



A Research Study on Financial Risk and Profitability analysis of Cooperative Bank with special reference of Rajasthan State Co Operative Bank Ltd (RSCB)

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ABSTRACT: Banking business lines are many and varied. Commercial banking, Cooperative banking, corporate finance, retail banking, trade and investment banking and various financial services form the main business lines of banks. Bank customers can vary from retail consumer segment to mid market corporate to large corporate to financial institutions. Banking for similar services can also vary for each segment. Cooperate banks face credit risk by providing loan to their customer. Their loans become NPA for the banks. Financial performance is a complete evaluation of a company's overall standing in categories such as assets, liabilities, equity, expenses, revenue, and overall profitability. It is measured through various business-related formulas that allow users to calculate exact details regarding a company's potential effectiveness. Profitability is the ability of a business to earn profit as Profitability is a measure of efficiency. It indicates the efficiency or effectiveness with which the operations of the business are carried on. A business that is not profitable cannot survive. Increasing profitability is one of the most important tasks of the business. These potential changes can be analyzed with a support of income statement and balance sheet. The objective of this study is overall profitability analysis based on income statement and balance sheet of Rajasthan State Co Operative Bank Ltd (RSCB). Therefore, the logical steps are to identify the risks, assess the probability of the incident, measure the consequences, develop mitigation strategies, monitor and report progress in mitigating the risks, avoiding, mitigating, shifting or accepting the risks.

KEYWORDS: Profitability, Financial Statement, Cooperative Banks, Credit risk, Risk Management, Credit policy, Market risk

I.INTRODUCTION

The RStC Bank has successfully completed almost six decades of services to the state of Rajasthan The Rajasthan State Co-Operative Bank Ltd.(RStCB) was established & registered under Rajasthan Cooperative Societies act on October 14th, 1953. It is an APEX Institution of the District Central Co-Operative Banks (DCCBs) functioning in the state.

Profitability refers to the profits or gains a business makes in relation to its expenses. Therefore, profitability analysis refers to the process of calculating or analyzing the profits of a business. It helps businesses identify their revenue streams and where they can reduce their expenses to generate maximum gains.

Risk management is a planned practice to deal with uncertainties in operations so as to minimize and minimize the impact of risks. Banks are facing many financial and non-financial risks. Financial Risk includes Credit, risk, interest rate risk, foreign exchange rate risk, liquidity risk, legal and regulatory risk, and reputation risk while non-financial risk involves operational risk, etc. These risks are interlinked and events affecting a particular risk may have an impact on other risks. Laws are made by the legislature, regulations are by the regulators appointed by the government, policies are decided by the organization's operations and operating procedures including compliance with laws and regulations by the top management

II.RESEARCH METHODOLOGY

Objective of the study:

- To study about Rajasthan State Co Operative Bank Ltd (RSCB).
- To Analysis the profitability of Rajasthan State Co Operative Bank Ltd (RSCB).
- To Analysis the financial risk of Rajasthan State Co Operative Bank Ltd (RSCB).

**Data Collection:**

Secondary data is the data that has already been collected through primary sources and made readily available for researchers to use for their own research. This research is based on Secondary Data which is collected from (RSCB).

Time Duration:

For study two years **2016- 2017 to 2017-2018** was taken for study.

- Type of research: Descriptive Research Methodology was used for study.
- Limitations of the study:
- Based on Secondary Data
- Limited Time Period
- Only income statement and balance sheet are taken for the study.

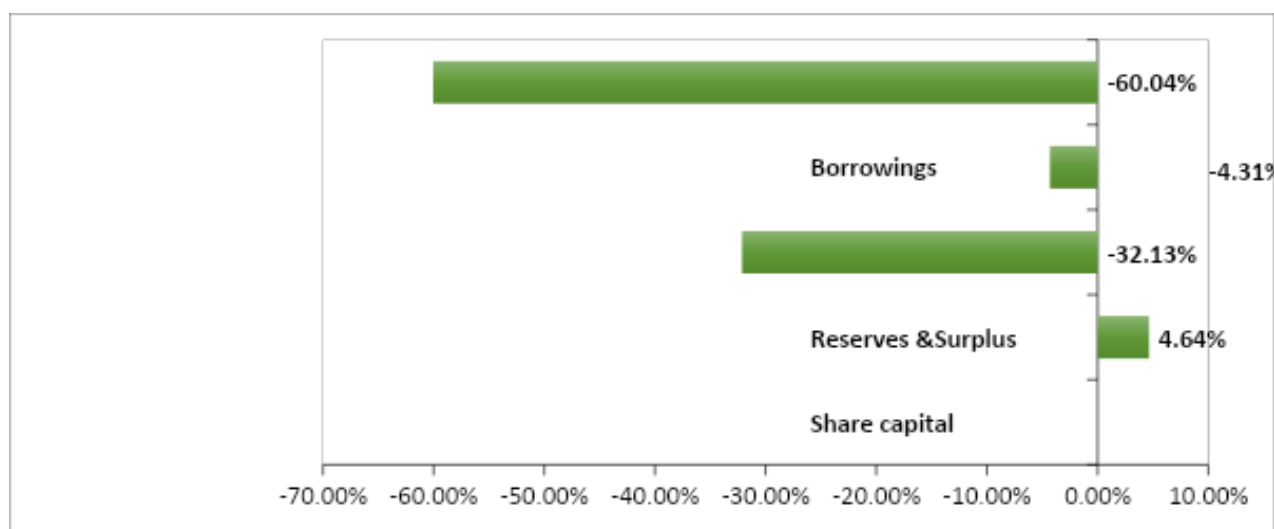
Data Analysis and Interpretation: Balance sheet of Rajasthan State Co Operative Bank Ltd (RSCB) as on 31-03-2017 and 31-03-2018.

Particulars	Current Year	Previous Year	Increase/Decrease	% Change
Balance sheet	31-03-2018	31-03-2017		
Share capital	39826.70	39826.70	0.00	0.00%
Reserves & Surplus	73407.93	70150.50	3257.43	4.64%
Deposits	283465.22	417682.65	-134217.43	-32.13%
Borrowings	697701.89	729115.10	-31413.21	-4.31%
Other Liab. & Provisions	13574.43	33968.94	-20394.51	-60.04%
Total Liabilities	1107976.17	1290743.89	-182767.72	-91.84%
Cash & Bank Balance	108981.53	83851.49	25130.04	29.97%
Investments	222413.38	380814.64	-158401.26	-41.60%
Loan & Advances	753186.82	810254.65	-57067.83	-7.04%
Other Assets	23394.44	15823.11	7571.33	47.85%
Total Assets	1107976.17	1290743.89	-365535.44	-62.66%
Profit & Loss Account				
Interest Income	66041.48	70264.15	-4222.67	-6.01%
Other Income	135.48	123.16	12.32	10.00%
Total Income	66176.96	70387.31	-4210.35	-5.98%
Interest Expenditure	54098.80	59227.61	-5128.81	-8.66%
Other Expenditure	4354.25	3860.74	493.51	12.78%
Provisions & Contingencies	5160.84	3119.36	2041.48	65.45%
Total Expenditure	63613.89	66207.71	-2593.82	-3.92%
Profit /Loss	2563.07	4179.60	-1616.53	-38.68%

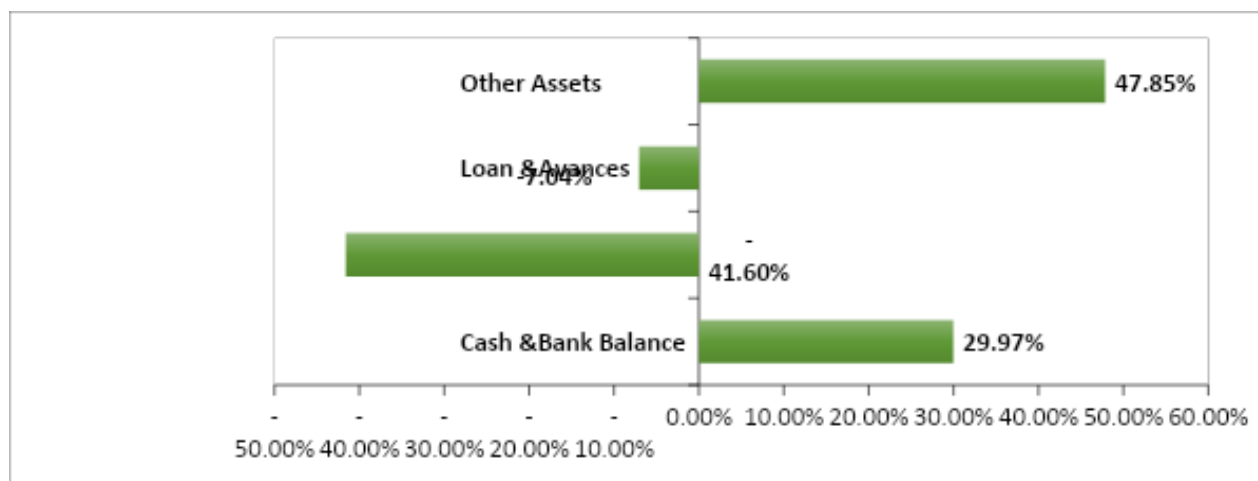
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Profitability analysis of Rajasthan State Co Operative Bank Ltd (RSCB) for the year 2016- 2017 to 2017-2018



Graph showing percentage change in Liabilities of Rajasthan State Co Operative Bank Ltd (RSCB) from 2016-17 to 2017-18



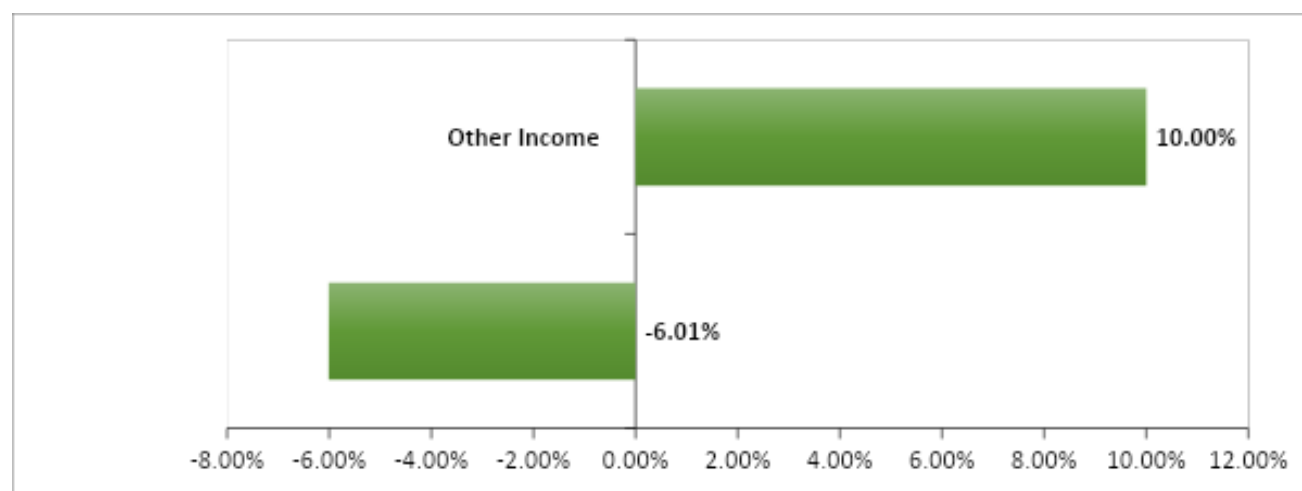
Graph showing percentage change in Assets of Rajasthan State Co Operative Bank Ltd (RSCB) from 2016-17 to 2017-18

Analysis and Interpretation

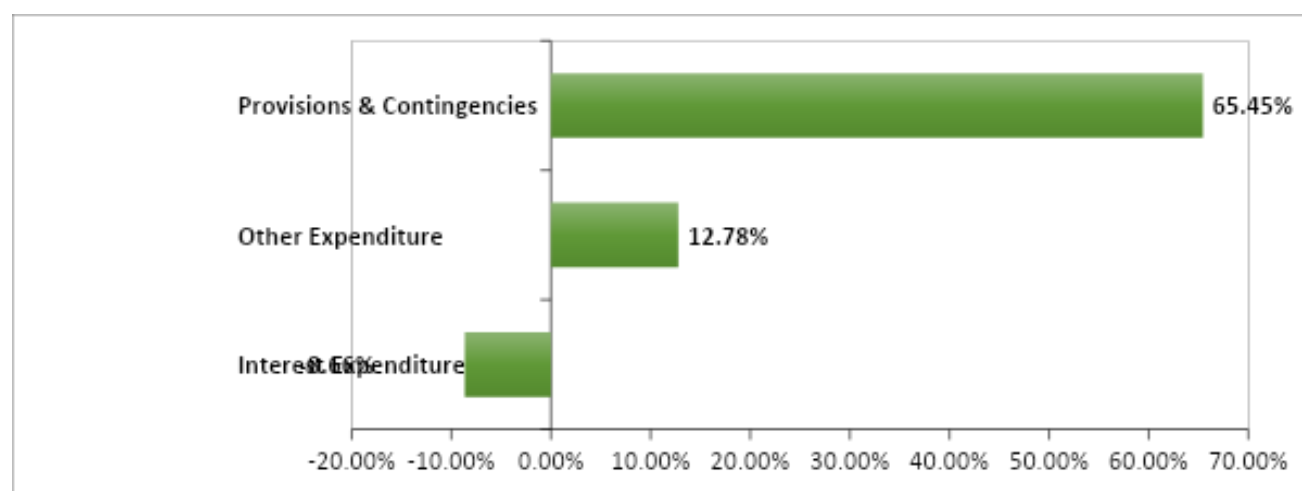
Loans and Advances were reduced by 7.04% and investments were reduced by 41.60% when compared to FY 2016-17. The cash and Bank balance was increased by 29.97%. Deposits were reduced by 32.13%, borrowings were reduced by 4.31% and other liabilities were reduced by 60.04%.

This means Bank had generated liquidity through selling off its investments and recovery from the loans and advances. The amount was utilized in paying off the liabilities.

There was an increase in reserves by 4.64% which shows that there was increase in profits during the year 2017-18.



Graph showing percentage change in Total Income of Rajasthan State Co Operative Bank Ltd (RSCB) from 2016-17 to 2017-18



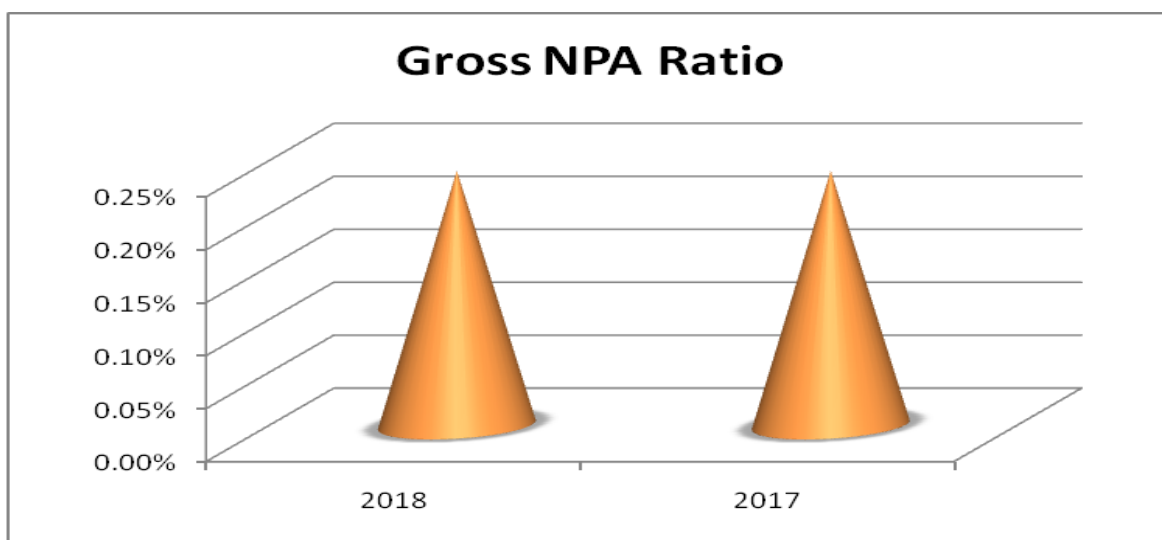
Graph showing percentage change in total expenditure of Rajasthan State Co Operative Bank Ltd (RSCB) from 2016-17 to 2017-18

Analysis and interpretation:

Owing to decrease in the Loans and advances and investments, Bank's Interest income was reduced by 6.01%. Interest expenditure was also reduced by 8.66% due to decrease in the deposits and borrowings for the Bank, when compared to FY 2016-The Overall total income was reduced by 5.98% and total expenditure was reduced by 3.92%.

GROSS NPA RATIO

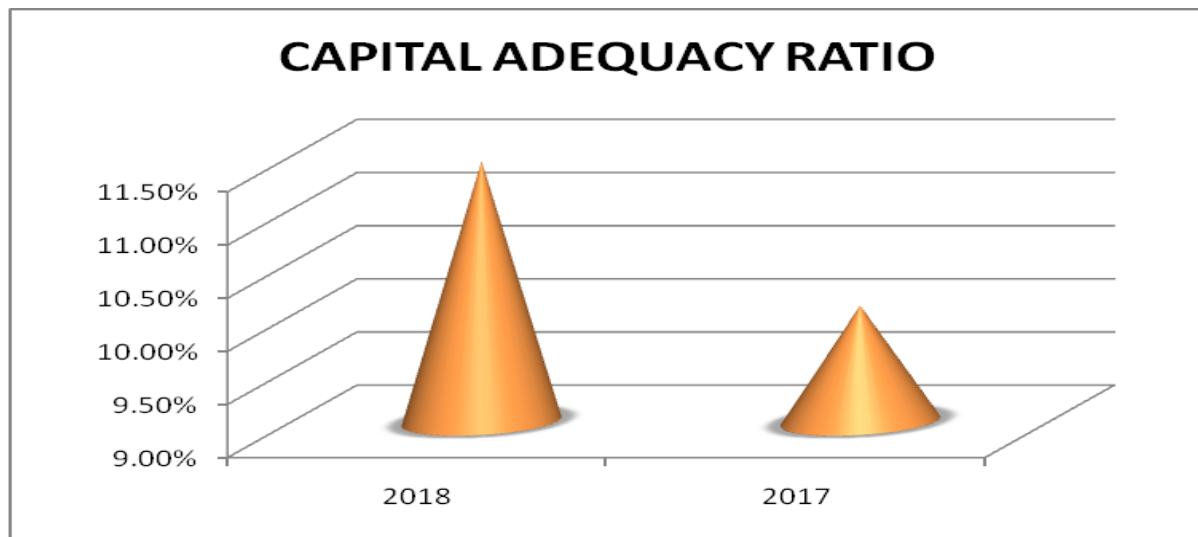
Rs. in Lacs		
	2018	2017
Gross NPA	1803.46	1962.64
Loans and Advances	753186.82	810254.65
Gross NPA Ratio	0.24%	0.24%

**Analysis and interpretation:**

Above table and chart indicate quality of credit portfolio of the bank. High gross NPA ratio indicates low quality credit portfolio of the bank and vice-versa. We can see by graph that gross NPA ratio of the Bank is maintained at the same level in FY 2018 and FY 2017.

CAPITAL ADEQUACY RATIO

2018	2017
11.45%	10.09%

**Analysis and interpretation:**

The capital adequacy ratio (CAR) is a measure of how much capital a bank has available, reported as a percentage of a bank's risk-weighted credit exposures. The purpose is to establish that banks have enough capital on reserve to handle a certain amount of losses, before being at risk for becoming insolvent. Under Basel III, the minimum capital adequacy ratio that banks must maintain is 8%.

As per the above table, capital adequacy ratio has increased to 11.45% in FY 2018 from 10.09% in FY 2017.

III.CONCLUSION

Through the present research study on Financial performance of RSCB, we can conclude that RSCB have good Profit generating ability and better capital efficiency with better performance. Profitability position of the company should always be monitored and should be high so that the investors don't mind for paying a high price for the share and profitability is very important financial aspect where everyone's eye is on and proper efforts and best management practices should be made to improve the overall profitability of the RSCB. Comparative financial statement analysis helps to found the differences in bank operations based on the formation of banks. The aim of credit risk management is to reduce the probability of loss from a credit transaction and implement the practices of risk management in a good manner. In this way it is needed to meet the goals and objectives of banks. After the study of the literature reviews it has been concluded that the researcher found few problems regarding to credit risk management practices in India. These policies list out the target markets, risk acceptance levels or risk tolerance limits. The risk management practices in the Bank will result in Bank emerging stronger, which in turn would confer competitive advantage in the market. All assets and liabilities in the banking book are generally held until maturity and accrued systems of accounting are applied to them. The banking book is primarily exposed to liquidity risk, interest rate risk, default or credit risk and operating risk.

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