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Performance And Profitability Analysis of Coonoor Urban Cooperative Bank

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Abstract- Urban Cooperative Banks (UCBs) play a significant role in promoting financial inclusion and supporting small-scale economic activities in urban and semi-urban areas. This study examines the financial performance of Coonoor Urban Cooperative Bank over a five-year period from 2018–19 to 2022–23. The analysis is based on secondary data collected from annual reports and bank records. Statistical tools such as growth rate, mean, standard deviation, coefficient of variation, and ratio analysis were employed. The findings indicate steady deposit growth, moderate profitability, and fluctuations in loan deployment. The study suggests strengthening credit management, improving income diversification, and enhancing operational efficiency for sustainable growth.

Keywords- Urban Cooperative Banks, Financial Performance, Income Analysis, Profitability, Credit-Deposit Ratio

I. INTRODUCTION

Urban Cooperative Banks function under cooperative principles and serve the banking needs of middle-income groups, small traders, artisans, and salaried individuals. Regulated by the Reserve Bank of India under the Banking Regulation Act, 1949, these banks promote savings habits and inclusive economic development. The Coonoor Urban Cooperative Bank, established in 1916, has been serving the Nilgiris district for more than a century. Evaluating its financial performance is essential to understand its stability and sustainability.

STATEMENT OF THE PROBLEM

The Urban Cooperative Banks credit middle-class people, small traders, artisans, and salaried people with a limited fixed income in urban or semi-urban areas. Besides protecting them from the clutches of money lenders, the urban bank is also expected to inculcate the habit of thrift and saving among them. They finance individuals, small industrialists and artisans working in urban areas. They are making a significant contribution to the industrial development. They also undertake various competitive banking services for the benefit of the urban people. However, urban cooperative banks face many problems with loan operations, loan recovery, overdue NPA, etc. This study analysed the growth, performance and financial health of Coonoor Urban Cooperative Bank.

II. OBJECTIVES OF THE STUDY

- To analyse the performance of Connor Urban Bank.
- To analyse the income and expenditure of Connor Urban Bank.
- To offer suitable suggestions based on the findings of the study.

III. RESEARCH METHODOLOGY

The study is based on secondary data collected from annual reports of Coonoor Urban Cooperative Bank. The period of study covers five financial years from 2018–19 to 2022–23. Analytical tools such as growth rate, mean, standard deviation, coefficient of variation, and ratio analysis were used.

IV. REVIEW OF LITERATURE

Alagu Pandian V. (July 2023) conducted "A Study of

Income and Expenditure Analysis of Madurai District Central Cooperative Bank" to analyse the bank's income, expenditure, and profits from 2004-2018. The study revealed that interest income accounted for over 90% of all reviewed years.

Selvaraj N. (March 2015) conducted a study on “Financial Evaluation of the Dindigul District Cooperative Bank” to assess its financial performance from 1995 to 2008. The research found that the financial position was not encouraging, particularly regarding liquidity, which was inadequate to meet the bank's obligations.

Gautam T. (2022) applied Data Envelopment Analysis (DEA) to assess the efficiency of Urban Cooperative Banks (UCBs). The results indicated increased involvement in financial inclusion efforts positively impacted bank efficiency.

Sreekala S. (January 2010) conducted "A Study on Asset and Liability Management in Salem Cooperative Bank" to examine the bank's effectiveness and performance. Ratio analysis was used as the primary tool, and the study concluded that, based on the least square method, the bank's net profit was expected to increase over the next five years.

Alagu Pandian V. (2022) undertook a “Performance Evaluation through Z- Score: A Case Study of District Central Cooperative Bank, Dindigul” study. The objective was to analyse financial performance during 1995-96 and 2009-10 using the Z-score technique. The study found that while the bank was financially healthy, it was at risk of becoming financially distressed in the coming years.

The literature review indicates that most studies on district-level cooperative banks primarily focus on specific performance aspects using descriptive statistics, ratio analysis, and advanced statistical tools. However, a comprehensive analysis incorporating trend analysis would provide a broader perspective.

Megha et al. (2015) studied the progress of Urban Cooperative Banks in the Mewar region of Rajasthan. Their analysis, based on key parameters such as branch count, membership base, share capital, net profit, deposit mobilisation, loans, advances, and working capital, showed that UCBs in the region experienced steady growth from 2009-10 to 2013-14.

Gaurav Kumar Gupta et al. (2013) analysed the financial performance of Urban Cooperative Banks in Lakhimpur Kheri district, U.P. The study found that, while the bank exhibited reasonable growth in advances and deposits, it could have performed better with a more proactive lending policy and expansion strategy.

Sanjeevi (2021) assessed the operational and financial performance of Urban Cooperative Banks in India. The study concluded that financial performance was comparable to scheduled banks, but operational performance lagged behind non- scheduled banks.

Behera (2014) examined corporate governance in Urban Cooperative Banks from an Indian perspective. The study highlighted operational inefficiencies, low profitability, growing non-performing assets (NPAs), and a weak capital base. A primary concern was the increasing influence of politicians, leading to undue interference in bank operations.

Sunny Pandhre (2016) analysed credit-to-deposit management in Goa's cooperative banks over ten years. The study found positive trends in branch growth, cooperative membership, capital reserves, and a capital adequacy ratio of 11.48% (above the 9% prescribed by the RBI). However, the 2012 ban on mining activities in Goa negatively impacted asset quality, increasing NPAs and reducing profitability.

Reshma B. Khatavkar and Chandrakant B. Kamble (2012) evaluated deposit and loan trends at RayatSevak Cooperative Bank Ltd., Satara, particularly the Karad branch. Their study showed an increase in total deposits and loans during the study period.

R. K. Patel & C. M. Desai (2012) analysed the growth of Urban Cooperative Banks (UCBs) in India. By examining financial indicators such as the number of UCBs, owned funds, deposits, and loans, they found that UCBs played a significant role in banking performance.

Deepak Shah (2007) conducted a case study on the financial health of credit cooperatives in Maharashtra, specifically the Sangli and Buldana District Central Cooperative Banks. His findings indicated that NPAs and overdue payments contributed to financial distress and reduced economic viability in these banks.

Suryan and Veluraj (2005) analysed the profitability of the Pondicherry State Cooperative Bank from 1999 to 2003 using various financial ratios. Their study concluded that the bank had an impressive profitability record, supported by reduced management and establishment costs.

Anil Kumar Sini (October 2012) studied "Financial Performance of District Central Cooperative Bank

Ltd. Rajnandgaon: Growth Rate Analysis", using 2000 as the base year. The findings indicated significant growth in all parameters, with investment (1229.87%) showing the highest growth rate, followed by funds (866.00%), deposits (424.41%), working capital (404.10%), and share capital
(403.35%).

Research Gap

While numerous studies have explored the financial performance of cooperative banks using ratio analysis and statistical methods, there is a lack of comprehensive trend analysis across a broader timeframe. Most research focuses on specific performance metrics rather than providing a holistic view of cooperative banking trends over extended periods. A study incorporating long- term trend analysis would offer a more robust understanding of cooperative banking performance and sustainability.

V. RESULT AND DISCUSSION

INTEREST EARNED AS PERCENTAGE OF WORKING CAPITAL:

Interest earnings represent the revenue generated from fund- based activities, primarily derived from core banking operations. The key components include interest earned on loans, advances, and investments. This metric serves as an indicator of how effectively the bank utilises its working capital to generate profits.

TABLE: 1 INTEREST EARNED TO WORKING CAPITAL

Rs in lakhs

YEAR	INTEREST EARNED	WORKING CAPITAL	RATIO
2017-2018	589.60	6471.02	9.11
2018-2019	564.30	6471.02	8.70
2019-2020	400.30	5441.15	7.35
2020-2021	396.80	6187.02	6.41
2021-2022	493.60	5967.66	8.27
2022-2023	536.90	6031.59	8.90
MEAN	496.92	6094.91	8.12
S.D	75.39	350.95	1.0
C.V	15.17	5.76	11.76

SOURCE: Annual report of Coonoor UCB

The data in Table 1 highlights fluctuations in interest earnings from ₹589.60 lakhs to ₹536.90 lakhs over the study period. Similarly, working capital varied from ₹6471.02 lakhs to ₹6031.59 lakhs. The mean ratio of interest earned to working capital is 8.12%, with a coefficient of variation (C.V) of 11.76%, indicating moderate fluctuations in the bank's ability to generate interest income relative to its working capital.

INTEREST PAID AS PERCENTAGE OF WORKING CAPITAL:

Interest expenditure represents the costs incurred by the Society in raising funds, primarily through deposits and borrowings. The key components include interest paid on these sources of funds. This metric serves as an indicator of the rate at which the Society incurs costs for sourcing funds.

TABLE: 2 INTEREST PAID TO WORKING CAPITAL

Rs in lakhs

YEAR	INTEREST PAID	WORKING CAPITAL	RATIO
2017-2018	333.77	6471.02	5.16
2018-2019	298.85	6471.02	4.62
2019-2020	318.18	5441.15	5.85
2020-2021	389.33	6187.02	6.29
2021-2022	289.66	5967.66	4.85
2022-2023	307.09	6031.59	5.09
MEAN	322.81	6094.91	5.31
S.D	32.88	350.95	0.58

C.V	10.19	5.76	10.91

SOURCE: Annual report of Coonoor UCB

The data in Table 2 reveals that the total interest paid fluctuated between ₹333.77 lakhs and ₹307.09 lakhs during the study period. The interest paid as a percentage of working capital varied between 4.62% and 5.09%, with an average ratio of 5.31%. Although there were fluctuations, the overall trend shows increased interest paid and working capital. This indicates the Society's efficiency in utilising funds at a relatively low cost.

SPREAD AS A PERCENTAGE OF WORKING CAPITAL:

The spread ratio measures the difference between interest earned and paid, expressed as a percentage of working capital. This metric reflects the institution's efficiency in generating profits after covering interest costs.

TABLE: 3 SPREAD TO WORKING CAPITAL

Rs in lakhs

YEAR	SPREAD	WORKING CAPITAL	RATIO
2017-2018	255.83	6671.02	3.83
2018-2019	265.45	6471.02	4.10
2019-2020	82.12	5441.15	1.51
2020-2021	7.47	6187.02	0.12
2021-2022	203.94	5967.66	3.42
2022-2023	229.81	6031.59	3.81
MEAN	174.10	6128.24	2.80
S.D	95.96	392.17	1.47
C.V	55.11	6.40	52.61

SOURCE: Annual report of Coonoor UCB

The spread ratio fluctuated significantly during the study period, ranging from 0.12% (2020-21) to 4.10% (2018-19). The lowest spread in 2020-21 (0.12%) indicates a challenging financial year where the institution struggled to generate a profitable margin over its interest expenses. The mean spread ratio is 2.80%, showing a moderate ability to cover interest expenses while maintaining profitability. The high coefficient of variation (C.V = 52.61%) indicates significant volatility in the spread ratio, suggesting fluctuating efficiency in fund utilisation.

PROFITABILITY RATIOS:

Profitability ratios are tools used to measure how well a business makes money compared to its income, assets, or the money its owners invest. These ratios show how efficiently a company turns its resources into profits and help evaluate its financial success.

GROWTH OF NET PROFIT:

The annual growth rate is when something (such as an economy, population, investment, revenue, or any measurable factor) grows over a year. It is a key metric used in economics, business, and finance to measure performance or trends over time.

TABLE: 4 DETAILS OF NET PROFITGROWTH

YEAR	NET PROFIT	ANNUAL GROWTH RATE
2017-2018	33.82	
2018-2019	38.79	11.47
2019-2020	39.63	10.22
2020-2021	28.59	07.21
2021-2022	30.02	10.50
2022-2023	32.97	10.98
MEAN	33.97	

S.D	4.10
C.V	1.21

SOURCE: Annual report of Coonoo

The net profit has fluctuated over the years, with the highest growth recorded in 2018-19 (11.47%). The lowest growth occurred in 2020-21 (7.21%), indicating a period of financial difficulty or lower profitability. Despite fluctuations, the average net profit is Rs. 33.97 lakhs, with a relatively low coefficient of variation (C.V = 1.21%), suggesting stability in profit levels. The standard deviation (S.D = 4.10) shows minor variations in net profit trends over the study period.

NET PROFIT AS PERCENTAGE OF TOTAL INCOME:

This ratio evaluates a bank's profitability by measuring how much of its total income translates into net profit. A higher ratio indicates greater efficiency in generating profits from income sources.

TABLE: 5 DETAILS OF NET PROFIT TO TOTAL INCOME RATIO

YEAR	NET PROFIT	TOTAL INCOME	RATIO
2017-2018	33.82	606.2	5.58
2018-2019	38.79	573.36	6.77
2019-2020	39.63	417.8	9.49
2020-2021	28.59	413.84	6.91
2021-2022	30.02	504.9	5.95
2022-2023	32.97	558.3	5.91
MEAN	33.97	512.4	6.77
S.D	409..90	74.54	1.31
C.V	12.07	14.55	19.31

SOURCE: Annual report of Coonoor UCB

The Net Profit to Total Income Ratio fluctuates between 5.58% (2017- 18) and 9.49% (2019-20), with an average ratio of 6.77%. The highest ratio (9.49%) was recorded in 2019-20, suggesting a more profitable year.

The lowest ratio (5.58%) was in 2017-18, indicating lower efficiency in converting income to profit. The average total income over the years is Rs. 512.40 lakhs, with a variation of 14.55%, showing moderate fluctuations. The coefficient of variation (C.V = 19.31%) suggests some inconsistency in profit generation relative to income.

The bank has maintained a stable profit ratio, but fluctuations indicate variations in income sources, cost efficiency, or external economic factors. Maintaining a consistent or higher ratio would improve overall financial stability and profitability

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NET PROFIT AS A PERCENTAGE OF TOTAL EXPENSES:

This ratio assesses how efficiently a bank manages its expenses by comparing net profit to total expenses. A higher percentage indicates better cost management and higher profitability per unit of expense incurred.

TABLE: 6 DETAILS OF NET PROFIT TO TOTAL EXPENSES RATIO

YEAR	NET PROFIT	TOTAL EXPENSES	RATIO
2017-2018	33.82	572.53	5.91
2018-2019	38.79	542.26	7.15
2019-2020	39.63	589.9	6.72
2020-2021	28.59	636.95	4.49
2021-2022	30.02	456.43	6.58
2022-2023	32.97	526.97	6.26
MEAN	33.97	554.17	6.18

S.D	409..90	56.13	0.85
C.V	12.07	10.13	13.75

SOURCE: Annual report of Coonoor UCB

The Net Profit to Total Expenses Ratio fluctuates between 4.49% (2020- 21) and 7.15% (2018-19), with an average ratio of 6.18%. The highest ratio (7.15%) in 2018-19 suggests a period of better cost control and profitability. The lowest ratio (4.49%) in 2020-21 indicates higher expenses or lower net profit, possibly due to external economic conditions or increased operational costs. The coefficient of variation (C.V = 13.75%) suggests moderate fluctuations in the bank's expense management efficiency.

The bank's profitability relative to expenses has fluctuated, indicating variations in cost management efficiency. A stable or increasing ratio would signal more muscular financial control and higher profitability. The bank should focus on optimising operational costs to maintain a consistent upward trend in this ratio.

NET PROFIT AS A PERCENTAGE OF WORKING CAPITAL:

This ratio measures how efficiently a bank uses capital to generate net profit. A higher percentage indicates better profitability of the funds available for operations.

TABLE: 6 Net Profit To Working Capital Ratio

YEAR	NET PROFIT	WORKING CAPITAL	RATIO
2017-2018	33.82	6471.02	0.52
2018-2019	38.79	6471.02	0.60
2019-2020	39.63	5441.15	0.73
2020-2021	28.59	6187.02	0.46
2021-2022	30.02	5967.66	0.50
2022-2023	32.97	6031.59	0.55
MEAN	33.97	6094.91	0.56
S.D	4.10	350.95	0.09
C.V	12.07	5.76	15.33

SOURCE: Annual report of Coonoor UCB

The Net Profit to Working Capital Ratio fluctuates between 0.46% (2020-21) and 0.73% (2019-20), with an average ratio of 0.56%. The highest ratio (0.73% in 2019-20) indicates the best working capital utilisation in that period. The lowest ratio (0.46% in 2020-21) suggests lower efficiency in converting working capital into profit, possibly due to higher expenses or lower earnings. The coefficient of variation (C.V = 15.33%) shows moderate volatility in this ratio over the years.

VI.SUMMARY OF FINDINGS

Based on the analysis of financial and profitability indicators of Coonoor Urban Cooperative Bank during the period from 2018–19 to 2022–23, the following major findings have been derived:

1. The ratio of interest earned to working capital exhibited noticeable fluctuations throughout the study period, with an average of 8.12 per cent. This indicates a moderate capacity of the bank to generate income from its working capital, though the variability reflects inconsistency in income generation.
2. The interest paid to working capital ratio remained relatively stable, recording an average of 5.31 per cent. The lower coefficient of variation suggests effective management of the cost of funds and reasonable control over interest expenses.
3. The spread to working capital ratio showed significant volatility, particularly during the year 2020–21 when the spread declined sharply. The high coefficient of variation highlights instability in interest margins, which adversely affected profitability during certain years.
4. The analysis of net profit growth reveals fluctuating profit performance, with a noticeable decline during 2020–21, likely due to adverse

economic conditions. However, the average net profit level indicates the bank's ability to maintain financial continuity.

5. The net profit to total income ratio ranged between 5.58 per cent and 9.49 per cent, reflecting moderate efficiency in converting income into profits. Variations in this ratio suggest inconsistency in income composition and cost management.
6. The net profit to total expenses ratio indicates fluctuating expense efficiency, with higher operating costs affecting profitability in specific years. The results reveal the need for improved expenditure control.
7. The net profit to working capital ratio remained relatively low throughout the study period, averaging 0.56 per cent, indicating limited effectiveness in utilising working capital to generate higher returns.
8. Overall, while the bank maintained operational stability and depositor confidence, the profitability indicators reveal scope for improvement in fund utilisation, income diversification, and operational efficiency.

VII.SUGGESTIONS

In light of the findings of the study, the following measures are suggested to enhance the financial performance and sustainability of Coonoor Urban Cooperative Bank:

1. The bank should strengthen its credit appraisal and lending policies to ensure improved deployment of funds and enhancement of interest income.
2. Effective loan monitoring and recovery mechanisms should be implemented to minimise overdue accounts and control non-performing assets.
3. The bank should focus on diversifying income sources by expanding non-interest income through service-based activities such as digital transactions, remittance services, and fee-based products.
4. Operational and administrative expenses must be carefully monitored and controlled to improve cost efficiency and profitability ratios.
5. Greater emphasis should be placed on optimal utilisation of working capital through sound asset–liability management practices.
6. Adoption of modern banking technology and digital platforms will improve operational efficiency, reduce transaction costs, and enhance customer service delivery.
7. Periodic financial performance reviews and internal audits should be strengthened to ensure transparency, accountability, and long-term financial discipline.

VIII.CONCLUSION

The present study analysed the performance and profitability of Coonoor Urban Cooperative Bank using statistical measures and financial ratios over a five-year period. The results indicate that the bank has maintained financial stability and continuity of operations despite fluctuations in profitability indicators.

Although the bank demonstrated reasonable control over interest expenses and maintained depositor confidence, variations in income generation, interest spread, and working capital utilisation point to structural inefficiencies in financial management. The decline in profitability during certain years underscores the need for stronger credit management, improved cost control, and enhanced income diversification.

The study concludes that while Coonoor Urban Cooperative Bank possesses a stable financial base, sustained growth and improved profitability can be achieved through strategic financial planning, technological integration, and strengthened risk management practices. Implementing these measures will enable the bank to enhance operational efficiency and ensure long-term financial sustainability in an increasingly competitive banking environment.

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