

CHAPTER IX

PERFORMANCE EVALUATION OF THE BANK.

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CHAPTER IX

PERFORMANCE EVALUATION OF THE BANK

9.1 INTRODUCTION :

An evaluation of the overall performance of any organisation is continuously needed. The Co-operative Department has prescribed the various norms/standards for the different component of the financial statements of the Bank. If we compare the actual performance of the banks during the last 10 years with these norms prescribed, we can judge the performance and efficiency of the Bank. Now let us put the actual results against the norms in a tabular form.

9.2 PERFORMANCE EVALUATION

9.2 (a) ACTUAL PERFORMANCE EVALUATION AGAINST THE PRESCRIBED NORMS FOR LIABILITIES

TABLE NO 9.1

TABLE SHOWING THE ACTUAL PERFORMANCE OF THE BANK AGAINST THE PRESCRIBED NORMS FOR LIABILITIES

| Sr. Particulars No. | Norms/Standard recognised by the co op. Department | Actual proportions (in Percentage) | | | | | | | | | |
|------------------------|---|------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|--------------|
| | | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 Average |
| 1. Share Capital | 2 to 4% of total liability | 12.51 | 11.22 | 9.89 | 8.79 | 7.72 | 7.19 | 6.99 | 7.18 | 7.04 | 8.579 |
| 2. Reserves | 4 to 6% ——— " ——— | 1.95 | 1.79 | 1.79 | 1.78 | 1.85 | 1.81 | 1.83 | 2.24 | 2.56 | 3.30 |
| 3. Deposits | 80 to 85% ——— " ——— | 68.58 | 73.36 | 75.57 | 75.46 | 76.37 | 72.08 | 70.33 | 72.60 | 75.55 | 77.74 |
| 4. Other Liabilities | 2 to 4% ——— " ——— | 16.23 | 12.61 | 11.60 | 12.84 | 12.84 | 17.85 | 19.91 | 16.70 | 12.44 | 14.325 |
| 5. Net Profit | 1% ——— " ——— | 0.73 | 1.02 | 1.15 | 1.13 | 1.16 | 1.07 | 0.94 | 1.28 | 2.41 | 1.53 |
| TOTAL | 100% | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |

SOURCE : Annual and Audit Reports of the Bank.

TABLE NO. 9.1 :

The above norms are prescribed by the co-op. department for the purpose of auditing accounts. After going through the table, we find that :

An average of the ten years' share capital is 8.579 percent of the total liability, which is greater than the norms prescribed by co-op department. Each years share capital is above the norms prescribed by the co-op department. It implies good amount of internal source of funds of the bank and this has increased the credit-worthiness & financial position of the bank.

The average of ten years reserves is 2.09% of the total liability, which is less than the norm of 4 to 6% prescribed by the co-op department. This might prove trouble some to the bank in future. This may weaken the working capital position and credit-worthiness of the bank.

The average of ten years deposits is 73.764% of total liabilities, and it is less than the norms prescribed by the co-op department. It implies that the bank has not been in a position to attract more deposits and the efforts made to mobilise the deposits felt short.

The average percentage of ten years other liabilities to the total liabilities is 14.32. It is much more than the norms prescribed by the co-op department. It may prove trouble some and is against the banking practices and financial policies.

The average of ten years net profit is 1.24% of the total liabilities, it is greater than the norms prescribed by the co-op department. It indicates efficient utilisation of funds, economy in the administrative expenditure and profitable business.

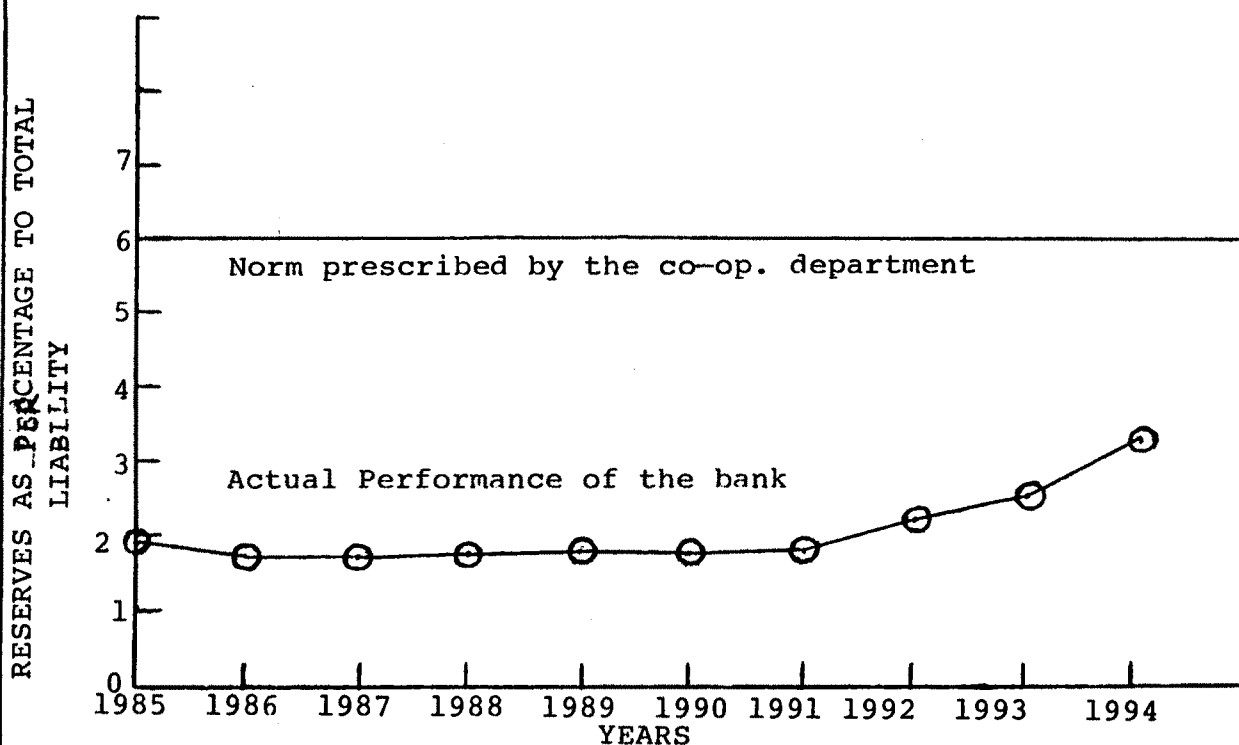
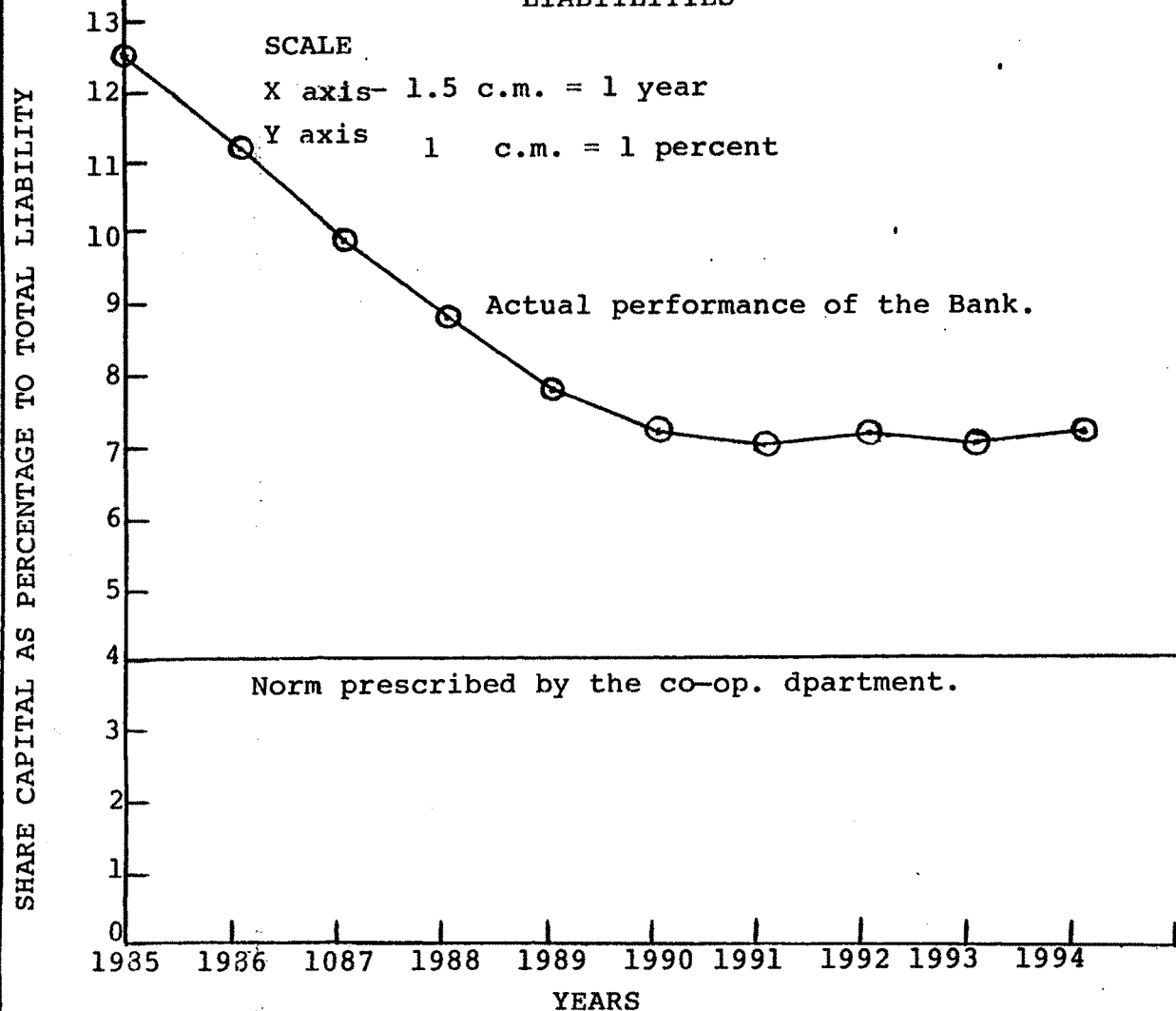
9.2 (B) GRAPHICAL REPRESENTATION OF ACTUAL PERFORMANCE AND PRESCRIBED NORMS FOR LIABILITIES :

If we plot the figures given in the above table on a graph paper we can visualise the deviations between the norms prescribed and the actual performance. The share capital actual performance percentage line shows that, there was too much gap in the beginning and it became less with the passage of time. The percentage line for reserves is far below the line from the norms prescribed by the co-op Department.

9.1 GRAPH SHOWING ACTUAL PERFORMANCE OF THE BANK

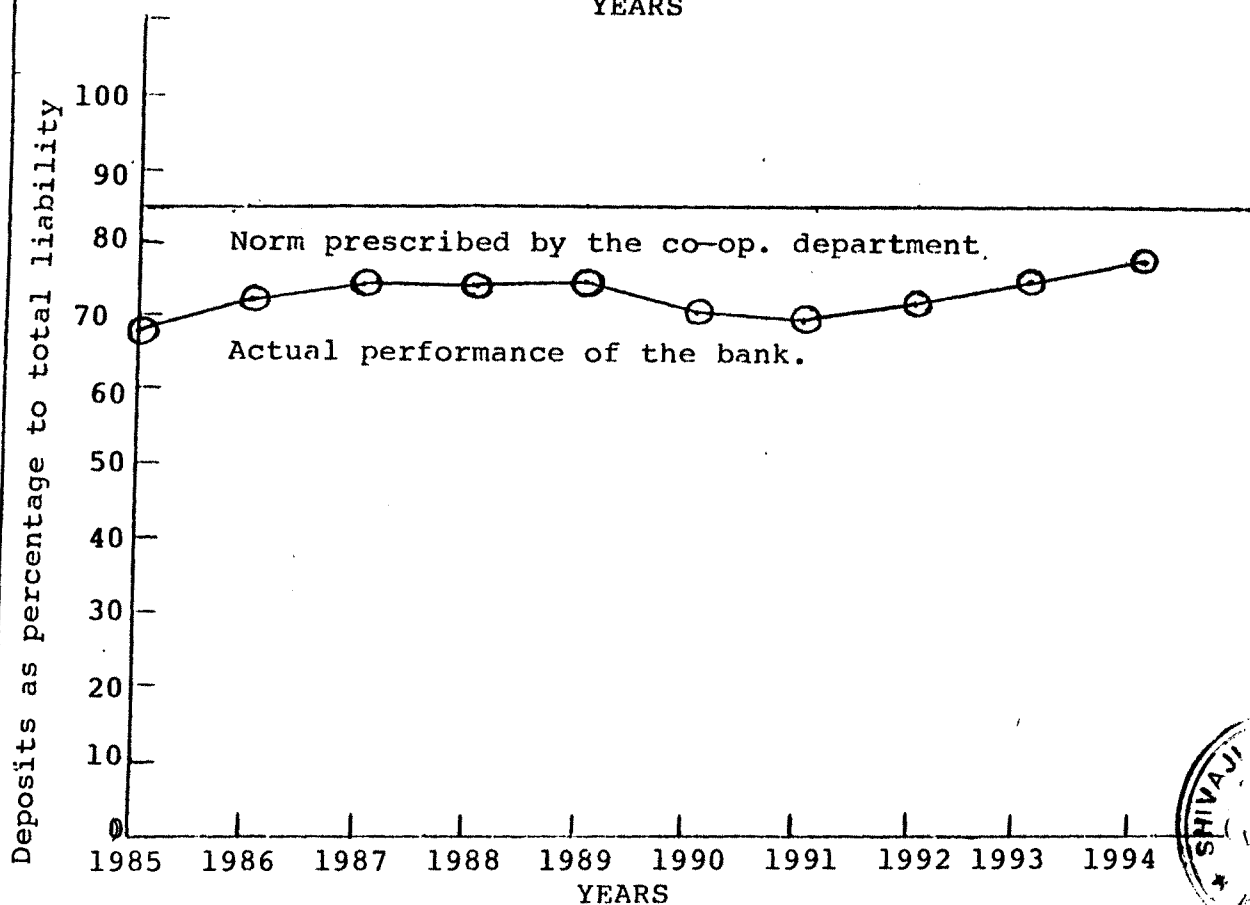
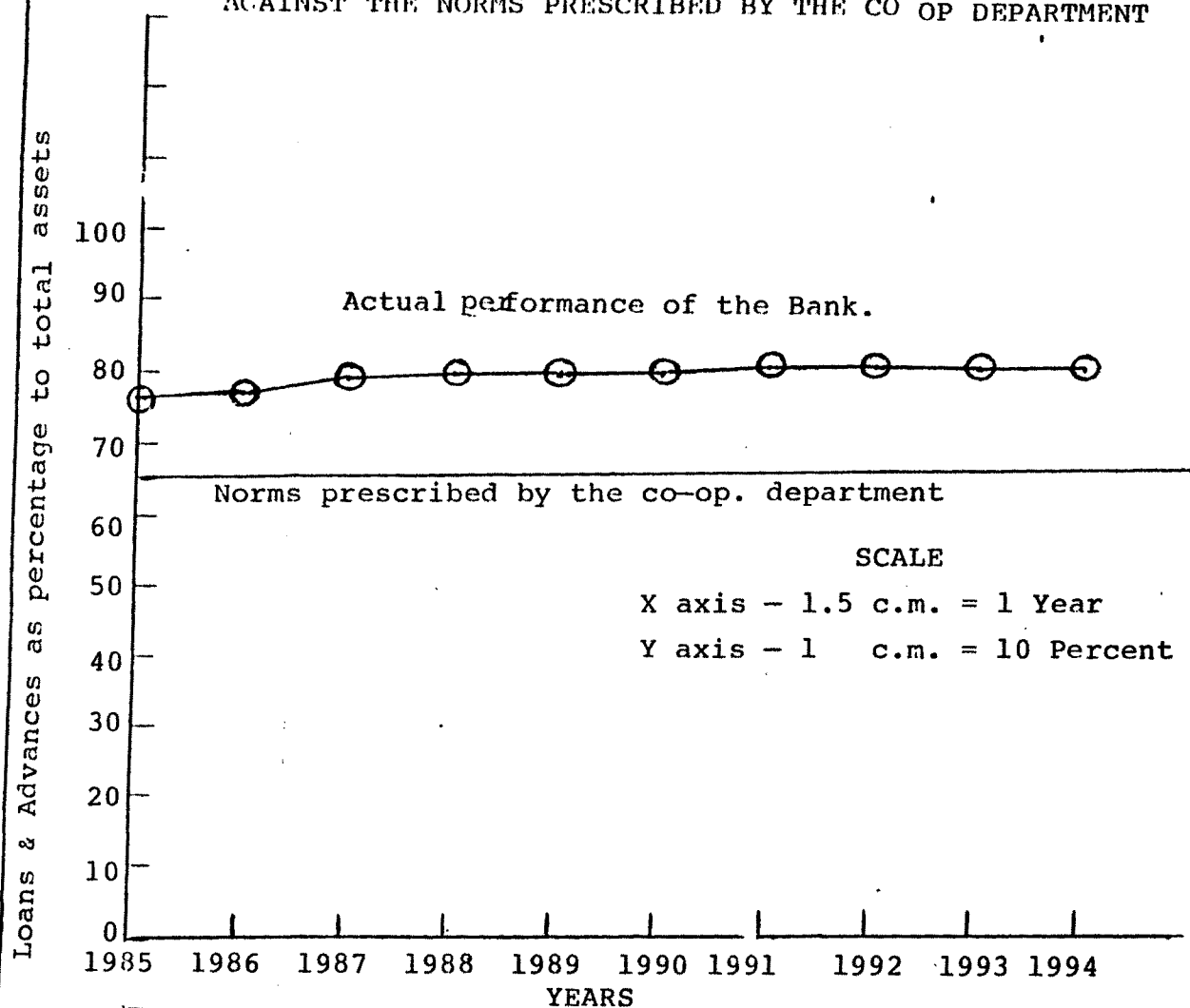
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AGAINST THE NORMS PRESCRIBED BY THE CO-OP. DEPARTMENT FOR LIABILITIES



The following graph shows that the loans and advances of the Bank are more than the norms prescribed for the purpose. While deposits percentage is less than the standered prescribed by the co-op department. If we glance at the graph as a whole, we can see that the bank has been giving more loans & advances than warranted by its financial strength. It is also seen that it has not been in a position to attract as much deposits as desired.

9.2 GRAPH SHOWING ACTUAL PERFORMANCE OF THE BANK
AGAINST THE NORMS PRESCRIBED BY THE CO OP DEPARTMENT 183



9.2 (C) ACTUAL PERFORMANCE EVALUATION AGAINST THE PRESCRIBED NORMS FOR ASSETS

TABLE NO. 9.2

TABLE SHOWING THE ACTUAL PERFORMANCE OF THE BANK AGAINST THE PRESCRIBED NORMS FOR ASSETS

| SR. No. | Particulars | Norms/standards recognised by the co op Department | Actual proportions (in percentage) | | | | | | | | | | |
|---------|----------------------|--|------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------|
| | | | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | Average |
| 1. | Cash & Bank balances | 4% of total assets | 5.15 | 3.89 | 3.05 | 2.74 | 3.80 | 3.62 | 2.85 | 2.78 | 3.67 | 3.91 | 3.55 |
| 2. | Investments | 25% ——— " | 14.72 | 15.11 | 14.52 | 14.39 | 14.15 | 13.42 | 13.43 | 14.19 | 14.15 | 14.45 | 14.25 |
| 3. | Loans & Advances | 65% ——— " | 76.34 | 77.28 | 79.31 | 79.65 | 79.57 | 79.33 | 80.47 | 80.27 | 79.28 | 78.44 | 78.99 |
| 4. | Other Assets | 6% ——— " | 3.79 | 3.72 | 3.12 | 3.22 | 2.48 | 3.63 | 3.25 | 2.76 | 2.90 | 3.20 | 3.21 |
| | TOTAL | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |

SOURCE : Annual & Audit Reports of the Bank.

After going through the table no. 9.2 we find that :

The average of ten years cash and bank balances is 3.55% of total assets. It is less than the norms prescribed by the co-op department. It affects the liquidity position of the bank and it is a sign of unsound cash position.

The average of ten years Investments is 14.25% of the total assets. It is below the norms prescribed by the co-op department. This may affect financial position and creditworthiness of the bank.

The average of the loans and advances is around 79% of the total assets. This is greater than the norms prescribed by the co-op department. It indicates overtrading and interferes with the sound financial policies. Such a position is going to affect the liquidity position of the bank.

The actual proportion of the other assets to the total assets is smaller than the norms prescribed by the co-op department for all the years under study.

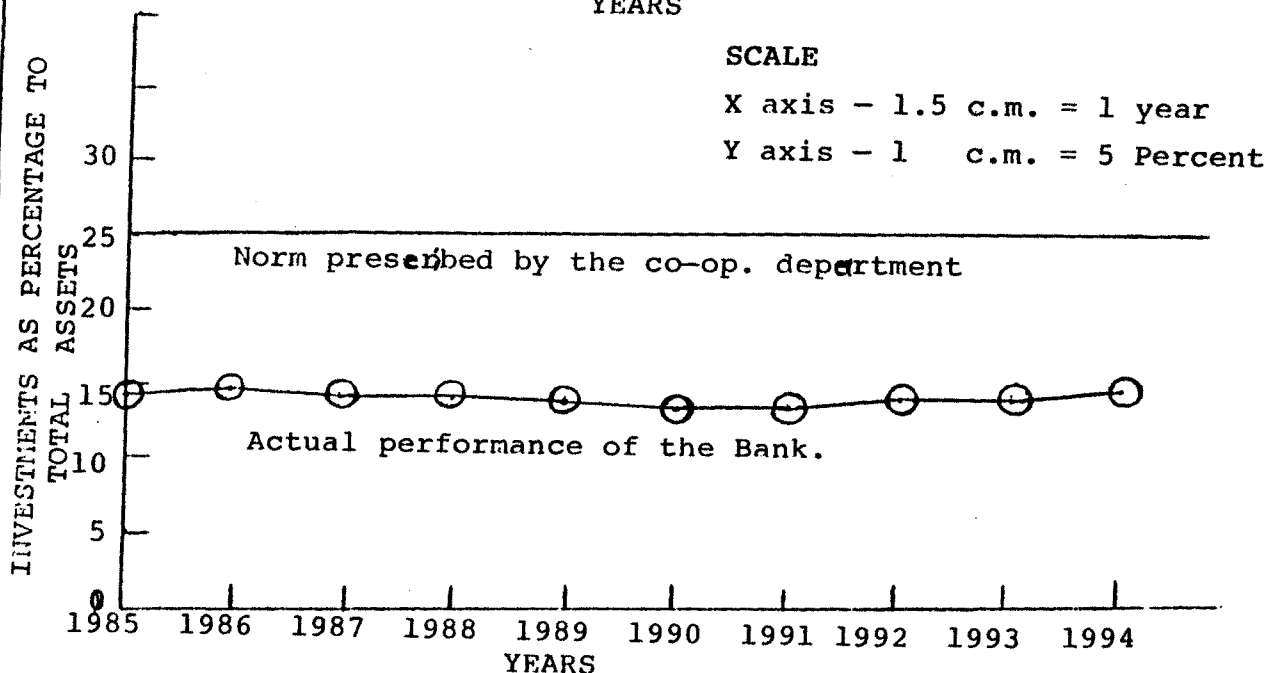
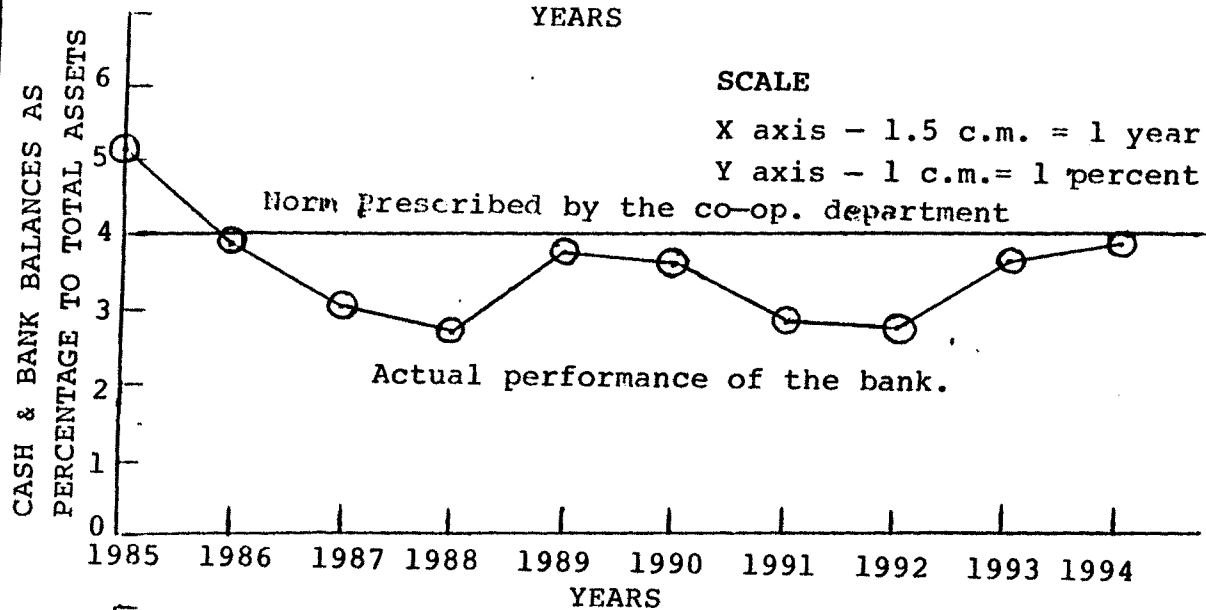
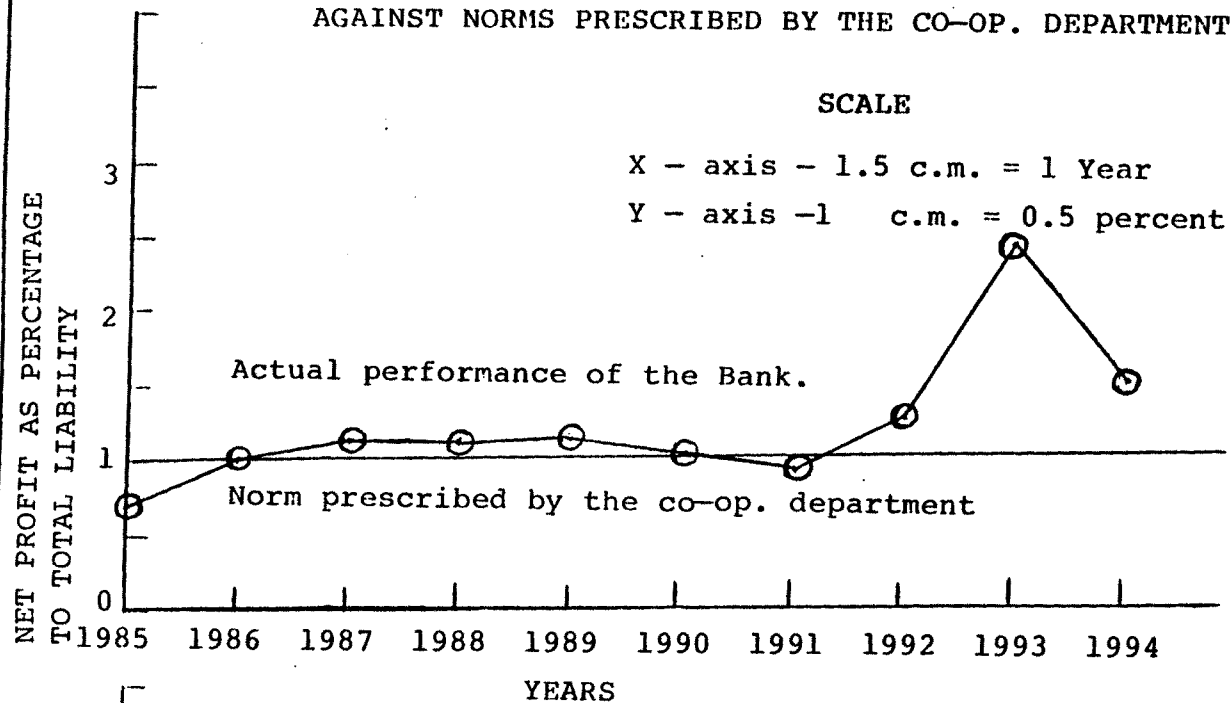
9.2 (D) GRAPHICAL REPRESENTATION OF ACTUAL PERFORMANCE AND PRESCRIBED NORMS FOR ASSETS :

The following graph shows the actual performance of the Bank against the norms prescribed by the co-op department for investments, cash & bank balances and the net profits of the bank. Investment percentage line shows that it is below the line drawn for norms prescribed. The cash & bank balances i.e. the liquid position line of the bank is also showing too much fluctuations from the norms. The net profit line is showing good improvement from 1992 onwards but it has started declining again.

9.3 GRAPH SHOWING ACTUAL PERFORMANCE OF THE BANK

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AGAINST NORMS PRESCRIBED BY THE CO-OP. DEPARTMENT



9.2 (e) NORMS FOR GROWTH RATE WITH THE ACTUAL RESULTS

TABLE NO. 9.3

TABLE SHOWING THE ACTUAL PERFORMANCE OF THE BANK AGAINST THE PRESCRIBED NORMS FOR GROWTH RATE

| Sr. No. | Particulars | Norms/standards recognised by the co-op department | Actual proportions (in percentage) | | | | | | | | | |
|---------|---------------|--|-------------------------------------|-------|-------|-------|-------|-------|-------|------|-------|--------------|
| | | | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 Average |
| 1. | Members | 10% Annual Growth rate | 4.11 | 0.80 | -0.44 | -0.55 | 16.22 | 3.65 | 1.03 | 0.93 | 2.36 | 5.00 3.31 |
| 2. | Share Capital | 20% — " — | 9.26 | 11.66 | 10.17 | 11.28 | 8.04 | 21.07 | 19.31 | 6.93 | 10.16 | 18.09 12.60 |
| 3. | Deposits | 25% — " — | 35.02 | 33.00 | 27.48 | 23.18 | 22.65 | 23.98 | 19.87 | 8.02 | 15.98 | 18.48 22.77 |
| 4. | Loans | 30% — " — | 15.76 | 26.00 | 28.34 | 25.62 | 21.94 | 30.60 | 24.53 | 3.90 | 10.93 | 14.30 20.19 |

SOURCE : Annual & Audit Reports of the Bank.

After going through the table no. 9.3 we find that :

The average growth of membership is 3.31% while the co-op department has prescribed 10% yearly growth in membership. Thus there is a significant short fall in the growth of membership of the Bank.

The average rate of growth in the share capital for ten years is 12.60% and this is smaller than the norms prescribed^{by} the co-op department. The rate of growth in share capital has been calculated taking previous year as the base.

The average growth of deposit is 22.77% it is also less than the norms prescribed by the co-op department. Not only this but the rate of growth in deposits during eight years 1985 to 1992 shows a decreasing trend.

The rate of increase in loans & advances is also not keeping space with the rates prescribed by the Co-op Authorities.

9.2 (f) INCOME NORMS AND ACTUAL PERFORMANCE

TABLE NO 9.4

TABLE SHOWING ACTUAL PERFORMANCE OF THE BANK AGAINST THE PRESCRIBED NORMS FOR INCOME

| Sr. No. | Particulars | Norms/Standards recognised by the co-op department | Actual proportions (in percentage) | | | | | | | | | |
|---------|-------------------------|--|------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|--------------|
| | | | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 Average |
| 1. | Interest paid | 55% of total income | 65.18 | 65.34 | 65.16 | 64.61 | 64.44 | 65.48 | 67.21 | 62.58 | 61.37 | 61.01 64.26 |
| 2. | Salaries & allowances | 20% — " — | 18.92 | 17.59 | 17.58 | 18.11 | 18.76 | 19.08 | 18.93 | 18.51 | 18.13 | 19.68 18.53 |
| 3. | Administrative expenses | 10% — " — | 8.80 | 7.65 | 6.97 | 7.44 | 6.99 | 6.23 | 5.87 | 6.61 | 5.12 | 6.71 6.84 |
| 4. | Reserves | 5% — " — | 0.58 | 0.38 | 0.27 | 0.18 | 0.18 | 0.20 | 0.21 | 1.62 | 0.17 | 1.85 0.56 |
| 5. | Net profit | 10% — " — | 6.52 | 9.04 | 10.02 | 9.46 | 9.63 | 9.01 | 7.78 | 10.68 | 15.21 | 10.75 9.81 |
| | TOTAL | | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 100 |

SOURCE : Annual & Audit Reports of the Bank.

After going through the table no. 9.4 we find that :

The average interest paid is nearly 64.26% of the total income, while it should have been 55% as per the specifications of the co-op department. It suggests that the bank has been paying higher rate of interest on the deposit accepted by bank. The growth of deposit to the total liability is below the norms prescribed by the co-op department. This will certainly affect the profitability of the bank.

The expenditure on salaries and allowances of the staff is about 18.53% of total income. The co-op department has specified 20% expenditure on this account. Therefore, it is clear that the Bank has been paying less salaries & allowances to its staff.

The administrative expenses incurred by the bank are 6.84% of total income. They are less than the rates given by the co-op department. It implies that the Bank is run economically and hence the profitability of the bank has increased.

The average increase in reserves created by the bank is 0.56% of total income. If we compare it with 5% norm of the co-op department, we find that it is quite low and this affects the working adversely.

The percentage of net profits to the total income of each year under study is almost equal to the norms prescribed by the Co-op department .