

“PERFORMANCE APPRAISAL OF COSMOS COOPERATIVE BANK LTD. PUNE FOR THE PERIOD 2002 TO 2012”

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Abstract:

Co-operative banks in this country are a part of vast and powerful structure of co-operative institutions which are engaged in tasks of production, processing, marketing, distribution, servicing and banking in India. The cooperative banks play a big role in the Indian economy as they are based on the small amount of money collected from the ordinary people.

Cosmos Coop. Bank Ltd. is one of the leading scheduled multi state cooperative bank having presence in 6 states through 110 branches and 6 extension counters in 28 major cities. The bank has undergone this process of business process re-engineering successfully and continuously evaluating its systems and procedures to ensure that the customers' expectations are met at the same time the transaction cost is maintained at minimum possible. The bank has enlightened board of directors drawn from various walks of life and which takes keen interest in the overall development of the bank. The bank has widened the range of its retail products both in deposits and advances segment so that the needs of the emerging middle class are satisfied. Management Information System of the bank is fully utilizing the benefits of computerization. The bank has ensured optimum utilization of computerization in its working and has its own data base centre also. The management information generated through the data centre is being utilized professionally to take vital decisions.

The bank has also in its fold services like Currency chest, Demat, Mutual Fund, Insurance business in collaboration with M/s. Bajaj Alliance Insurance Company Ltd. Franking of documents, Pancard facility, E-Tax payment facility. The bank is conscious of need for sharpening the skills of the on the field and off the field staff and provides them training on an ongoing basis using modern methods of teaching. As desired by the RBI the bank has started some schemes to provide banking facilities to the economically weaker section. The bank as decided to extend financial assistance to Women's Self Help Groups. Warje branch of the bank has been designated for this purpose.

The bank is progressing on all fronts achieving newer heights year after year but for the only one aspect that i.e. its percentage of NPA is marginally increasing which is a sign to be taken note of and to take corrective action as has been already explained in the relevant para. The bank has an ambitious plan and is marching ahead in good speed.

KEYWORDS:

customer focus, wide range of services, technology up-gradation, inclusive banking, overall growth.

INTRODUCTION

The present banking scenario in India is witnessing sea changes. Adoption of policy reforms in

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Indian economy has resulted in the change of economic order towards the process of Liberalization, Privatization and Globalization (LPG). The Liberalization of the financial sector in India is exposing Indian banks to a new economic environment that is characterized by increased competition and new regulatory requirements. As a result, there is a transformation in every sphere of activities of the banks in India, especially in Governance, nature of business, style of functioning and delivery mechanisms. The new generation banks brought the necessary competition into the industry and are spearheading changes towards higher utilization of technology, improved customer service and innovative products.

Co-operative banks in this country are a part of vast and powerful structure of co-operative institutions which are engaged in tasks of production, processing, marketing, distribution, servicing and banking in India. The beginning co-operative banking in this country dates back to about 1904, when official efforts were made to create a new type of institution based on principles of co-operative organization & management, which were considered to be suitable for solving the problems peculiar to Indian conditions. The cooperative banks play a big role in the Indian economy as they are based on the small amount of money collected from the ordinary people. They tend to cater to the poor. Moreover, the cooperative banks help those who cannot avail themselves of the services provided by the nationalized banks,

OBJECTIVE OF THE PAPER:

Now considerable time has been passed after liberalization, privatization and globalization, it is necessary to critically appraise the performance of one of the leading multi-state Urban Cooperative Bank namely Cosmos Cooperative Bank Ltd. Pune.

Thus the objective of the paper is to critically review the performance of the Cosmos Cooperative Bank Ltd. Pune for the period 2003 to 2012 (10 years).

RESEARCH METHODOLOGY:

For this purpose data is collected through the bank's published Annual Reports for the period under study. Whatever gaps were there, those have been plugged by having interaction with the Bank's Senior Executives so as to ensure that the analysis is correctly drawn. More particularly the bank's performance has been evaluated on the following vital aspects using tabulation, graphs and percentage tools for analysis.

❖ Growth in Capital, Reserves	❖ Retail banking
❖ Growth in Bank branches and other outlets like Extension Counters, ATM etc.	❖ Outsourcing of work
❖ Growth in Deposits and Advances	❖ Computerization and technology up-gradation
❖ Position of Non Performing Assets	❖ Electronic banking
❖ Growth in Bank's profitability	❖ Tele banking
❖ Branch banking	❖ Mobile banking
❖ Transparency	❖ Automated Taylor Machines
❖ Capital Adequacy norms	❖ Credit Cards – Debit Cards
❖ Business Process Re-engineering	❖ Real Time Gross Settlements (RTGS)
❖ Corporate Governance	❖ National Electronic Funds Transfer (NEFT)
❖ Insurance Business by Bank	❖ Customer focus

MEMBERSHIP GROWTH:

The membership growth is showing a progressive trend. The growth during 2011 and 2012 is quite spectacular. (23.87%).

Table No.1: Growth of membership during the study period 2002-2012.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Members	35910	38919	40863	42969	45566	50473	53251	56160	60968	75520

During the period under study the membership of the bank has grown by 109.30% which can be termed as satisfactory growth.

BRANCH NETWORK:

The branch net work has also shown fairly good increasing trend. As on 31st March 2012 there were 110 branches with 21 extension counters spread over in six States with 22 branches in major cities and 116 own ATM centres. The growth of the ATM centres is satisfactory. Till this year the bank has taken over 15 weak banks in its fold together with 15 branches and an extension counter which provided it readymade infrastructure and safety net to the depositors of the merged banks.

Table No.2: Growth of branch network during the study period 2002-2012.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
No. of branches	41	41	41	44	65	77	85	96	106	110
Extension counters	5	5	7	13	15	11	09	8	9	21
ATMs		33	40	50	56	68	74	96	112	116

There is a phenomenal growth of branch net work. This was particularly, possible because of the mergers of a 15 weak banks along with their branch net work.

GROWTH IN PAID UP CAPITAL AND RESERVES:

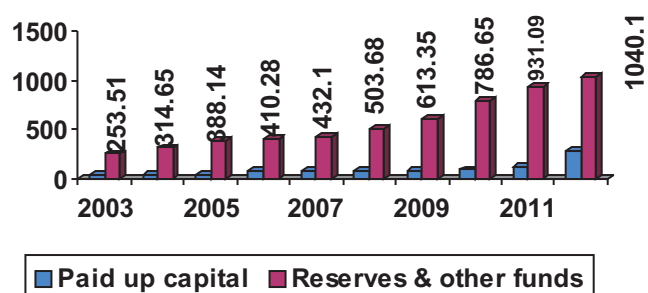
There is consistent growth in paid up capital and more particularly the growth in capital during 2011-12 was quite remarkable. (140.22%). The reserves are also showing increasing trend.

Table No.3: Growth of paid up capital, reserves and other funds during the study period 2002-2012.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Paid up capital	34.37	37.05	39.75	72.09	76.64	81.97	86.91	91.92	121.11	290.94
Reserves & other funds	253.51	314.65	388.14	410.28	432.10	503.68	613.35	786.65	931.09	1040.08

(Rs. In Crores)

Growth in Paid up Capital and Reserve Funds during the study period



Over the years the paid up capital has shown growth of 746.49% in the bank's paid up capital. The reserves also recorded growth 310.27% which is quite sizable. Thus the own funds have strengthened the stability of the bank.

Working Capital & CRAR

The bank's working capital has recorded good growth during the study period. The CRAR is well above the prescription of the Reserve Bank of India. Now the Bank should keep close watch to ensure that this CRAR percentage does not go down further.

Table No.4: Growth working capital and CRAR during the study period 2002-2012.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Working capital	2664.11	2965.39	3397.23	4039.69	4928.16	6088.12	7563.06	8433.48	10599.54	13823.80
CRAR-%	13.01	16.40	17.23	17.22	12.36	12.13	12.40	12.32	12.03	12.56

There is marginal fluctuation in the CRAR% but on the whole the Bank is fulfilling the norm for CRAR prescribed by the Reserve Bank of India.

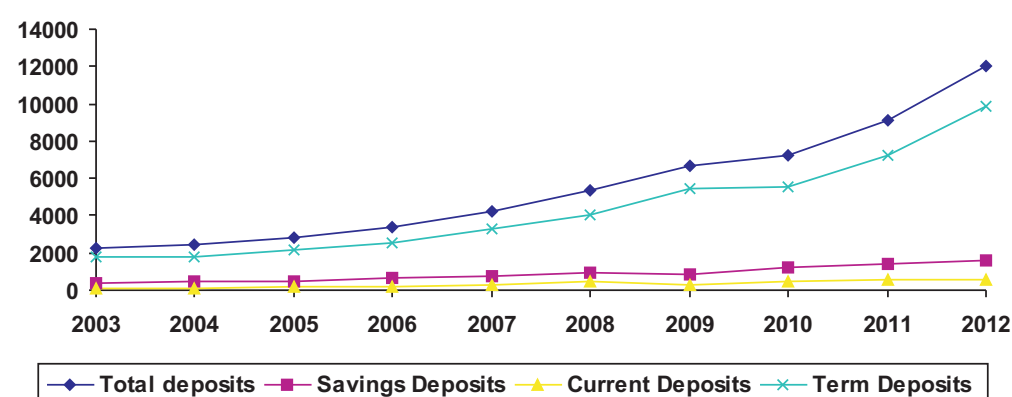
Deposits Growth:

Table No.5: Growth of Total, high cost and low cost deposits during the study period 2002-2012. (Rs. In Crores)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total deposits	2263	2483	2851	3367	4266	5343	6656	7213	9137	12060
% Growth in Total Deposits		9	13	15	21	20	20	8	20	24
Savings Deposits	356	445	497	627	732	907	891	1216	1412	1609
% to total deposits	16	18	18	19	17	17	13	17	15	13
Current Deposits	109	136	147	224	286	428	316	453	529	552
% to total deposits	5	5	5	7	7	8	5	6	6	5
Term Deposits	1798	1801	2207	2516	3247	4008	5450	5544	7197	9899
% to total deposits	79	77	77	74	76	75	82	77	79	82

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Cost wise growth of deposits during the study period



It can be seen from the table here below that the bank's growth in deposits is steadily increasing during the last decade with the exception of the financial year ended 2010. Percentage of savings bank deposits to the total deposits moves around 15 to 19%, while that of current deposit it moves from 5 to 8%, the term deposits move around 74 to 82%. Conscious and vigorous efforts are needed to seek realignment in the deposit segments thereby increasing the low cost deposits and reducing the high cost deposits. Even a marginal increase of 1% in low cost deposits will add to the profitability of the bank considerably.

Growth of Advances and the quality of advances:

Growth in advances matches the growth in deposits. It can be seen that during the F.Y. 2011-12 the growth is quite sharp. The percentage of net NPAs to net Advances is more or less stagnant upto F.Y.2011, however there is sudden rise in the F.Y.2011-12 from 2 % to 5% which means the bank has to sharpen its credit appraisal system as well as strengthen its post disbursement supervision and follow up and ensure timely recovery of the overdues. This percentage should be brought down to the minimum as it adversely affects the profitability of the bank.

Table No.6: Growth of Total advances, Gross NPA and NET NPA during the study period 2002-2012. (Rs. In Crores)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total Advances	1193	1402	1581	1966	2448	3201	3897	4622	6384	8510
Gross NPAs		20070	20982	24539	23007	22271	25301	27335	30423	67120
NET NPAs		2672	2865	4785	7551	6990	7725	7890	9487	39401
% of net NPA to NPAs		2	2	3	3	2	2	2	2	5

The overall advances recorded growth of 613.32% during the study period. The % of net NPA to NPAs has shown steady position with the exception of the F.Y.2012 in which year it was increased from 150%. The bank should ensure that this percentage is reversed in the immediate future by strengthening the recovery drive and ensuing credit appraisal on sound footing.

Profits and Dividends:

The bank's profit is showing good growth. The profit during the year 2011-12 showed a growth rate of 23.30% over the previous year. The bank has maintained its track record of declaring 15% dividend for all the 10 years under study.

Table No.7: Net profit and dividend paid during the study period 2002-2012.
(Rs. In Crores)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net Profit	30.06	70.69	39.79	50.12	60.32	72.93	90.48	55.37	111.13	137.03
Rate of Dividend	15	15	15	15	15	15	15	15	15	15

During the period under study the profit recorded an increase of 355.85% which matches with the growth recorded by other coop. banks of its size. The dividend percentage remained the same at the highest possible level of 15% throughout the study period. Staff Productivity:

It is praise worthy that the productivity of the staff has increased from Rs.2.79 crores in 2003 to Rs. 8.36 crores recording a rise of 199.64%. The bank should continue its pursuit for stepping the productivity to the optimum.

Table No. 8: Staff productivity Per Employee Business Mix during the study period (Rs. In Crores)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total Advances	1193	1402	1581	1966	2448	3201	3897	4622	6384	8510
Total deposits	2263	2483	2851	3367	4266	5343	6656	7213	9137	12060
Business mix	3456	3885	4432	5333	6714	8544	10553	11835	15521	20570
No. of Employees	1237	1242	1269	1265	1571	1670	1832	1994	2212	2461
Business mix per employee	2.79	3.13	3.49	4.22	4.27	5.12	5.76	5.94	7.02	8.36

Staff productivity during the study period considerably increased. It was possible because of the greater use of technology and computerization as well as sharpening the skill of the field level staff through a continuous process of training and development.

Table No.9: Growth net profit per employee during the study period 2002-2012. (Rs. In Crores)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net Profit	30.06	70.69	39.79	50.12	60.32	72.93	90.48	55.37	111.13	137.03
No. of Employees	1237	1242	1269	1265	1571	1670	1832	1994	2212	2461
Net profit per employee	0.02	0.06	0.03	0.04	0.04	0.04	0.05	0.03	0.05	0.06

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Profitability per employee has also recorded an increasing trend. During the period under study the profit per employee stepped up from Rs.0.02 crores to Rs.0.06 crores which is quite commendable.

Business Process Re- engineering: Business Process Re-engineering represents transformation of select processes and procedures with a view to empower the bank with contemporary technologies, business solutions and innovations that enhances the competitive advantage. The bank has undergone this process of business process re-engineering successfully and continuously evaluating its systems and procedures to ensure that the customers' expectations are met at the same time the transaction cost is maintained at minimum possible.

Corporate Governance: Corporate Governance refers to conducting the affairs of a banking institution in such a manner that gives a fair deal to all the stakeholders, i.e.. Shareholders, bank customers, regulatory authorities, society at large and employees. The bank has enlightened board of directors drawn from various walks of life and which takes keen interest in the overall development of the bank. The attendance at the board meeting and the deliberations therein are conducted in a professional manner. The bank strictly follows the directions of the regulator i.e. the R.B.I. and has constituted various committees to closely supervise the functioning of the bank in a professional manner.

Universal Banking: Universal Banking represents all kinds of activities of banking, development financing subject to compliance with statutory and other requirements prescribed by RBI, GOI and other enactment. The bank has keeping in tune the requirements of the customers as well as the services provided by the competitors has enlarged the scope of its services which enables the bank to successfully compete with their counterparts.

Retail Banking: Increase in purchasing power and emergence of strong middle class, development of retail market have increased the scope for retail banking in India.

Retail Banking has three main features;

Multiple products - deposits, credit cards, insurance, investments etc
Multiple delivery channels - call centers, branch, internet, Kiosk etc
Multiple customer groups -consumer, small business, corporate etc

The bank has widened the range of its retail products both in deposits and advances segment so that the needs of the emerging middle class are satisfied. The easy availability of credit for purchase of consumer durables and for purchase of housing accommodation has increased the comfort zone for the middle class customers.

Cross Selling: It represents additional services offered to existing customers, with a view to expand banking business. It results in reduction of cost and enhances satisfaction level of customers. The bank is consciously pursuing this aspect of business development which helps it to contain the cost of transaction.

Computerization: Another segment which tries to revamp the various sectors in general and banking sector in particular, is the introduction of computers in the functioning of the banking system. Management Information System of the bank is fully utilizing the benefits of computerization. The bank has ensured optimum utilization of computerization in its working and has its own data base centre also. The management information generated through the data centre is being utilized professionally to take vital decisions.

ELECTRONIC BANKING

One of the most exciting growth phases for the banking sector is the emergence of technology-enabled business models, which led to geographic expansion, wider product offerings and newer revenue streams. The bank resorted to provision of facility of electronic banking and has introduced the following products:

Real Time Gross Settlement (RTGS)
National Electronic Funds Transfer (NEFT)
Automated Teller Machines
Vasa card
Use of CCTV at ATM centres.
Use of new software to get Credit Information Bureau India Ltd. (CIBIL)

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Mobile banking
Cosmos Visa Debit Card
SMS banking Service
Internet Banking
Bank has launched its Website
Bill payment facility etc.

One important aspect of this introduction is that the bank is also taking pains to introduce these facilities to its customers who form the target group for these services. This is evident from the various statistics that has been given against each of the facility in its Annual Report.

The bank has also in its fold services like Currency chest, Demat, Mutual Fund, Insurance business in collaboration with M/s. Bajaj Alliance Insurance Company Ltd.
Franking of documents, Pancard facility, E-Tax payment facility.

The bank is conscious of need for sharpening the skills of the on the field and off the field staff and provides them training on an ongoing basis using modern methods of teaching.

The bank undertakes internal and external audit of its business. It has placed its key branches on concurrent audit system so that the business generated is free from any audit remark. The statutory auditors also conduct the audit of the bank and there are no serious remarks of the auditors on a continuing basis. The bank has been awarded Audit Grade 'A' continuously. The bank has a track record payment of Dividend Warrant at 15%.

FINANCIAL INCLUSION:

As desired by the RBI the bank has started some schemes to provide banking facilities to the economically weaker section. The bank as decided to extend financial assistance to Women's Self Help Groups. Warje branch of the bank has been designated for this purpose.

HUMAN RESOURCES DEVELOPMENT:

The bank is having a rationale policy for developing the human resources per its requirement. It has its own training college for the staff which caters to the training needs. Bank follows various motivational programs for the staff as well as the families of the staff, conducts annual social gathering, arranges customers' meets, undertakes cultural and sports activities which has resulted in ensuring the dedication of the staff.

MERGERS AND ACQUISITION:

This being a sound bank it has taken in its fold so far 15 weak banks either under amalgamation or merger. These banks taken together had 15 branches and one extension counter and to that extent the bank has been benefited to get these many licenses and the infrastructure and established customer base.

CONCLUSION:

It can be seen from the foregoing that the bank is progressing on all fronts achieving newer heights year after year but for the only one aspect that i.e. its percentage of NPA is marginally increasing which is a sign to be taken note of and to take corrective action as has been already explained in the relevant para. The bank has an ambitious plan and is marching ahead in good speed. The bank is being managed professionally.