



# A Study on Business Performance of Eramala Service Cooperative Bank in Kozhikode District, Kerala

*Mr.A.Eswaramoorthy*

*Research Scholar,*

*Department of Cooperation*

*SRMV College of Arts and Science, Coimbatore*

*Dr.S.Velanganni*

*Assistant Professor,*

*Department of Cooperation*

*SRMV College of Arts and Science, Coimbatore.*

**Abstract:** Agriculture is the most important sector of any country in the world. National level and state level governments are preparing their policies according to their local conditions depend upon the natural resources whatever available in the economy. There are so many factors are supporting for the agriculture and its allied activities. Above all credit support for agriculture activities become very important as and when required for pre cultivation and post cultivation activities. The farmers have their freedom to select their choice of crops depend upon the resources available like soil, water, rain, fertilizers, pesticides and other agriculture implements. As a cooperative society by nature, they have the freedom and autonomy to run the business activities by adopting suitable policies by the board of directors of the concerned society. In Kerala the primary agricultural cooperative societies are working successfully with the support of their members and other stakeholders as a whole. The name of the primary agricultural cooperative societies is also called as service cooperative banks. The success of any organisation depends on the management practices by utilizing the available resources efficiently and effectively. In this article one of the successful service cooperative banks is analyzed with the performance based on the functions.

*Key words: Service Cooperative Banks, Financial Performance, Business Results, Agricultural Cooperatives*

## **Introduction**

The performance of service cooperative banks in Kerala is excellent in terms of outreach of membership, share capital, deposits, loans, working capital, investments and profits. Apart from banking activities service cooperative banks are engaged in noncredit activities like neethi medicals, neethi stores, super market, gas agency, fertilizers sales, fish mart, coop mart, coconut oil factory, grameen market, vegetable mart, ambulance service, agriculture nursery, auditorium, farmers service center and etc. A large number of SCB have increased their volume of business in terms of deposit mobilization and lending operations. The management of the bank gives more attention for the purpose of business development with available resources in their area of operation. Most of the SCB have their own facilities of land and building for their running their credit and non-credit activities. In Kerala totally 1646 SCB are working with a greater number of membership and business activities. The local

community people are closely associated with availing the credit facilities from the SCB for their requirements. The surplus earned from the credit activities have been diverted into non-banking activities. The success of one SCB led to the inspiration of nearby similar banks to encourage their business activities. Since the owned funds of the banks are strong along with deposits most of the banks are not depending on borrowings from other cooperative banks.

With a large and increasing number of members under cooperative fold SCB recognize the importance that there is greater scope for expanding their business and serve the members far better. SCB created a strong base in the minds of the public by constant relationship through social activities along with credit services. The board members will take the responsibility to keep their close connectivity with the public relations. It develops the business by more transaction and sometimes the public request the management for their requirements. Accordingly, the management fulfills the needs of their members and keeps the relationship. Some of the SCB are even more steps ahead provide modern banking facilities ATM, RTGS, NEFT, Mobile banking, Cash Deposit Machine and etc to serve with expected facilities. Now days changes are very much required as the demand from the customers are getting changed day by day. Each SCB are working with the permissible facilities and it is great opportunity for developing their business. Some of the features of SCB are even not provided by commercial banks and private banks such as running the banking service on Sundays. It is the great opportunity for the SCB to serve the public during holidays also.

### **Review of Literature**

Dr. Balwindsigh and Ruchika Sonsi (2015) study is genuine attempt to understudy the construct of customer satisfaction and the factor affecting customer satisfaction in the urban co-operative banking sector in the states of Punjab, Haryana, and Himachal Pradesh through a qualitative approach. The very widely representation profile of respondents to helps us to reply and appropriately weight the above outcomes.

Barwal and Kumar (2015) in their study entitled “Comparative Performance Evaluation of Himachal Pradesh Cooperative Bank And Kangra Central Cooperative Bank” has analysed the position of shareholder fund, deposits mobilization and advances of Himachal Pradesh State Cooperative Bank & Kangra Central Cooperative Bank and to study the financial & operational of these two banks.

Sambath (2014) attempted in his study entitled “Growth and Progress of the Urban Cooperatives Banks in India” to analyse the growth and development of Urban Cooperatives Banks in India. He revealed in his study that the future of cooperatives banks in India is challenging because of cut throat competition from Public and Private sector banks. Public and Private sector banks concentrating on major expansion activities both are vertically and horizontally. The growth of cooperative banks depends on transparency in operation and control, governance, customer centric policies, technology up gradation and efficiency.

Ravi C.S. & Kundan Basavaraj (2013) investigated the preference and satisfaction level of customers towards loans, deposit schemes, insurances and value-added services rendered by private and public banks in Shivamogga district. Business and vehicle loans are fast moving than other services and overall satisfaction

resulted at 50%. Further, overall satisfaction on bank deposit schemes resulted positively while other services of banking still need to be given attention by focusing on customer issues. New innovative schemes, strategies to cater to non users other services have to be adopted.

G.C. Pande and S. Priyakumar (2013) in their study found that agricultural sector in India is facing several critical challenges like increasing pressures on land, diminishing soil fertility, water scarcity and adverse environmental conditions etc. They suggest these critical issues can largely be countered by use of emerging technologies having high growth potential. The study also suggest that financing to contract farming by banks is a boon to farmers who can access institutional credit easily for crop production arranged by the companies.

### **Objectives of the Study**

1. To study the performance of the selected Service Cooperative Bank in Kozhikode District.
2. To evaluate the working capital of Eramala Service Cooperative Bank in Kozhikode District.
3. To understand the capital and revenue position of selected Service Cooperative Bank in Kozhikode District

### **Profile of the Study Area**

The Eramala Service Cooperative Bank Ltd., No. F. 1044, (ESCB) registered as an 'Aikyananaya co-operative society' on April 27, 1939, and started its function on June 10, 1939. The society was transformed and registered as a Primary Agricultural Credit Society on October 30, 1961, and started its function on June 1, 1962. The ESCB extends its area of operation in the Eramala panchayath, which belongs to Vatakara Block in Vatakara Thaluk of Kozhikode district. The area of operation of the society consists of Eramala Pachayath. The bank has successfully completed 85 years of service with the support of members and employees and crossed several milestones with great achievements including number one status in Kerala. Now it is working with around Rs.500 worth business turnover with 12 branches with the top position in the State level. ESCB crossed the milestones with focused developmental activities in credit as well non-credit business. The management understood the challenges before the cooperative sector in general and in particular credit activities so as to survive for long run business.

### **Membership**

Cooperatives are running with the support of members as their owners and customers. Members are the strength of cooperatives on the basis of numbers as well as share capital contribution. Increase in the number membership supports for more business activities. ESCB admits the membership with A Class for farmers live in the area of operation, B Class for State Government, C Class for Gold Loan borrowers and D Class for others availing ordinary loans. Class members are the owners of the cooperatives and hence they are eligible to participate in the election of board members for the management. Membership position of the ESCB increasing every year at an average of 2500 and now it is 55541.

## Share capital

Share capital is collected from the members as the capital for running the business activities of the cooperatives. It is the owned funds of the cooperatives which decides the strength for borrowings. As a result of increase in membership of ESCB the share capital position of the bank is also increasing with positive growth. As of May 31, 2022, the Bank had a total of 5997 'A' shareholders with a share capital of Rs. 114.19 lakhs, one 'B' share with a share capital of Rs. 1.93 lakhs, 37695 'C' shareholders with a share capital of Rs. 2.09 lakhs, and 1029 'D' shareholders with a share capital of Rs. 120.27 lakhs. Thus, the total share capital of the Bank is Rs. 238.48 lakh.

Every year it is increasing at an average of Rs.20 lakhs per year and presently 2022-23 the share capital is Rs.2.58 crores. The management of the bank takes necessary steps to increase its owned funds by way of share capital and gives attention for increasing the membership position of the bank.

### Progress of Eramala Service Cooperative Bank

Table: 1

*Rs.in Lakhs*

Year	Members	Share capital	Deposits O/S	Loans O/S	Working capital	Invest-ments	Profit
2013-14	40612	1.68	90.93	89.17	112.47	36.27	1.80
2014-15	42986	1.86	83.15	94.80	115.28	30.39	2.05
2015-16	45316	2.05	137.80	98.41	151.97	58.12	1.78
2016-17	43396	2.16	144.93	104.22	157.31	64.61	1.71
2017-18	46434	1.89	153.49	139.97	161.21	64.26	2.58
2018-19	48526	1.98	175.99	133.30	182.99	66.89	1.14
2019-20	50767	2.06	192.23	167.90	209.52	59.16	1.33
2020-21	52389	2.21	215.91	182.48	218.63	72.04	1.31
2021-22	54254	2.38	247.97	196.63	250.38	77.17	1.12
2022-23	55541	2.58	291.10	213.22	294.85	100.71	1.23

Source: Annual Report

## Business Details

Service Cooperative Banks undertake the business activities by mobilising deposits from the customers and lending loans to the customers on the other side.

### a. Deposit Mobilising

Deposit is one of the working capitals of the cooperatives. Hence credit cooperatives concentrate on deposit mobilisation by conducting campaign and other measures. ESCB also every year give more importance for increasing the deposits from the customers. Different types of deposits are collected like fixed, cash certificate, athulya, savings account, current account, anaswara, students' savings, group and deposit scheme. Cooperatives are the only organisation of the same category collects different types of deposits from the customers by approval



from the cooperative department. Hence the types of deposit are different from one cooperative to another one of similar type of business. The deposits outstanding as on 31<sup>st</sup> March 2023 is 29110 lakhs. Total number of deposit account holders are 72741 and the share of savings account holders are 45195.

### b. Lending of Loans

Loan operation of the bank is another important activity of lending to the needy farmers and others for their requirements with due care. It includes pre and post loan activities of proper scrutinising of loan applications, sanction of loans, monitoring of activities, collection of loan amount, controlling of overdues, taking action against defaulters and etc. For the purpose of loan sanctioning legal formalities should be followed properly by the banks. ESCB is one of the such banks following the procedures properly and sanction the loan. For the purpose of collection and maintenance of overdues the bank staff are dedicated with effective follow up and recovery. Employees are given with frequent training by the management and hence they are aware of proper collection of loans at the same time maintains the good relationship with the customers. Every year the loan progress of the bank is showing increase trend and it is understood that the management maintain the good loan portfolio by lending various loans like agricultural loans, non-agricultural loans, gold loans, housing loans, vehicle loans, household loans, and project finance such as biogas loans, Kudumbasree-linked loans, self-employment loans, microfinance, small business loans, etc. During the last year 2022-23 the loan outstanding was Rs.213.22 crores.

### Progress of Trading Business

ESCB is not only popular with credit activities but also non-credit activities. Management of the bank is very much interested with the initiatives of non-credit activities like running of coconut oil manufacturing unit, neethi medical store, fertiliser depot, poly house, agro service centre, farmers club and public distribution system. All these activities are given with special attention by the bank management and taking effective measures to run profitably. Team of employees also dedicated their work allotment by the management. The performance of the ESCB in doing trading business is discussed in the following table:

#### Trading Business Position

Table: 2

*Rs.in Lakhs*

S No.	Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
1	Average stock	44.50	69.48	100.21	159.03	130.09
2	Cost of goods sold	376.84	565.81	547.81	791.92	979.02
3	Total sales income	378.14	581.93	567.22	826.69	989.50
4	Gross profit	1.30	16.12	19.41	34.77	10.48
5	Inventory turnover ratio	8.47	8.14	5.47	4.98	7.53
6	Gross profit ratio	0.34	2.77	3.42	4.21	1.06
7	Sales growth rate (%)	-	53.89	-2.53	45.74	19.69
8	Average stock growth rate (%)	-	56.15	44.22	58.70	-18.20

Source: Annual Report

The procurement, processing, and marketing activities of the bank for the last 5 years have been ascertained, and it proved that the firm managed them satisfactorily. The average stock growth rate ranges between 44% and 58%. The sales growth rate has satisfactorily managed the range between 19.69% and 53.89%. In the initial year, the growth rate was 53.89%, and the bank could not sustain such a trend due to the outbreak of corona. The Inventory Turnover Ratio (ITR) of the bank has been put into analysis, and it gave us an output of an increasing trend in the initial year and gradually pulling down the ratio by COVID-19 forces. But the firm regained confidence, and the ITR is maintaining momentum in an upward swing.

### **Progress Capital and Revenue**

The performance evaluation needs to analyse the revenue generation and expenses incurred to earn such income. The table below discusses the revenue and expenses aspects of the co-operative during last five years.



**Capital and Revenue Position****Table-3***Rs.in Lakhs*

Sl No.	Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
1	Total income	2077.27	2144.30	3766.99	2532.36	2839.43
2	Interest income	1968.80	2071.28	3667.24	2439.96	2732.53
3	Interest income to total income	94.78	96.59	97.35	96.35	96.24
4	Non- interest income to total income	5.22	3.41	2.65	3.65	3.76
5	Establishment and contingencies	385.65	483.22	553.77	418.11	632.47
6	Estt and contingencies to total income	18.57	22.54	14.70	16.51	22.27
7	Growth rate of total income	-	3.23	75.67	-32.78	12.13
8	Growth rate of interest income	-	5.21	77.05	-33.47	11.99
9	Growth rate of non-interest income	-	-34.79	-22.23	37.80	3.18
10	Interest expenses	1211.31	1237.12	1833.62	1439.67	2009.16
11	Growth rate of interest expenses	-	-2.92	-16.29	18.01	24.61

*Source: Annual Report*

The total income of the bank has grown at a faster rate, but it has decelerated on account of the outbreak of COVID-19. A sharp dip in income and expenses is visible during the year 2020–21, and all possible efforts have been made to revive the organisation. The immediate two preceding years have witnessed a jump in all revenues and a moderate hike in expenses. The total income to interest income ratio of the bank in all the reference years has shown that 90% of the income has derived from interest income only. This is one of the risk factors under which the bank is operating its banking function. The bank has consciously managed all the expense items grouped under establishment and contingencies to contain them between 15% and 20% of the total income, which is the standard ratio prescribed for them by the department of cooperation (Kerala). Compare to the interest expenses of the bank interest income is showing the higher side.

**Some of the highlights about achievements**

1. The Bank received a national award for Frontier in Banking for the years 2018-19 and 2019-20 for Best Investment Initiative and Best Audit Initiative.
2. In the year 2017-18, it was awarded for Best Data Security Initiative and Best Green Initiative.
3. It received the Best Youth Customer Engagement Award in the year 2016-17.
4. Shri. Manayath Chandran, Chairman, received the Best Chairman Award for 2014-15.
5. Received the third position in the Best Performance Award for the year 2017-18 for Cooperative Banks constituted by the State Government.
6. Received best performance award from NAFSCOB.

7. Received excellence award from Kerala Bank. For number position in the state level during 2022-23.
8. Received SCB News excellence award by the chairman of the bank.

Above awards are some of the recognitions for the effective performance of the bank for the recent years. Apart from these awards so many other recognitions are also received by the bank. The main reason for the success of the bank is the team of employees and dedicated board of management under the leadership of Sri.Manayath Chandran, Chairman of the bank who was earlier Chairman of Kozhikode District Cooperative Bank. ESCB has 12 branches in this area of operation which includes one evening branch and one-woman branch with all women employees. Apart from the credit and non-credit activities of the bank social service activities also very much connected with the society people. There are 46 bank employees, 2 medical employees, and 27 commission agents working in the Bank. All the employees are very much cooperative and dedicated towards the effective functioning of the bank.

### Conclusion

The Service Cooperative Banks in Kerala are functioning excellent financial performance with their banking and non-banking services to the general masses as well as to fulfil the needs and wants of the members and customers. The Cooperatives are normally working with the support of board of directors and stakeholders for the freedom to decide their own activities in accordance with the expectations and fulfilling the needs. Therefore, this study focused the Eramala SCB is one among the cooperative banks with excellence in banking as well as non-banking activities. The ESCB is doing the banking activities with 12 branches in its area of operation with all improvement in members, share capital, deposits and loan operations are indicated with the satisfaction of their members' needs and expectations. Apart from banking activities the bank is also running non-banking activities like coconut oil factory, neethi stores, fertiliser depot, agro service and etc very successfully with good profit condition. Based on the performance of the excellence with the activities the ESCB has achieved many awards from the Kerala Bank and State Government.

### Reference

1. Balwinder Sigh, Ruchika Soni," customer satisfaction on urban co-operative banks, IJRFM, vol.5issues 8 Aug. 2015.
2. Barwal and Kumar (2015), "Appraisal of financial performance of urban cooperative banks – a case study." The Management Accountant, case study, March 2015, 170-174.
3. Sambath, Customer services in co-operative banks: A case study," science research network, research paper, 2014.
4. Ravi C.S. Kundan Basavaraj. "Customer preference and satisfaction towards banking services with special reference to Shivamogga district in Karnataka. Trans Asian journal of marketing & management research vol.2 issues 1, Jan 2013.
5. G.C. Pande and S. Priyakumar (2013), "Financial Inclusion through Micro Finance in India and Emerging Role of POSB: An Analysis", <http://ssrn.com/abstract=1655737>.