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CONTENTS

Sr. No.	TITLE & NAME OF THE AUTHOR (S)	Page No.
1.	IMPACT OF INVENTORY MANAGEMENT ON THE PROFITABILITY OF SMES IN TANZANIA <i>DR. SRINIVAS MADISHETTI & DEOGRATIAS KIBONA</i>	1
2.	CORPORATE GOVERNANCE AND AUDIT QUALITY IN NIGERIAN BANKS <i>OBARETIN OSASU & DR. CHINWUBA OKAFOR</i>	6
3.	THE RELATIONSHIP BETWEEN TENURE WITH COST STICKY AND COST OF GOODS SOLD IN TEHRAN STOCK EXCHANGE <i>ROYA DARABI & LEILA DARVISHI</i>	10
4.	AN ASSESSMENT OF THE CHALLENGES AND OPPORTUNITIES OF COOPERATIVE BANK OF OROMIYA, ARSI NEGELLE TOWN, ETHIOPIA, EAST AFRICA <i>DR. K. KANAGARAJ</i>	18
5.	INVESTIGATING THE RELATIONSHIP BETWEEN OVERVALUATION OF STOCKS AND STOCKHOLDERS' EQUITY AND PROFIT-SMOOTHING IN TSE CEMENT AND AUTOMOBILE INDUSTRIES <i>MOHAMMAD REZA ASGARI & SHAHIN SAHRAEI</i>	25
6.	THE INFLUENCE OF MANAGEMENT ON SCHOOL CULTURE AND ITS EFFECTS ON ACADEMIC PERFORMANCE: A CASE OF ST. PATRICK'S HIGH SCHOOL ITEN <i>CHRISTINE KETER</i>	29
7.	DETERMINANTS OF LIFE INSURANCE IN ETHIOPIA <i>ADERAW GASHAYIE AYALIEW</i>	36
8.	COLLABORATION BETWEEN SALES AND MARKETING INCREASES THE BUSINESS PERFORMANCE: EVIDENCE FROM PAKISTANI EXPORT INDUSTRY <i>ARSLAN RAFI, YASIR SALEEM, JAVED IQBAL, ALI IFTIKHAR & MUHAMMAD NAWAZ</i>	46
9.	EFFECT OF OUTSOURCING ON ORGANIZATIONAL PERFORMANCE IN BANKING INDUSTRY IN NIGERIA <i>OLUYEMI OLUWOLE OLUTOSIN</i>	51
10.	A STUDY ON ORGANISATIONAL SUPPORT AND ITS IMPACT ON WORK-LIFE BALANCE OF EMPLOYEES IN INSURANCE COMPANIES IN COIMBATORE <i>DR. SHRIPRIA. V</i>	59
11.	AN EMPIRICAL STUDY ON USER SATISFACTION IN CORPORATE HOSPITALS <i>DR. T. SREENIVAS & DR. U. SRINIVASA RAO</i>	63
12.	EMPLOYER BRANDING IN INDIA: EMERGING DIMENSIONS <i>DR. M. K. SINGH & DR. SONAL SHARMA</i>	70
13.	AN EMPIRICAL ANALYSIS ON FINANCIAL PERFORMANCE OF PUBLIC SECTOR HOUSING CORPORATION IN INDIA: A CASE STUDY OF HUDCO <i>CH. HARI GOVINDA RAO, DR. N. APPARAO & B. VENKAT RAO</i>	76
14.	FACTORS INFLUENCING RETAIL INVESTORS IN INDIAN PRIMARY MARKET <i>DR. T. MANJUNATHA & K. T. GOPI</i>	81
15.	A STUDY ON CUSTOMERS ATTITUDE TOWARDS PURCHASE OF MIDDLE SEGMENT CARS IN VELLORE CITY <i>S. SHRILATHA & DR. A. ARULAPPAN</i>	87
16.	AN EMPIRICAL STUDY ON EXPLOITATION AND EXPLORATION OF BUSINESS OPPORTUNITIES FOR BSNL IN INDIAN TELECOM MARKET <i>K. ARUN PRASAD & DR. S. V. DEVANATHAN</i>	91
17.	A COMPARATIVE STUDY ABOUT THE MANAGING OF STRESS BY WOMEN NURSES BOTH AT PRIVATE AND GOVERNMENT HOSPITALS AT KANCHIPURAM DISTRICT <i>T. THIRUMALESWARI & DR. C. B. RAGOTHAMAN</i>	99
18.	A STUDY ON FRANCHISED RESTAURANTS AS A SUCCESSFUL BUSINESS MODEL FOR FRANCHISEES <i>USHA DINAKARAN</i>	107
19.	ATTITUDE OF MUTUAL FUND INVESTORS – AN EMPIRICAL STUDY <i>DR. SANYASI RAJU G.V.S.S.N</i>	112
20.	IMPACT ANALYSIS OF VARIOUS DEVELOPMENTAL SCHEMES IN JAMMU & KASHMIR STATE <i>AASIM MIR & SHIV KUMAR GUPTA</i>	117
21.	PERFORMANCE OF FOREIGN BANKS IN INDIA: AN EVALUATION <i>DR. VIJAY KUMAR SHARMA & ANUJ KUMAR</i>	120
22.	AN EVALUATION OF PERFORMANCE OF THE WEST BENGAL STATE CO-OPERATIVE BANK LTD. <i>TARASANKAR DAS</i>	131
23.	A STUDY OF CUSTOMERS' ATTITUDE AND BEHAVIOUR ON JEWELLERY PURCHASE IN SALEM DISTRICT <i>DR. S. DEEPA & DR. M. NATARAJAN</i>	137
24.	CUSTOMERS PERCEPTION AND CHANGING WAVES IN INDIAN RETAILING: A CASE STUDY OF BELAGAVI, KARNATAKA STATE <i>DR. B. S. NAVI</i>	143
25.	ROLE OF CELEBRITY ENDORSEMENT ON PURCHASE BEHAVIOUR <i>PRIYANKA SHAH & ANU GUPTA</i>	147
26.	STUDY OF THE PRODUCTS OF LAKME COMPANY LTD. WITH REFERENCE TO PUNE CITY <i>DR. G. SYAMALA</i>	150
27.	ROLE OF WORKING CAPITAL FINANCING IN SMOOTH RUNNING OF A BUSINESS: AN EVALUATIVE STUDY <i>DR. UTTAM PAUL</i>	155
28.	FINANCIAL INCLUSION – AN EMPIRICAL STUDY ON RURAL HOUSEHOLD'S AWARENESS: A STUDY WITH SPECIAL REFERENCE TO SELECTED VILLAGES IN MADURAI DISTRICT <i>DR. K. UMA & S. RAMAN</i>	160
29.	PORTFOLIO EVALUATION OF MUTUAL FUNDS IN INDIA - AN EMPIRICAL STUDY OF EQUITY GROWTH SCHEMES OF SELECT FUNDS <i>B. USHA REKHA & DR. K. RAJENDER</i>	164
30.	IMPULSE BUYING OF APPARELS <i>ANKITA NANDA</i>	170
	REQUEST FOR FEEDBACK	177

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AN EVALUATION OF PERFORMANCE OF THE WEST BENGAL STATE CO-OPERATIVE BANK LTD.

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ABSTRACT

Co-operative banks have come to constitute an important segment of the financial system, occupy a unique position and organized on co-operative principles. Present study evaluates the performance of the West Bengal State Co-operative bank Ltd. from the year 2001-02 to 2010-11. The West Bengal State Co-operative Bank Ltd. is performing its role of leading the co-operative movement of the state of West Bengal. The objectives of the paper are to explore and evaluate the growth prospect, operational profitability, stability and recovery performance of the WBSCB Ltd. In order to measure the growth prospect of the banks some important parameters like deposits, loans and advances, and business are analysed from the year 2001-02 to 2010-11. The study shows that all the variables exhibited positive and significant growth during the period of study. It is found that overall profitability of the bank during the study period is satisfactory as "Burden Coverage Ratio" in all the years is more than 1. Results obtained in the study shows that WBSCB Ltd. have satisfactory Z score that means probability of book-value insolvency has decreased during the study period, suggesting that banks are sufficiently stable during the period of study. The study finds that recovery performance of WBSCB Ltd. is satisfactory during the period of study. The management of WBSCB Ltd. should focus on diversification of business activities of the banks, modernization of the services rendered by the bank, proper methods of borrower appraisal and credit management.

KEYWORDS

Business, Compound Annual Growth Rate, Deposits, Operational profitability, Z score.

INTRODUCTION

Economic development of a country or state depends on the efficiency of its financial system. Financial system is a network of financial activities performed by various financial institutions. Co-operative banks have come to constitute an important segment of the financial system, occupy a unique position and organized on co-operative principles. Co-operatives have been a key instrument of financial inclusion in reaching out to last mile in the rural areas. The co-operative banks' play a significant role in the Indian economy having extensive networks, with reach in remote areas, especially in creating banking habits among the lower and middle income groups and rural credit delivery. The structure of the co-operative banking sector in India is complex. The co-operative structure in India can broadly be divided into two segments. While the urban areas are served by Urban co-operative banks (UCBs), rural co-operatives operate in the rural parts of the country. The rural areas are largely served by two distinct sets of institutions extending short-term and long-term credit. Within the short-term co-operative credit structure, Primary agricultural credit societies (PACS) at the village level form the base level, while District central co-operative banks (DCCBs) are at the intermediate level and the State co-operative banks (STCBs) at the apex level. The long term structure of rural co-operatives comprises State Co-operative agriculture and rural development banks (SCARDBs) at the state level, and Primary co-operative agriculture and rural development banks (PCARDBs) at the decentralized district. The potentialities of the co-operative system in rendering services to the people of the world, was recognized by the United Nations Organisations and to strengthen the co-operatives all over the world, the year 2012 has been declared as the 'International year of co-operatives'. The co-operative system based on its principle and values can play a very important role in envisaged inclusive growth. In this perspective The West Bengal State Co-operative Bank Ltd. is performing its role of leading the co-operative movements of the state of West Bengal. In the present study it is tried to measure the performance of The West Bengal State Co-operative bank Ltd from 2001-02 to 2010-11.

The present study has been divided into five sections. First section covers brief review of literature. Objectives of the study are covered in second section. In section three methodology and data are discussed. Section four covers empirical results and in the fifth section conclusion and suggestions are made.

SECTION-1: REVIEW OF LITERATURE

In the past some studies relating to financial performance of commercial banks and co-operative banks in India and abroad have been conducted. A brief review of these efforts at research in the field of efficiency and profitability of banks have been presented in the following paragraphs.

Chandra (1992) studied the profitability aspect of Public Sector Banks. He concluded that despite massive working funds, Public Sector Banks were not able to show better result due to high cost operation on account of priority sector advances and more than 56 percent branches being rural.

Hundekar.G.S (1994), attempts to provide some theoretic frame work to analyse cost effectiveness and profitability of co-operative banks. He stated that profitability is largely influenced by spread and burden cost. But in view of regulated interest rate structure, operating profitability cannot be improved much by interest spread alone. He concluded that bank's operating profitability can be improved only by controlling manpower cost, other operating cost and by increasing ancillary income through the expansion of ancillary services of the bank.

Kulwantsing and Singh (1998) measured the performance of the Himachal Pradesh Co-operative Banks. On the basis of certain parameters such as capital, deposits, working capital, loans issued they observed that improvement is satisfactory over a period of five years. But recovery performance was unsatisfactory and over dues had increased steadily. This was due to after effects of loan waiver scheme.

Sharma.K.C, Josh.J.C, Kumar Sanjay, Amalorpa Vanathan. R, Bhaskaran.R (2001) analyse the conceptual aspects of overdue, recovery and prudential norms of rural financial institutions (RFI). They also studied about the factors affecting recovery of loans in RFI. In this paper they also suggest methods and strategies for better recovery and NPA management in RFI. They concluded that legal support is critical to effective recovery management. The experience with legal support has not been very encouraging as it has been prolonged, ineffective and expensive for RFIs. They also stated that outdated laws need to be changed, laws enacted need to be properly enforced and the role of governments (central and state) are crucial for creating and maintaining proper recovery environment in society.

Shekhar et al, (2003), used compound growth rates for the selected physical and financial indicators of KDCCB for the period 1985-86 to 1994-95. Among the financial indicators, the growth rates of the total share capital, paid-up share capital, borrowings, and deposits mobilized, investments, total liabilities, current assets. Current liabilities, income, expenditure and outstanding advances were statistically significant, but growth rates of authorized share capital, credit disbursed and recovery percentage were not significant. Among the physical indicators, the growth rate of number of branches and number of employees were statistically significant, while those of beneficiaries covered and total number of employees were not.

Kulandaiswami and Murugesan (2005), made an attempt to evaluate the performance of Primary Agricultural Credit Societies (PACS) in various dimensions using a comprehensive yardstick of performance. They have studied 30 PACS for a ten year period using 13 performance parameters in the selected developments blocks of Western Tamilnadu using field survey data. They employ parametric and non-parametric tests to classify PACS into three performance categories viz. poor, moderate and good. Their study found working capital, total loans outstanding, total business turnover, overdue, net worth and loans to weaker sections as relevant and valid performance indicators for PACS.

Hesse Heiko, Cihak, Martin (2007), analyse the role of co-operative banks in financial stability. They find that co-operative banks are more stable than commercial banks. This finding is due to lower volatility of the co-operative bank's returns, which more than offsets their lower profitability and capitalization.

The findings in this paper indicate that co-operative banks in advance economies and emerging markets have higher Z score than commercial banks and savings banks, suggesting that co-operative banks are more stable. Using the regression analysis they also find that a higher share of co-operative banks increases stability (measured by Z score) of an average bank in the same banking system.

Sinha Pankaj, Taneja Varundeep Singh, Gothi Vineet (2009), analyse the Indian bank's riskiness and probability of book value insolvency under the frame work developed by Hannan and Hanweck (1988). A risk index, known as Z score, for Global Trust Bank that became insolvent in 2004, suggests that frame work developed by Hannan and Hanweck is also relevant in the Indian context. The study concluded that, the most significant achievement of the financial sector reforms has been marked improvement in the financial health of commercial banks in terms of capital adequacy, profitability and asset quality as also greater attention to risk management and this improvement is visible in the form of increasing Z statistic values obtained over years.

Mukherjee Subrata, Ghosh Samir (2011), assessed the performance of DCCBs both in India and in West Bengal using trend equation and ratio analysis during the period 1990-91 to 2006-07 on the basis of the statistical data published from NABARD and NAFSCOB. The performance measurement of DCCBs in India and West Bengal has been done by analyzing the deposits, advances, borrowings, investments of the Balance sheets. They argued that the management has to make a separate investment cell to manage the investment professionally and not restricted itself in the traditional ways of managing the investments, so that income of the bank can be increased with the minimum risk of investments. For improving the performance of DCCBs, suggestions have been made in the area of governance, managerial and financial fronts, diversification of business and measures for improving the collection of principal and interest components of loans advanced by the banks.

Hooda. Vijay S (2011) attempts to explore and evaluate the growth and progress made by all District Central Co-operative Banks in India in terms of share capital, reserves, deposit mobilization and credit advanced during the study period 1995-2009. He also evaluates in his study regarding the recovery performance of DCCBs and overall financial performance of DCCBs with the help of some selected ratios. In his study it is found that all the financial variables increased with higher growth rate during 1995-99 followed by the phase 1995-2009, 2000-04 and 2005-09 respectively on the basis of AGGR. He concludes that the management of DCCBs and policy makers of these banks should focus on the corporate governance, professionalization, and various attractive schemes of deposits and speed up the procedure of computerization etc.

SECTION-2: OBJECTIVES OF THE STUDY

The present study aims to evaluate the performance of The West Bengal State Co-operative Bank Ltd. from 2001-02 to 2010-11. Specifically, the objectives are as follows:

- 1) To measure the growth of business of WBSCB Ltd. in terms of deposit mobilisation and credit advanced during the study period.
- 2) To measure the operational profitability of WBSCB Ltd.
- 3) To measure the stability and book value insolvency of WBSCB Ltd.
- 4) To evaluate the recovery performance of WBSCB Ltd.

SECTION-3: METHODOLOGY AND DATA

A variety of techniques have been used to evaluate the performance of WBSCB Ltd. The parameters taken to measure the growth of the WBSCB Ltd. are deposits, loans and advances as well as business. Year wise growth of these indicators is taken for the study. In order to analyse the data and draw conclusions in this study, various statistical tools like mean, standard deviation, co-efficient of variation, compound annual growth rate (CAGR) and 't' test have been accomplished through Excel and SPSS software.

Operational profitability of any co-operative bank may be analysed with the help of a) SBP technique and b) BCR technique. The SBP technique signifies inter-relationship among spread, burden and profit. Spread is the excess of interest income over expenditure. Burden is the aggregate of manpower expenses and other operating expenses as reduced by non-interest income. Profit is the excess of spread over burden. The overall profitability of any co-operative bank can also be viewed by applying another technique, "Burden Coverage Ratio". Burden Coverage Ratio (BCR) = S/B. S= Spread. B = Burden. If the co-efficient of this ratio is 1, it implies break-even position of the bank. If it is more than 1, it indicates operational profitability. If the co-efficient is less than 1, it indicates poor profitability. The magnitude of burden of the bank is influenced by i) efficiency of manpower management ii) efficiency of general bank management and iii) efficiency of ancillary business (customer services). If the manpower is less productive, general management is less cost conscious and quality of other banking business is poor, the magnitude of burden is increased, which affects the profitability of the bank adversely. To what extent the burden is business sensitive, a meaningful relationship between percentage variations in bank business may be established. The responsiveness of burden (B) as a result of changes in the volume of bank business (V) is called "Burden Responsiveness". Burden Responsiveness = $(\Delta B/B) / (\Delta V/V)$. If the co-efficient of above measure equal to 1, it indicates that burden is perfectly volume elastic. If it is more than 1 the burden is less cost effective whereas if it is less than 1, it indicates that the burden is more cost effective. Manpower cost Responsiveness (MR) signifies the degree of relationship between the percentage variation in manpower expenses (M) and the percentage variation in the volume of Bank business (V). $MR = (\Delta M/M) / (\Delta V/V)$. If manpower is productive the numerical values of this quotient will be less than 1, if the manpower is less productive it will be more than 1. Other cost Responsiveness (OR) signifies the degree of relationship between the percentage variation in other general management expenses (O) and the percentage variation in the volume of bank business (V). $OR = (\Delta O/O) / (\Delta V/V)$ The numerical value of this quotient will be less than 1, if the general management is cost effective and more than 1 if it is less cost effective. A high level of ancillary income is a pre-requisite for improving banks profitability through good customer services. A relationship may be established between the percentage variation in ancillary income (A) and percentage variation in the volume of bank business (V). Ancillary income Responsiveness (AR) = $(\Delta A/A) / (\Delta V/V)$. The percentage change in ancillary income is more than the bank business, the profitability of a bank would improve and vice versa.

A popular measure of bank's insolvency is the Z statistic. The Z-score is a measure of bank stability and indicates the distance from insolvency. It combines accounting measures of profitability, leverage and volatility. Z is defined as $(m+k)/s$. Where m is an average of return on asset (ROA) for the period, k is the ratio of capital to asset and s- standard deviation of ROA for the period, which is also viewed as profitability volatility index. Higher Z score indicates a large distance to the exhaustion of the capital and lower probability of the bank insolvency, consequently the higher is Z score the more stable is bank. So we can say that Z statistic is a function of the normal profit margin of the bank, the variation in that profit margin, and the equity capital available to absorb that variation. The relationship between the Z statistic and probability of book value insolvency is an inverse one, with higher Z score indicating lower probability of insolvency. Probability of book value insolvency (P) has been computed by applying the formula $P = 1/2Z^2$

The form of semi-log trend equation is used: $\log Y = a + bt$, (Where, Y= Actual value of receipt, t = Time variable and a and b are constants to be estimated) in order to measure the growth of recovery of loans. To what extent variation in the response is explained by the regression are measured by the R^2 . In order to evaluate the recovery performance of WBSCB Ltd. the concept of R^2 has been used. Correlation co-efficient can be used to specify the degree of relationship among the variables under consideration. The correlation matrix is constructed among outstanding loan, demand of loan, recovery of loans and total overdue.

The present paper is exploratory-cum-analytical in nature and makes use of secondary data. For the purpose of the study, the secondary data for 10 years from 2001-02 to 2010-11 are used. The secondary data are collected from the annual report of the West Bengal State Co-operative Bank Ltd (WBSCB Ltd.) and the annual data publications of the National Federation of State Co-operative Banks Ltd, Mumbai (NAFSCOB).

SECTION-4: EMPIRICAL RESULTS

This part addresses itself to the analysis of growth and development of the WBSCB Ltd. In order to review the growth prospect of the banks some important parameters like deposits, loans and advances, and business are analysed from the year 2001-02 to 2010-11. Financial performance indicators of the WBSCB Ltd. are presented in the table 1. Table 2. presents the year wise growth of said indicators, compound annual growth rate (CAGR) and the value of t.

Table 1: Financial performance indicators of WBSCB Ltd. (In crores)

Year	Deposits	Loans issued	Business
2001-02	2076.78	855.5	2932.28
2002-03	2217.29	1351.16	3568.45
2003-04	2480.33	1358.42	3838.75
2004-05	2470.11	1700.35	4170.46
2005-06	2282.33	1963.68	4246.01
2006-07	2453.06	1979.66	4432.72
2007-08	2575.01	2206.46	4781.47
2008-09	3368.49	2170.16	5538.65
2009-10	4916.23	2365.52	7281.75
2010-11	5031.56	3303	8334.56

Source: Annual report, WBSCB Ltd.

Table 2: Year wise growth(%) of financial performance indicators

Year	Deposits	Loans issued	Business
2001-02	19.78	23.74	20.91
2002-03	6.76	57.93	18.28
2003-04	11.86	0.55	10.68
2004-05	-0.41	25.17	8.64
2005-06	-7.62	15.49	1.81
2006-07	7.49	0.81	4.39
2007-08	4.97	10.28	7.87
2008-09	30.79	-1.65	15.83
2009-10	45.96	9	31.47
2010-11	2.34	39.63	14.45
AM	12.19	18.09	13.43
SD	15.97	19.08	8.75
CV	131	105	65
CAGR	10.33	16.2	12.31
t value	8.566*	9.041*	9.168*

Source: calculated from annual reports. WBSCB Ltd.

*Significant at 1% level of significance

DEPOSITS

No business conducted without sufficient working capital. For this reason banks have been pressing hard for deposit mobilization. A perusal of the table 2 shows that the growth of the deposits under study is positive in all the year except for the year 2004-05 and 2005-06. Heavy withdrawal of deposits by the DCCBs for earning higher interest with private and commercial banks contributed to this situation. The deposit has started to increase again. Growth rate in the year 2008-09 and 2009-10 are 30.79% and 45.96% respectively. This huge increase in deposits was as a result of adoption of various policy initiatives jointly by all the DCCBs along with the State Co-operative banks. Inflow of funds to the co-operative sector on account of ADWDR (Agriculture and rural Debt waiver and Debt relief) which boosted the growth of deposit as well. The normal average growth rate of deposit is 12.19% and compounded annual growth rate of deposits are 10.33%. Growth rates are statistically significant at 1% level of significance.

LOANS AND ADVANCES

The growth of loans and advances shows the positive growth trend during the study period except for the year 2008-09. Loans and advances of the bank increased drastically in the year 2002-03 and 2010-11. The major part of the loans being forwarded against Government and other tangible securities. Declaration of ADWDR (Agricultural and Rural Debt Waiver and Debt Relief) spoiled the atmosphere for recovery as well as disbursement of agricultural loans. The growth of loans and advances became negative as a result in 2008-09. The situation improved a little in the year 2009-10. In the year 2010-11, the progress is commendable in agricultural sector. However the progress in diversified lending is remarkable and the growth in this sector contributed most in total growth. The lending in non-farm sector, especially to the home loan sector and ECCS also contributed in a major way. The normal average growth of loans and advances are 18.09% and CAGR are 16.2% and the growth rates are statistically significant at 1% level of significance which is shown in the table 2.

BUSINESS

It may be observed from the table 2. that the growth of business is positive in all the years during the study period. The growth is observed in the year 2009-10 due to significant growth in the mobilization of deposits. The normal average growth of business is 13.43% and CAGR are 12.31% and growth is statistically significant at 1% level of significance.

From the above discussion, it is clear that all the variables exhibited positive and significant growth during the period of study. The highest growths are observed with respect to loan issued and least growth is in case deposits. Highest fluctuations of growth are observed in the deposits (cv-131) and least fluctuations in case of business (cv-65). So, we may say that growth of WBSCB Ltd. in terms of deposit mobilization and credit advanced is satisfactory during the period of study.

Operational profitability of any co-operative bank may be analysed with the help of a) SBP technique and b) BCR technique. In the present study, we may observe from the table-3 showing the operational profitability of WBSCB Ltd. from 2001-02 to 2010-11 that BCR in all the years are more than 1, which indicates the operational profitability of the banks. The situation enables bank to plan for growth and diversification. From the table- 3 it may be observed that the burden responsiveness is more cost effective in the year 2001-02, 2002-03, 2003-04, 2005-06, 2008-09 and 2009-10 but in the year 2004-05, 2006-07, 2007-08 and 2010-11 it is less cost effective. In the year 2007-08 the quotient of BR is 9.87, which is remarkably high as contingent and other expenses in the particular year is very high relating to other years. In the year 2010-11 it is 5.5 as aggregate of manpower expenses and contingent and other expenses are too high relating to other years. From the table-3 it may be observed that in the year 2001-02,2002-03,2003-04,2004-05,2007-08,2008-09 and 2009-10 manpower of WBSCB Ltd is productive whereas in the year 2005-06,2006-07 and 2010-11 it is less productive. In the 2005-06 the percentage variation in bank business is only 1.79% and in the year 2010-11 the bank had to pay arrear salary and gratuity at enhanced rate. These are the reasons behind the high manpower cost and MR is less productive. It may be seen from the table- 3 that the general management of WBSCB Ltd. is cost effective in the year 2002-03, 2003-04, 2005-06, 2008-09 and 2009-10. But in the year 2001-02, 2004-05, 2006-07, 2007-08 and 2010-11 other general management expenses is less cost effective. In the year 2004-05 OCR is 13.29. In this particular year percentage variation in other general management expenses were 114.72 whereas percentage variation in banking business (V) is only 8.64. In the year 2007-08, it is 18.33 due to high contingent and other expenses. From the table-3 it may be observed that as regards AIR the bank is in a favorable position in the year 2001-02,2002-03, 2005-06,2006-07 and 2010-11. But remaining of the year it does not help the bank to improve the profitability. From the above discussion we may say that overall profitability of the bank during the study period is satisfactory as "Burden Coverage Ratio" in all the year is more than 1. The situation enables bank to plan for growth and diversification.

TABLE 3: ANALYSIS OF THE OPERATIONAL PROFITABILITY OF WBSCB LTD.

Year	BCR	BR	MCR	OCR	AIR
2001-02	1.48	0.48	-0.33	2.75	2.67
2002-03	2.97	-0.61	-0.45	-0.41	1.43
2003-04	3.32	0.08	-0.01	-0.71	-2.99
2004-05	1.4	5.07	0.09	13.29	0.6
2005-06	1.66	-1.83	8.15	-9.65	6.3
2006-07	1.57	3.87	1.16	6.89	2.32
2007-08	1.32	9.87	-0.06	18.33	0.29
2008-09	1.65	-0.86	0.35	-1.32	-0.42
2009-10	1.74	-0.54	0.13	-0.87	0
2010-11	1.29	5.5	4.7	5.74	1.47

BCR= Burden coverage ratio

BR= Burden Responsiveness

MCR= Manpower cost responsiveness

OCR= Other cost responsiveness

AIR= Ancillary income responsiveness

The Z- score measures the number of standard deviation a return realization has to fall in order to deplete equity, under the assumption of normality of returns of the bank. Higher value of Z implies lower insolvency risk indicating a lower probability of insolvency.

TABLE 4: Z STATISTIC AND PROBABILITY OF BOOK VALUE INSOLVENCY OF WBSCB LTD FROM 2001-02 TO 2010-11

Year	ROA	Capital/Asset	ROA (AM)	ROA(SD)	Z SCORE	P	Index
2001-02	0.003058	0.03333832	0.004482	0.002538	14.90275	0.00225132	100
2002-03	0.008256	0.0297314			13.48148	0.00275103	90.46
2003-04	0.009826	0.03424024			15.25814	0.00214767	102.3
2004-05	0.002337	0.0363057			16.07202	0.00193566	107.9
2005-06	0.003705	0.03833465			16.87151	0.00175656	113.2
2006-07	0.003502	0.03793502			16.71404	0.00178981	112.1
2007-08	0.003418	0.03909605			17.17153	0.00169571	115.2
2008-09	0.004923	0.03343683			14.94157	0.00223964	100.3
2009-10	0.003459	0.02649048			12.20442	0.00335688	81.87
2010-11	0.002336	0.02774497			12.69874	0.00310062	85.16

Table 4 Shows the Z statistic and probability of book value insolvency of WBSCB Ltd. during the period 2001-02 to 2010-11. It is evident from the table that average ROA is 0.004482 and standard deviation of ROA is 0.002537. From the table it may be seen that from the year 2002-03 to 2007-08 the Z statistic increased continuously and probability of book value insolvency of the bank has decreased and then Z statistic are decreased up to 2010-11. As a result the Z statistic indices are higher than the base year except for the year 2002-03, 2009-10 and 2010-11 which are shown in the table 4. The trend indices of the Z statistic are 112.1 in 2006-07 and 100.3 in 2008-09, that is less than its previous year due to decrease in ROA and capital to asset ratio. Trend indices in the year 2002-03, 2009-10 and 2010-11 are not satisfactory due to significant decrease in the capital/asset ratio, which indicates that bank's capital base and volatility of ROA are the important determinants of Z score. From the above discussion it may be said that the WBSCB Ltd. have satisfactory Z score that means probability of book-value insolvency has decreased during the study period, suggesting that banks are sufficiently stable during the period of study.

Recovery of loan together with interest from the clients is crucial for recycling of funds deployed in rural credit. So, recovery is an important ingredient for recycling of funds. If the rate of recovery is high, it shows the efficiency of the bank in credit operations, but if the recovery is low the bank has to mobilize additional deposits or arrangement of borrowings for smooth running of banking operations.

Year wise demand, recovery and overdue of total loans issued by the WBSCB Ltd. from 2001-02 to 2010-11 are given in the table 5. It is evident from the table that demand of loans increased from Rs. 562.44 crore in 2001-02 to Rs 2654.8 crore in 2010-11. The trend in general is one of increasing except for the years 2008-09 and 2009-10. It is found from the table 6 that the demand of loan during the study period is on an average of Rs. 1183.51 crore; with co-efficient of variation is 51.89%. Trends and growth of demand of loans and advances are shown in the table 8. It may be seen from the table that the co-efficient of demand of loans are positive but not statistically significant. The demand of loans increased at the rate of 13.17% and compound annual growth rates are 18.82%. The R^2 value indicates that time variable accounts for more than 74% variation in all the components taken for the study. It may be seen from the table 5 that recoveries of loans and advances have increased from Rs. 468.07 crore in 2001-2002 to Rs. 2475.61 crore in 2010-11. The average amount of recovery of loans and advances during the period of study are Rs 1054.55 crore, with coefficient of variation is 56.11%. It is observed from the table 6 that average rate of recovery as a percentage of demand of loans and advances during the study period are 87.68% with co-efficient of variation is 4.03%.

TABLE 5: YEAR WISE DEMAND, LOAN RECOVERY AND TOTAL OVERDUE OF WBSCB LTD. FROM 2001-02 TO 2010-11

Year	Demand (Crores)	Loan recovery (Crores)	Total overdue (Crores)	Recovery (%)	% of overdue to demand
2001-02	562.44	468.07	94.37	83.22	16.78
2002-03	671.16	568.51	102.65	84.71	15.29
2003-04	757.5	642.14	115.36	84.77	15.23
2004-05	903.85	770.08	133.77	85.2	14.8
2005-06	955.91	816.98	138.93	85.47	14.53
2006-07	1400.41	1259.16	141.25	89.91	10.09
2007-08	1492.43	1319.59	172.84	88.4	11.6
2008-09	1468.57	1362.94	105.63	92.8	7.2
2009-10	968.08	862.49	105.59	89.09	10.91
2010-11	2654.8	2475.61	179.19	93.25	6.75

Source: Annual report, WBSCB Ltd.

From the table 8 it is observed that recoveries of loans increased at the rate of 14.36% during the study period and were found statistically significant at 5% level of significance. The compound annual growth rates are 20.33% for recovery of loans and advances. The R^2 value indicates that time variable accounts for more than 88% variation in all the components taken for the study. Declaration of debt relief in 2007 severely affected recovery of crop. loan in 2007-08. Disbursement of crop. loan in 2008-09 are reduced considerably, as a result. Total loan issued in 2008-09 also reduced, in spite of normal growth of non-agricultural loan. It may be seen from the table 5 that overdue of loans increased from Rs.94.37 crore in 2001-02 to Rs. 179.19 crore in 2010-11. The average amount of over dues of loans during the study period are Rs. 128.96, with co-efficient of variation are 22.95%. It is observed from the table 6 that average rate

of overdue as a percentage of demand of loans are 12.32% with co-efficient of variation is 28.73%. From the table 8 it is observed that overdue of loans increased at the rate 3.82% during the study period but not statistically significant. The compound annual growth rate are 7.38% for overdue of loans advances. The R² value indicates that time variable accounts for only 27% variation in all the components taken for the study. It is seen from the table 6 that there are less fluctuations in the % of recovery of loans and advances to demand of loans and advances during the study period as it has lesser co-efficient of variation (CV-4.03%) than other variables taken for study.

TABLE 6: RECOVERY PERFORMANCE OF WBSCB LTD. - DESCRIPTIVE STATISTICS

	Mean	SD	CV
Outstanding loan	1925.39	673.41	34.97
Demand of loan	1183.51	614.14	51.89
Recovery of loan	1054.55	591.72	56.11
Total overdue	128.96	29.6	22.95
% of Recovery	87.68	3.54	4.03
% of overdue	12.32	3.54	28.73

TABLE-7: CORRELATION MATRIX AMONG THE SELECTED VARIABLES OF WBSCB LTD

	Outstanding loan	Demand of loan	Recovery of loan
Outstanding loan	1	0.90**	0.90**
Demand of loan		1	0.99**
Recovery of loan			1
Total overdue			

**Correlation is significant at 1% level

*Correlation is significant at 5% level

Correlation co-efficient can be used to specify the degree of relationship among the variables under consideration. Table 7 shows the correlation matrix among outstanding loan, demand of loan, recovery of loans and total overdue. Outstanding loan is significantly positively correlated with demand of loans, recovery of loans and total overdue. Demand of loans is significantly correlated positively with recovery of loans and total overdue. Recovery of loans and advances are significantly correlated with total overdue.

TABLE 8: TRENDS AND GROWTH OF DEMAND, RECOVERY AND OVERDUE OF LOANS OF WBSCB LTD.

Particulars	Trend co-efficient		R ²	CAGR
	a	b		
Demand of loans	6.25	0.1317 [4.88]	0.74	18.82
Recovery of loans	6.05	0.1436* [1.0324]	0.88	20.33
Overdue of loans	4.62	0.0382 [1.7243]	0.27	7.38

*Significant at 5% level. Figures in brackets represent t value.

From the above discussion it may be observed that all indicators showed the positive growth such as 13.17% (Demand of loans), 14.36% (Recovery of loans), and 3.82% (Overdue). The higher growth rate are observed in recovery of loans and advances and statistically significant followed by demand of loans and overdue of loans and advances. So, we may conclude that recovery performance of WBSCB Ltd. are satisfactory during the period of study.

SECTION-5: CONCLUSION AND SUGGESTIONS

In the present study, an attempt has been made to analyse the performance of the WBSCB Ltd. in terms of certain defined parameters. Considering the objectives of growth performance it is clear that all the variables exhibited positive and significant growth during the period of study. But growth of loans and advances during the period of study is not uniform. Some measures have already been adopted to enhance issue of loans such as power of loan sanction of regional offices has been increased, MOU has been signed with the State Government for issue of house building loan to Govt. employees linked with salary deduction scheme, publication of loan manual for ensuring transparent and hassle free loaning procedure, financing Government undertaking with State Government guarantee and opting for negotiated interest regime for big loans keeping in mind the risk perception and suitable training managers of the bank in loan appraisal techniques. The management has to look into whether there is any lack of initiatives on the part of bank regarding the implementation of above mentioned measures. Creation of profit is not only the principal object of any enterprise but essential for its survival. The efficiency of a business is measured by the amount of profit earned. Profitability of the banks is mainly influenced by the spread and burden cost. But operational profitability cannot be improved much by interest spread alone. A high level of non-interest income is a pre-requisite for augmenting banks profitability through good customer service. Overall profitability of the bank during the study period is satisfactory as "Burden Coverage Ratio" in all the years is more than 1. Although the bank has to control the manpower cost and other operating cost and enhances the ancillary income through the ancillary service to the clients in order to increase the operational profitability of the banks. Diversification of business activities is essential in the interest of the co-operative movement. In order to measure the stability and probability of book value insolvency of the banks Z score has become a popular measure. It measures the number of standard deviations a return realization has to fall in order to deplete equity, under the assumption of normality of bank's returns. The study shows that on an average Z score of the banks are satisfactory during the study period this is not because of capitalization or profitability but due to lower standard deviation of returns (ROA). With a view to strengthen the banks financially, formulation and implementation of business development and profit planning is essential. Management has to take the necessary steps in order to increase the capital base of the banks. Agricultural lending policy needs immediate updating in order to serve the need based credit requirements of the farmers and focus towards expansion of rural credit, both quantitatively and coverage-wise. The soundness of whole co-operative credit structure, to a large extent, depends on the prompt recovery of loans but there has been a tendency with the borrowers not to repay their loans, thereby, increasing overdues year after year. Every efforts should be made from the bank's part to influence, appeal and pursue the borrowers to repay their dues. Recovery performance of WBSCB Ltd. is satisfactory during the period of study. Due to this reason percentage of non-performing asset (NPA) on outstanding loans and advances are reduced from 7.52 in 2001-02 to 1.49 in 2010-11. In this context it may be said that Govt. (Central and State) has the major role for improving the recovery management of the banks by not announcing politically motivated schemes as issue of loans by loan melas, waivers of loan, waivers of interest and different concessions etc.

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