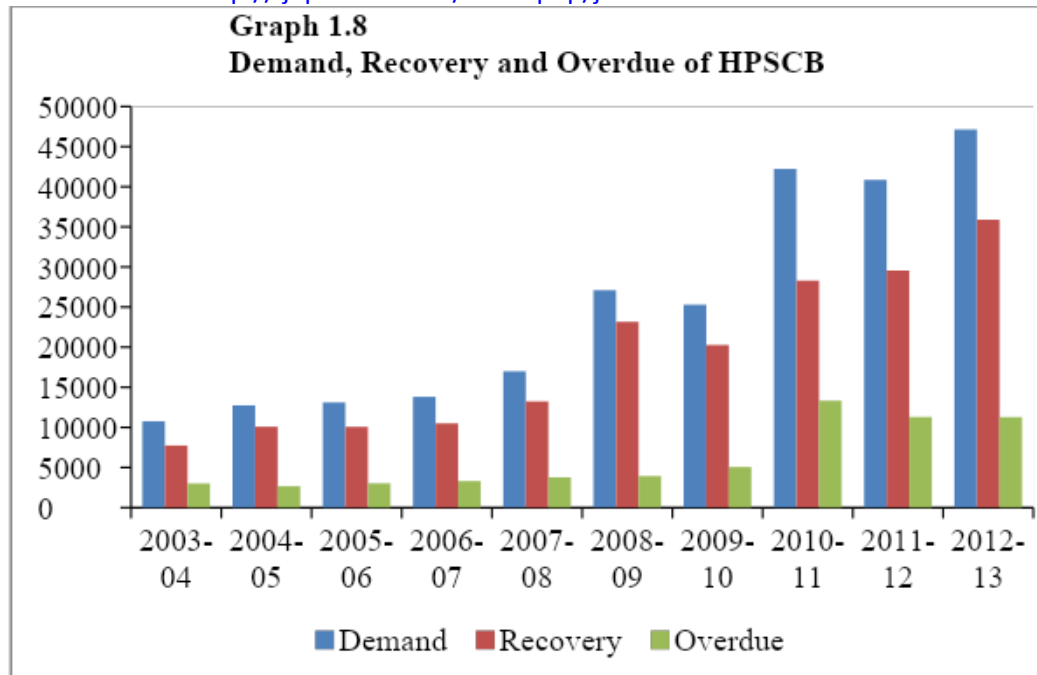
Year	Demand	Recovery	Over dues	% age
2003-04	10760	7741.00	3019.00	71.94
2004-05	12752	10085.00	2667.00	79.09
2005-06	13110	10073.00	3037.00	76.83
2006-07	13808	10503.00	3305.00	76.06
2007-08	17016	13239.00	3777.00	77.80
2008-09	27084	23151.00	3933.00	85.48
2009-10	25312	20254.00	5058.00	80.02
2010-11	42240	28301.00	13339.00	67.00
2011-12	40855	29565.00	11290.00	72.37
2012-13	47150	35872.00	11278.00	76.08
Mean	25008.70	18878.40	6070.30	
SD	13851.71	9959.75	4160.56	
CV	55.39%	52.76%	68.54%	
CGR	16.00%	16.7%	14.1%	

Source: - Annual Report of Himachal Pradesh State Co-operative Bank Ltd. For the year 2003-04 to 2012-13

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The recovery position of Himachal Pradesh State Co-operative Bank Ltd. showed continuous increase from 71.94 per cent in 2003-04 to 85.47 percent in 2008-09 indicate excellent recovery performance, than it sharply came down to 67.00 per cent in 2010-11. From 2011-12 it again marked an improvement and reached to 76.08 per cent in 2012-13. It can be said that the recovery performance of HPSCB showed a mixed trend throughout the study period. While comparing the results of coefficient of variation of demand, recovery and overdues, which are 55.39 per cent, 52.76 per cent and 68.54 per cent respectively, which notify that results of overdues are more fluctuating and widely scattered and it is less consistent as compare to demand and recovery

5.9 Non-Performing Assets position

A non-performing asset is a loan and /or an advance where interest and / or installment of principal amount remain overdue for period more than 90 days in respect of term loan. The account remains “out of order” in respect of an overdrafts/ cash credit. The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted.

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Table 1.9**Non-Performing Assets Position of Himachal Pradesh State co-operative Bank**

(Figure in Lakh)

Year	Total NPA	% Growth Trend	Outstanding Loan & Advances	% age of NPA over Outstanding Loans and Advances
2003-04	6984.59		62251.31	11.22
2004-05	7195.95	3.03	77044.47	9.34
2005-06	9105.55	26.54	78563.86	11.59
2006-07	12402.89	36.21	107605.23	11.53
2007-08	14982.77	20.80	124769.70	12.01
2008-09	19685.95	31.39	139733.35	14.09
2009-10	21731.81	10.39	164441.26	13.22
2010-11	27514.73	26.61	221043.13	12.45
2011-12	29788.88	8.27	236166.86	12.61
2012-13	29724.30	-0.22	265374.00	11.20
Mean	17911.74		147699.31	
SD	9075.41		71959.39	
CV	50.67%		48.72%	
CGR	15.5%		15.6%	

Source: - Annual Report of Himachal Pradesh State Co-Operative Bank Ltd. For the years 2003-04 to 2012-13

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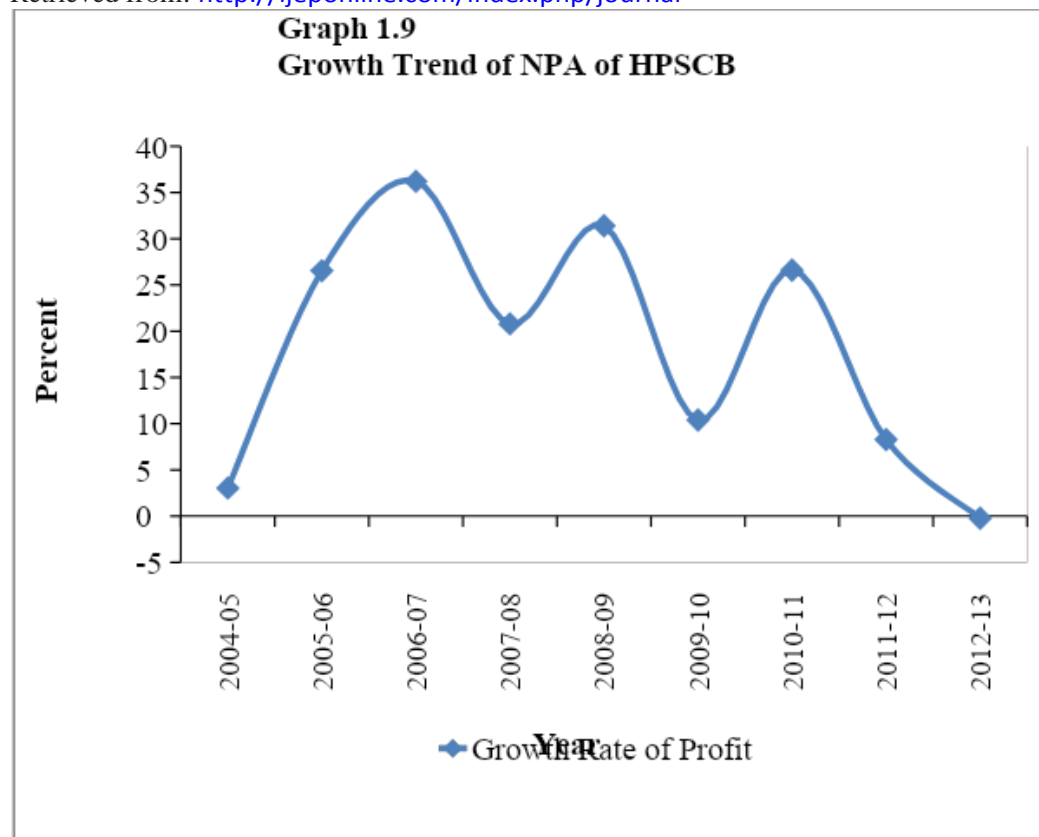


Table 1.9 depicts the non- performing assets position of Himachal Pradesh State co-operative Bank Ltd. The non- performing assets, in absolute term was Rs 6984.59 Lakh in 2003-04 and which went up to Rs 29788.88 Lakh in 2011-12 and came down to Rs 29724.30 Lakh in year 2012-13. Throughout the study period except (2012-13) a continuous hike in non- performing assets was reported in absolute term with compound growth of 15.5 per cent per annum whereas the percentage of non- performing assets over outstanding advances showed mixed trend. It was maximum in the year 2008-09 i.e. 14.09 per cent thereafter came down to 11.20 per cent 2012-13 that signifies that the bank has attempted to reduce its non- performing assets, although not in absolute term but in relative terms when it has been computed in relation with outstanding advances. The result of co-efficient of variation of NPA and outstanding advances have been recorded at 50.67 per cent and 48.72 per cent respectively which infers that more variation have been noticed in case of NPA meaning thereby it is more inconsistent as compare to other variable.

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5.10 Future deposits and advances trends of Himachal Pradesh State co-operative Banks

The Future deposits and advances trends have been calculated with the help of least square methods of time series analysis. A trend line is fitted to the data in such a way so that sum of deviation of actual deposits and advances (Y) and the calculated value of (Yc) i.e. $Y - Y_c = \text{zero}$ and the sum of squares of deviation of actual and calculated value $(Y - Y_c)^2$ is least from the line.

Table 5.10 (a)**Deposit Trends of Himachal Pradesh State Co-operative Bank**

(Rs. In Lakh)

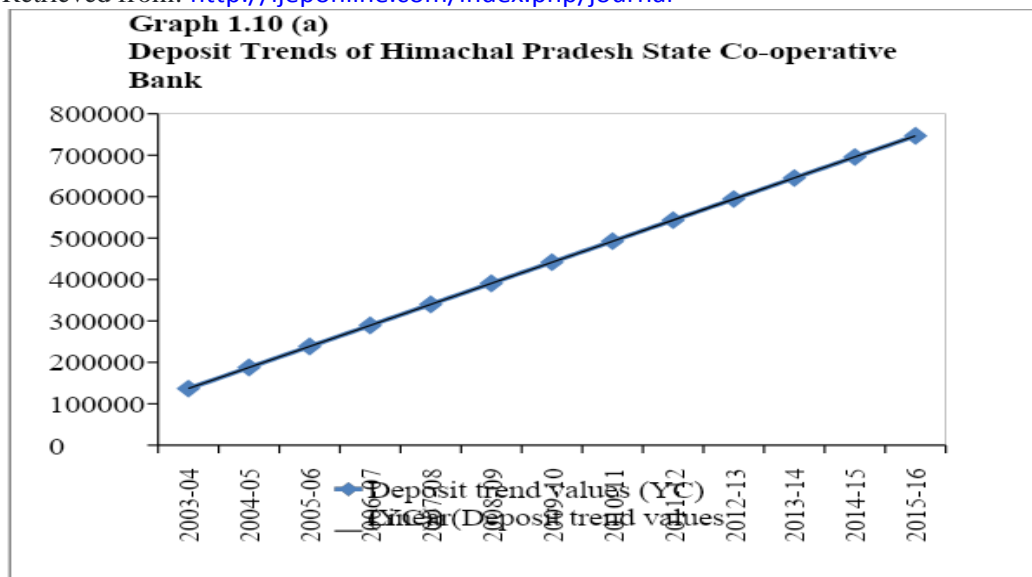
Year	Deposit (Y)	Deposit trend values(YC)
2003-04	164951.14	136646.9
2004-05	185734.31	187479.2
2005-06	211746.07	238311.5
2006-07	241052.12	289143.7
2007-08	343375.01	339975.9
2008-09	406318.91	390808.1
2009-10	494178.25	441640.3
2010-11	500552.31	492472.6
2011-12	524219.07	543304.8
2012-13	581792.31	594137
2013-14		644969.2
2014-15		695801.4
2015-16		746633.7

Source: Compiled from Annual Report of Himachal Pradesh State Co-Operative Bank Ltd. for the years 2003-04 to 2012-13.

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With the help of calculated trend values deposits trends of Himachal Pradesh State co-operative Banks has been depicted in Table 1.10(a) up to the year 2015-16 which are reported as Rs 644969.16 Lakh, 695801.38 Lakh and 746633.60 Lakh respectively.

Table 5.10 (b)
Future Advances Trends of Himachal Pradesh State Co-operative Bank

(Rs. in Lakh)

Year	Advances (Y)	Advances trend values (Yc)
2003-04	62251.31	42976.69
2004-05	77044.47	66248.35
2005-06	78563.86	89520.05
2006-07	107605.23	112791.8
2007-08	124769.70	136063.5
2008-09	139733.35	159335.2
2009-10	164441.26	182606.9
2010-11	221043.13	205878.6
2011-12	236166.86	229150.3
2012-13	265374	252422
2013-14		275693.7
2014-15		298965.4
2015-16		322237.1

Source: - Compiled from Annual Report of Himachal Pradesh State Co-Operative Bank Ltd. For the years 2003-04 to 2012-13

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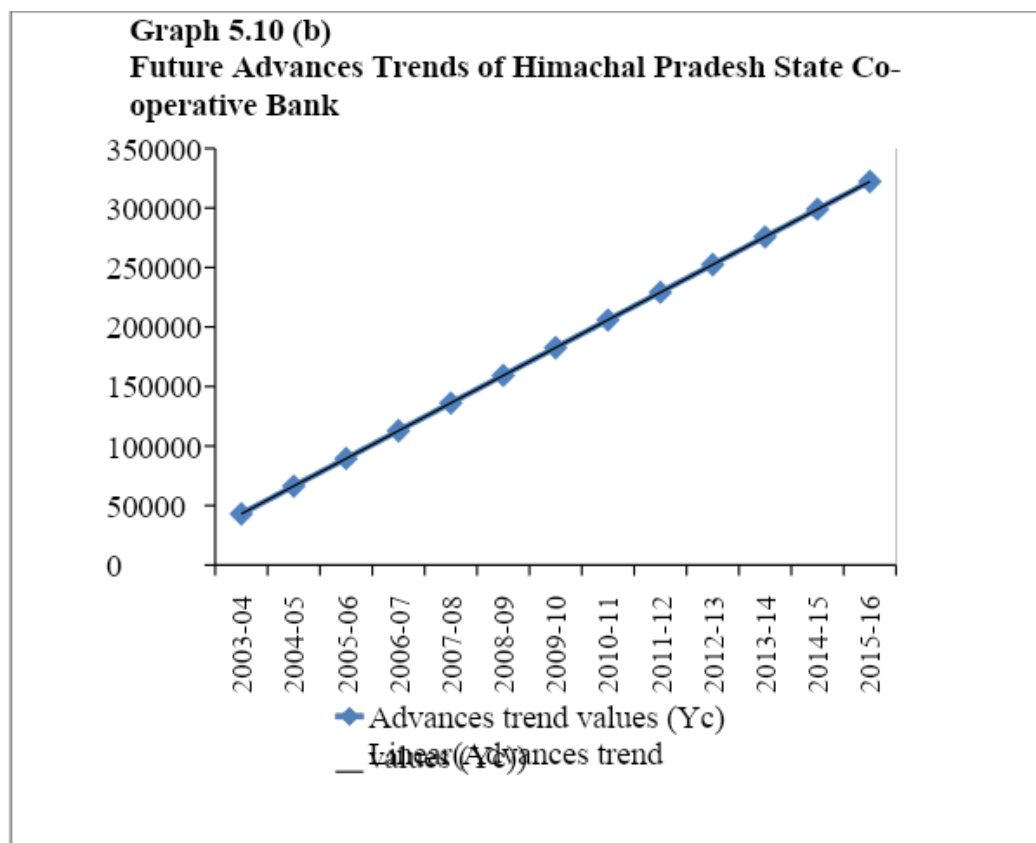


Table 1.10 (b) and Graph 1.10 (b) depicts the future advances trend of Himachal Pradesh State Cooperative bank. The calculation has been done for the three years, that is, 2013-14, 2014-15 and 2015-16. Table 1.10(b) indicates the advances trends of Himachal Pradesh State co-operative Banks Ltd. During the period under reference calculated trend values of advances up to the year 2015-16 has been estimated which are reported as Rs. 288790.59 Lakh, 314443.17 Lakh and 340095.75 Lakh respectively of the years 2013-14, 2014-15 and 2015-16.

5.11 Progressive Base year Growth in Advances and Working Funds

The coefficient of correlation is calculated by concurrent Deviation method to find out the relation between advances and working funds of Himachal Pradesh State co-operative bank during the period of study.

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Table 1.11

Progressive Base Year Growth in Advances and Working Funds of Himachal Pradesh State

Co-operative Bank

(Rs. in Lakh)

Year	Advances	% Increase and Decrease	Working Funds	% Increase and Decrease	C
2003-04	62251.31	----	220089.88	-----	-----
2004-05	77044.47	+23.76	246227.79	+11.87	+
2005-06	78563.86	+1.97	278130.86	+12.95	+
2006-07	107605.23	+36.96	313291.68	+12.64	+
2007-08	124769.70	+15.95	418390.50	+33.54	+
2008-09	139733.35	+12.00	492768.38	+17.77	+
2009-10	164441.26	+17.66	590850.71	+19.90	+
2010-11	221043.13	+34.42	663282.79	+12.25	+
2011-12	236166.86	+6.84	672381.30	+01.37	+
2012-13	265374.00	+12.36	708897.18	+05.43	+

Source: - Compiled from Annual Report of Himachal Pradesh State Co-Operative Bank Ltd. For the years 2003-04 to 2012-13

It is noticed from the Table 1.11 That advances of the bank during the study period showed a gradual increase in amount and made a significant growth of Rs 203122.69 Lakh from the year 2003-04 to 2012-13 respectively. Similarly the working funds of the bank also showed continuous growth throughout the study period and the maximum growth of 33.54 per cent was noticed in the year 2007-08 of advances and working funds. The calculated value of coefficient of correlation found at +1 which showed a perfect positive correlation between both the variable which signify that change in on variable resulted the similar change in other variable also.

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6. Conclusion: The operational efficiency of Himachal Pradesh State Co-operative Bank Ltd., were evaluated on various parameters and following observations were noticed:

1 On analyzing the structural performance of the HPSCB, it shows that there was a positive growth in term of number of branches, as Himachal Pradesh State Co-operative Bank Ltd. started functioning in the year 1954 with only one branch but by the end of 2012-13 the number of branches increased to 190 with an operational area in six districts of Himachal Pradesh.

2 During the study period the amount of deposits of Himachal Pradesh state co-operative Bank has increased from Rs 164951.14 Lakh in 2003-04 to Rs 581792.31 Lakh in the year 2012-13 as registering a compound growth of 13.5 per cent annually. On the contrary deposits generated by all the State co-operative Banks in India were reported Rs 4286301 Lakh during the 2003-04 and reached the level of Rs 8990513 lakh in 2012-13, registering a Compound growth of 7.7 per cent annually, which is quite lower than the average growth of HPSCB. It clearly depict that HPSCB mobilized its funds more effectively.

3 As for as the credit expansion is concerned the bank have shown upward trend throughout the study period. Thus it can be inferred that Himachal Pradesh State co-operative Bank Ltd has achieved a significant progress is credit expansion during the period under reference.

4 Productivity per branch and Productivity per employee has shown a marked improvement throughout the study period. On the basis of above trends of productivity it can be inferred that Himachal Pradesh State co-operative Bank Ltd has marked a significant progress in productivity per employee as well as productivity per branch during the period under reference. Hence It can be further inferred that the bank has deployed its resources significantly which is a good sign of efficiency.

5 Investment of the bank has shown significant growth during the study period, it increased almost 3 times in absolute term during the study period with nominal percentage of variation.

6 After analyzing recovery position of HPSCB, It can be said that the recovery performance of HPSCB showed a mixed trend throughout the study period. While comparing the results of coefficient of variation of demand, recovery and overdues, which are 55.39per cent, 52.76 per cent and 68.54 per cent respectively, which notify that results of overdues are more

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fluctuating and widely scattered and it is less consistent as compare to demand and recovery.

7 Profitability position of Himachal Pradesh State co-operative Bank Ltd was showing a fluctuating trend, registering a compound growth rate of 9.7 per cent. The co-efficient of variation of income is 43.67 per cent as against the figure of expenses i.e. 46.71 per cent expressing least variation and fluctuation and it is more uniform & consistent as compare to total expenses.

8 The result of co-efficient of variation of NPA and outstanding advances have been recorded at 50.67 per cent and 48.72 per cent respectively which infers that more variation have been noticed in case of NPA meaning thereby it is more inconsistent as compare to other variable.

9 After analyzing the future growth trend of advances as well as working capital, the calculated value of coefficient of correlation found at +1 which showed a perfect positive correlation between both the variable which signify that change in on variable resulted the similar change in other variable also.

Overall appraisal of the performance of the State Co-operative Bank confirms that no doubt the bank has made commendable progress in credit expansion, deposit mobilization, investment portfolio and recovery performance etc. during the period under reference. But investments as well as declining profitability are alarming indicators to the management of the bank, hence management has to take up this matter seriously.

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INDICES USED

CV- Coefficient of variation

SD- Standard Deviation

CGR-Compound Growth Rate