

## A Study on Growth and Financial Performance of Hebri Vyavasaya Seva Sahakari Bank of Udupi District

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### ABSTRACT

This paper examines the Growth and financial performance of the Hebri Vyavasaya Seva Sahakari Bank (HVSSB). The financial performance of HVSSB is being evaluated based on several key factors such as Membership, Share capital, Deposits, Loans and Advances, Net Profit, Reserves, Investments, Income, and Expenditure for the years 2016-17 to 2021-22. The data from the HVSS Bank's annual reports was used as secondary data in this study. Various mathematical methods, including ratios, percentages, compound growth rates, and linear growth rates, were utilized to evaluate the data that was gathered. The findings indicated that HVSSB's financial performance had gotten better during the investigation.

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### 1. Introduction

Agriculture plays a major role in the Indian economy. A majority of rural households are dependent on agriculture. So agriculture is the most effective sector in the Indian economy. Agriculture contributes more than 20 percent to India's GDP and provides good employment opportunities<sup>1</sup>. Realizing the importance of the same, the Government has also been encouraging farmers through the implementation of various schemes. Farmers engaged in agricultural activity need funds to be constantly involved in

their activities. Even though commercial banks and other financial institutions provide financial services to agricultural activities, agricultural credit co-operative banks, which emerged under the cooperative principles, are a ray of hope for the farmers. These cooperative banks are registered under the Cooperative Act and emphasize self-reliance with adherence to cooperative principles while serving the farmers in a good way all along. If the agricultural cooperatives do well, along with the development of agriculture, the cooperative sector will do well too. Therefore, a financial evaluation of cooperative banks should be undertaken to know the effectiveness of their performance and thus adopt a growth-oriented factor. This will only help in the development of the cooperative sector.

The Financial Statement is a mirror of the state of the organization. It is helpful to make financial decisions along with showing the performance of that organization. In this context, the current study has undertaken a financial evaluation of a cooperative bank operating in a rural area.

The Agricultural Cooperative Banks provide financial services to the farmers in rural areas and act as the backbone of the farmers. It assumes significance as cooperative banks respond well to people in rural areas and provide banking services. Similarly, established in 1958 at Hebri, a rural area in Udupi District, Hebri Agricultural Cooperative Bank has been providing financial assistance to farmers in rural areas for agricultural activities such as agriculture as well as dairy farming and non-agricultural activities. The financial performance of the Hebri Vyavasaya Seva Sahakari Bank (HVSS) has been evaluated in this study.

## 2. Review of Literature

- i) Jain (2006) in his research article "Ratio Analysis an Effective Tool for Performance Analysis in Banks" examined various ratios relating to a Bank's profitability. The researcher stated that the Ratio analysis is an effective tool to measure the financial performance of financial institutions.
- ii) Chander and Chandel (2010) in their paper "Financial Viability of an Apex Cooperative Credit Institution- A Case Study of the HARCO Bank", analyzed the financial efficiency and viability of HARCO Bank. They revealed that the performance of the Bank on capital adequacy, liquidity, earning quality, and management efficiency was not at par.
- iii) Maxim Carl (2015) in their paper, "The role of Cooperative in fulfilling the financial needs of village farmers and improving their living standards in Belthangady Taluk, Karnataka" examines the role of cooperative banks. The study revealed that cooperative societies helped the farmers to improve their standard of living.

iv) Ali (2019) in his paper, "An empirical study on the financial performance of the West Bengal State Cooperative Bank Ltd for 2008-09 to 2017-18" has attempted to determine and measure the financial activity and proficiency of the WBSCB Ltd. The study revealed that capital, reserve, deposit, borrowings, and loans & advances have hiked and these are an indicator of growth. However, investment has not increased, which has affected the profitability.

### 3. Objective of Study:

- i) To know the Growth and Development of HVSS Bank.
- ii) To analyze the Financial Performance of HVSS Bank.
- iii) To give valuable suggestions to improve the efficiency of the HVSS Bank

### 4. Methodology

This research paper is based on exploratory research. Secondary data Exploratory research served as the foundation for this study. Annual reports, published journals, and newspapers were the sources of secondary data, including HVSSB balance sheets, income and expenditure reports, and profit and loss accounts. This covers a six-year period beginning in 2016–17 and ending in 2021–2022.

### 5. Tools and techniques

Data analysis is made using various statistical tools such as Ratio analysis, Averages, linear growth rate, compound growth rate, and percentage.

### 6. Analysis of the study

#### 6.1 The overall progress of HVSS Bank.

**Table-1.** The Progress of HVSS Bank

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	LGR	CGR
Membership	12927	13670	14211	12029	13134	13759	3068.571	8.943
Share Capital (₹)	302.98	306.15	309.28	310.28	314.19	310.95	71.658	3.759
Reserves (₹)	293.55	329.66	409.32	465.4	550.81	644.51	117.182	4.185
Deposits (₹)	3206.39	3576.8	3945	4283.54	4572.21	5029.68	1015.036	6.918

<b>Borrowings (₹)</b>	956.93	1530	1651.53	1520.55	2120.7	1844.06	403.534	5.582
<b>Loans and Advances (₹)</b>	3882.93	4468.75	5004.97	5385.9	6135.86	6195.67	1288.267	7.308
<b>Investment (₹)</b>	1350.79	1407.28	1461.09	1638.09	1773.57	2008.37	395.814	5.565
<b>Net Profit (₹)</b>	32.81	107.39	130.74	60.38	109.67	115.66	23.337	2.867

**Source:** Secondary Data (HVSSB Annual Report)

The membership of Hebri Vyavasaya Seve Sahakari Bank steadily increased from 12927 in 2016-17 to 13759 in the year 2021-22. The table also reveals that the linear growth rate is 3068.571 and the compound growth rate also had a positive value of 8.943.

The amount of share capital in 2016-17 was Rs. 302.98 lakhs increased to Rs. In 2021-22, the amount increased to 310.95 lakhs, a rise of Rs. 7.97 lakhs. The rate of compound growth is 3.759 percent.

The reserve fund is a key indicator of a bank's financial health. The reserve fund also saw a significant improvement in amount. In 2016-17, the amount increased from 293.55 lakhs to Rs. 644.5 lakhs in 2021-22 with a growth rate of 117.182 per year. The rate of compound growth was 4.185 percent. Another interesting fact is that reserves made up 97% of the share capital in 2016-17, and this percentage increased to 207% in 2021-22.

Another key measure for evaluating a bank is its deposits. This shows the Bank's trust and faith. In 2016-17, deposits amounted to approximately Rs.3206.39 lakhs, and by 2021-22, they had increased to Rs. Deposits increased by 63.75 percent to reach 5029.68 lakhs. The rate of compound growth is 6.918%. Loans and advances provide banks with a source of income. In 2016-17, Loans and Advances were at Rs.3882.93 lakhs, and by 2021-22, they had increased to Rs. 6195.67 lakhs showing an increase in loans.

The investment in 2016-17 was Rs. 1350.79 lakhs which went up to Rs. 2008.37 lakhs in 2021-22 an increase of Rs.657.58 lakhs. The compound growth rate is 5.565 percent.

The profits of HVSS Bank were Rs.32.81 lakhs in 2016-17, Rs. 107.39 in 2017-18 and 130.74 in 2018-19. But in 2019-20 it decreased to Rs. 60.38 lakhs. However, the profit increased by Rs. 109.67 lakhs and Rs. 115.66 lakhs in 2021-22.

## 6.2. Growth of Membership and the Share Capital

Table: 2 Growth of Membership and Share Capital of HVSS Bank

Year	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	LGR	CGR
<b>Membership</b>	12927	13670	14211	12029	13134	13759	3068.571	8.943
<b>Share Capital</b>	302.98	306.15	309.28	310.28	314.19	310.95	71.658	3.759
<b>Share Capital per member</b>	2343.78	2239.58	2176.34	2579.43	2392.19	2259.98	540.555	5.99

Source: Secondary Data (HVSSB Annual Report)

The table above shows the growth in membership share capital and share capital per member. Membership increased from 12927 in 2016-17 to 13759 in 2021-22, with a compound growth rate of 8.943. The share capital has increased from Rs. 302.98 lakhs in 2016-17 to Rs. 310.95 lakhs in 2021-22. It illustrates the increase in both membership and share capital. However, the share capital per member declined from Rs. 2343.78 lakhs in 2016-17 to Rs.2259.98 lakhs in 2021-22.

## 6.3 Cash Position and Cash Deposit Ratio

Table 3 Growth and Composition of Cash and Cash Deposit Ratio of HVSSB

Year	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	LGR	CGR
<b>Cash Balance</b>	21.85	30.14	29.28	21.35	19.18	15.92	4.91	2.013
<b>Cash with other Bank</b>	119.94	173.53	199.89	199.31	149.99	129.37	37.254	3.22
<b>Total Cash</b>	141.79	203.67	229.17	220.66	169.17	145.29	42.163	3.131

<b>Deposits</b>	3206.39	3576.8	3945	4283.54	4572.21	5029.68	1015.036	6.918
<b>C.D.R</b>	4.42	5.69	5.8	5.15	3.7	2.89	0.985	1.386

**Source:** Secondary Data (HVSSB Annual Report)

The total cash position increased from Rs.141.79 lakhs to Rs.169.17 lakhs between 2016-17 and 2020-21 and then decreased to Rs.145.29 lakhs in 2021-22. Consequently, the cash deposit ratio also decreased from 4.42 to 2.89 during the period. As a result, the proportion of cash balance decreased whereas that of cash with other banks increased.

#### 6.4 Analysis of Income

Table 4 Growth and Composition of Income in the HVSSB

Year	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	LGR	CGR
<b>Interest on Loans and Advances</b>	527.23	474.14	564.46	487.66	657.1	719.93	139.831	4.373
<b>Interest on Investment</b>	115.67	109.79	109.7	111.58	127.36	140.39	28.459	3034
<b>Other Income</b>	41.05	43.54	39.5	46.03	52.35	52.31	11.059	2.439
<b>Total Income</b>	683.95	627.47	713.66	645.27	836.81	912.63	179.349	4.634

**Source:** Secondary Data (HVSSB Annual Report)

The income increased considerably from Rs. 683.95 lakhs in 2016-17 to Rs. 912.63 lakhs in 2021-22, representing a compound growth rate of 4.634. The investigation revealed that interest on loans and advances accounts for the biggest amount of total revenue, notwithstanding fluctuations during this period. The interest on loans was Rs.527.23 lakhs in 2016-17, reduced to Rs.474.14 lakhs in 2017-18, and grew to Rs.719.93 lakhs in 2021-22. However, the proportion of the percentage climbed from 77% in 2016-17 to 79% in 2021-22.

The interest in investments showed mixed trends during the study period. The income from other sources showed a mixed trend during this period.

### 6.5 Analysis of Expenditure

Table 5 Growth and Composition of Expenditure in the HVSSB

Year	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	AGR	CGR
<b>Interest expenditure</b>	484.4	396.99	468.26	414.56	524.54	625.57	117.775	4.203
<b>Other expenses</b>	199.38	123.08	139.36	170.31	202.48	171.4	39.403	3.266
<b>Total expenses</b>	683.78	520.07	607.61	584.87	727.02	796.97	157.177	4.495

**Source:** Compiled from Annual reports of HVSS Bank

The above table represents the growth and composition of Expenditure. Interest expenditure was Rs 484.4 in 2016-17 increased to Rs 625.57 in 2021-22. Interest payments rose in proportion to overall expenses from 70.84 percent in 2016-17 to 78.49 percent in 2021-22. Other Expense shows a mixed trend during the study period. Total expenses were Rs 683.78 in 2016-17 increased to Rs 796.97 in 2021-22.

### 6.6 Trends in profit 228.68-113.19

Table- 6 Growth of profits and Earnings per share of HVSSB

Year	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	AGR	CGR
<b>No. of Shares</b>	12927	13670	14211	12029	13134	13759	3068.571	8.943
<b>Profits</b>	32.81	107.39	130.74	60.38	109.67	115.66	23.337	2.867
<b>Earnings</b>	253.8	785.59	919.99	501.95	835	840.61	173.752	4.569

**Source:** Compiled from Annual reports of HVSS Bank

The above data reveals a mixed trend in profits and earnings per share. The number of shares also showed a mixed trend from 2016-17 to 2018-19, the number of shares rose, then declined in 2019-20, then increased again in 2020-21 and 2021-22. From 2016-17 to 2021-22, the bank's profits were strong, with 2019-20 expected to be much higher. It reveals a positive performance.

## 7. Suggestions and Conclusion

HVSS Bank, which was formed for the welfare of farmers in rural areas, is completing 65 years and this long service has played a significant role in the development of farmers along with rural development. The increase in the number of members and share capital is a good growth. The self-sufficiency of the bank can be achieved by increasing the share capital. The increase in the number of members, share capital, reserves, deposits, loans and advances, investment, and net profit during the period of study shows good financial performance. Relying on a borrowing fund by lending more than deposits is not a good development. The Cash Deposits Ratio had been continuously decreasing during the course of the study and the focus should be on increasing it. Interest is the biggest source of income for any bank and HVSS Bank, the income through interest takes the lion's share as far as source of income is concerned. In the same way, income from interest on investment and other income has led to higher profits. As the co-operatives render other good services, it not only benefits the members but brings good returns to the bank. During the course of the study, there was good progress in interest on loans and advances, interest on investments, and other income which led to the bank making higher profits.

Another factor that affects the profitability of any organization is its expenditure. Even though the expenses of the firm increased during the study period, the increased total expenditure (113.19) was lower compared to the increased total revenue (228.68). Similarly, the cooperative has made good profits during the period from 2016-17 to 2021-22 except 2019-20 Overall, the organization set up in the rural area has achieved a good financial performance by providing efficient financial service to the masses.

We can see that cooperatives are more interested in making profits though started with the intention of serving. However, it is a healthy development by HVSS Bank to fund the health issues of its members, and staff, providing tractor service at low prices for agricultural activities of farmers and aiding with donations to local educational institutions and organizations.



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