



CAMEL ANALYSIS TO STUDY THE PERFORMANCE OF DISTRICT CO-OPERATIVE BANK, KOZHIKODE

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Abstract

Without a sound and effective banking system in India it cannot have a healthy economy. The banking system of India should not only be hassle free but it should be able to meet new challenges posed by the technology and any other external and internal factors. For the past three decades India's banking system has several outstanding achievements to its credit. In fact, Indian banking system has reached even to the remote corners of the country. This is one of the main reasons of India's growth process. The co-operative bank in India started functioning almost 100 years ago. The co-operative bank is an important constituent of Indian financial system. The present study examines the use of camels rating in evaluating the financial performance of the bank especially the researcher focused on capital adequacy because the bank faces problem in capital management.

Keywords: Capital, Risk, Liquidity, Interest and Management.

INTRODUCTION

A co-operative bank is an autonomous association of person united voluntary to meet common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. Co-operative are organized group of people and jointly managed and democratically controlled enterprises. They exist to serve their members and depositors and produce better benefits and services for them. Professionalism in co-operative reflects the co-existence of high level of skills and standers in performing, duties entrusted to an individual. Co-operative bank needs current and future development in information technology. It is indeed necessary for co-operative bank to devote adequate attention for maximizing their return on every unit of resource through effective service. The different types of cooperative banks are

- Primary co-operative credit societies
- District co-operative bank
- State co-operative banks

Financial performance analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing the relationship between the items of balance sheet and profit and loss account. It also helps in short-term and long-term forecasting and growth can be identified with the help of financial performance analysis.

In this article the researcheer used CAMEL analysis -C- Capital adequacy, A - Asset quality, M - Management quality, E - Earnings, L - Liquidity to study the performance of the Co-operative bank. This research focuses on those five components in the bank.

STATEMENT OF THE PROBLEM

The present study examines the use of camels rating in evaluating the financial performance of the bank specially the researcher focused on capital adequacy because the bank faces problem in capital management.

SCOPE OF THE STUDY

Performance evaluation of Kozhikode District Co operative bank, based on various parameters of CAMEL rating system is useful for the banks as well as for all those who deals with the banks. This study will help the banks to identify their weakness and take corrective measures. This also helps the prospective investors, as they can evaluate the bank based on the study and take decision about their investment.

OBJECTIVES OF THE STUDY

To ascertain financial strength of the bank

- To know the present and future earning capacity and the profitability of the concern.
- To study the short term and long term solvency of the concern.
- To ascertain the liquidity position and efficiency of management of the concern.

RESEARCH METHODOLOGY

For this study the researcher followed the analytical research design and data source were collected from Journal and RBI website.

Analysis

Table No: 1 Showing capital Adequacy Ratio

Co-operative Bank- Kozhikode				
		Year		
Category	Ratio	2011	2012	2013
Capital (C)	Capital adequacy ratio	3.44%	5.85%	5.85%

Source: Secondary data published in RBI

Table No: 2 - Showing Performance of Assests

Co-operative Bank- Kozhikode				
		Year		
Category	Ratio	2011	2012	2013
Asset (A)	Net NPA to Total Assets	4.53%	4.53%	4.53%
	Net NPA to total Advances	5.81%	5.81%	5.81%

Source: Source: Secondary data published in RBI

Table No: 3 Showing Performance of Management

Co-operative Bank- Kozhikode				
		Year		
Category	Ratio	2011	2012	2013
Management (M)	Total Advances to Total Deposits	90.82%	90.82%	90.82%
	Profit per employee(in lakh)	1.76	1.76	1.76
	Branch profitability(in lakh)	14.70	14.70	14.70
	Asset utilization	9.12%	9.12%	9.12%

Source: Secondary data published in RBI

Table No:4 Showing the bank's Earning capacity

Co-operative Bank- Kozhikode				
		Year		
Category	Ratio	2011	2012	2013
Earning(E)	Net profit	57.87%	57.87%	57.87%
	Interest income to total income	98.59	98.59	98.59
	Non interest to total income	1.41%	1.41%	1.41%

Source: Secondary data published in RBI

Table No:5 Showing the liquidity level

Co-operative Bank- Kozhikode				
		Year		
Category	Ratio	2011	2012	2013
Liquidity(L)	Liquid assets to demand deposit	36.93%	36.93%	36.93%
	Liquid asset of total assets	7.13%	7.13%	7.13%
	Government securities to total assets	4.02%	4.02%	4.02%

Source: Secondary data published in RBI

DATA ANALYSIS AND FINDING

- The CAR Kozhikode district co-operative bank for the last five years is not much satisfactory even the bank is trying to raise it up to 5.66% in 2012-2013.
- Nonperforming asset (NPA) is the asset which does not generate income to the bank. In case of co-operative banks the percentage of NPA should be less than 5% .the percentage of NPA of KDC in the year 2012-2013 was

3.06%, shows a decreasing trend which indicates the sound asset quality of the bank. The percentage of NET NPAs to total advances shows a decreasing trend over the period of study. It was 3.58% in 2012-2013. The banks able to reduce the percentage of nonperforming assets to advance over the last five years.

- Total advance of KDC bank for the period of study was more than 80% of its total deposit. This indicate management's efficiency to convert deposit to advance. Advance is the main source of income of the bank and thus the efficiency of the management depends upon their ability to increase the assets. Labour productivity is an indicator of long term vitality of bank. In KDC profit per employees is increasing in 2012-2013 it is 3.02 lacs. Increasing profit per employees shows the efficiency of management. Branch profitability increased to 16.19 lakhs by the end of the year 2012-2013. The same happens in the case of branch productivity also.
- The assets utilization of KDC bank shows an upward trend in the year 2012 -2013. The percentage of assets utilization of the bank is around 10%, which indicate that the bank is not utilizing the assets in better way. Net profit and percentage growth in net profit of the bank declined to the level of 49.18% in 2012 -2013. It indicates the inefficiency of the management in improving their net profit.
- Liquid assets to demand deposits of the KDC Bank show an increasing trend for the last three years. Around 29% of demand deposits were kept as liquid assets in KDC Bank.
- Liquidity of a bank highly depends up on its investments in govt. securities. These securities are considered to be more safe and liquid as compared to other securities. The KDC Bank invested around 3% of its assets in govt. securities. Thus the bank has insufficient liquidity.

RECOMMENDATIONS

The main recommendations that can be formulated by this study are

- The Kozhikode district co-operative bank should take all necessary steps to improve its capital adequacy. The banks shall try to reduce the percentage in order to make improvement in NPA management and in their performance. The management should try to increase the percentage of return on assets by reducing the non performance assets.
- The expenditure of the bank is increasing year after year. The bank should take appropriate steps to control the expenditure.
- In order to become more competitive in present scenario. Kozhikode district co-operative bank should take up new challenges. The management must take utmost care to reduce the existing draw backs and should make further improvement over its liabilities. The bank should try to make use of the latest technology by maintaining its present way of treating the customers.

CONCLUSION

This is an era of competition. No banks could survive without understanding their strength and weakness. Here is the importance of performance evaluation. And this study, performance of Kozhikode district co-operative bank is evaluated by using various parameters such as capital adequacy, assets quality, management, earning quality, liquidity. By analyzing last three years data, it is found that Kozhikode district co-operative bank is making improvement in their capital adequacy ratio over previous years CAR. Decreasing trend in net NPA to total assets is an evidence of improving asset quality. As profitability is directly related with efficiency of the management and most of these parameters indicate a favorable situation. The KDC bank has an excellent manpower at its disposal. Optimum utilization of funds, add glory to bank. Customer retention and inclusion through courteous and efficient customer service create goodwill for the bank sector. The Kozhikode district co-operative bank is performing successfully in the co-operative banking sector in Kerala even through it needs some improvement in some of its area.

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