



Comparative Financial Performance Analysis Of Himachal Gramin Bank And Kangra Central Cooperative Bank: A Study From 2017 To 2023

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Abstract:

The Indian financial system relies heavily on a cooperative structure, particularly evident in the three-tier system observed in Himachal Pradesh, with Primary Co-operative Societies at the grassroots level, District Central Co-operative Banks, and State Co-operative Banks. This study compares the financial performance of Himachal Gramin Bank (HGB) and Kangra Central Cooperative Bank (KCCB) from 2017 to 2023. Various parameters like deposit growth, borrowing, shareholder funds, advances, investment, income, expenses, and net profit were analyzed using secondary data from annual reports. HGB generally outperformed KCCB across these parameters, with more stable growth and lower variability. However, KCCB exhibited higher mean values in certain aspects like deposits and net profit. The findings underscore the importance of monitoring financial performance to ensure stability and growth in cooperative banking.

Keywords: Financial System, Financial Performance, Banking, Three-Tier System, Co-operative Societies

Introduction:

The co-operative structure plays a vital role in the Indian financial system, adhering to the basic principle of cooperation. In India, a three-tier co-operative structure is followed. At the grassroots level, various Primary Co-operative Societies are formed, where members pool their funds, providing financial assistance to those in need from this pool. At the district level, District Central Co-operative Banks are established to support these primary co-operative societies within their area. These district banks, in turn, receive financial assistance from State Co-operative Banks. In Himachal Pradesh, the Himachal Gramin Bank and Kangra Central Cooperative Bank serve as apex banks for rural credit. As of March 31, 2023, Himachal Pradesh had a network of 1,910 branches, including 1,420 Commercial Banks, 217 branches of the Kangra Central Cooperative Bank, 33 of Jogindra Bank, and 240 of the State Cooperative Bank. Himachal Pradesh Gramin Bank (HGB), sponsored by Punjab National Bank, was formed through the amalgamation of Himachal

Gramin Bank, Mandi (also sponsored by Punjab National Bank), and Parvatiya Gramin Bank (sponsored by State Bank of India) under a Government of India Notification dated February 15, 2013, in accordance with section 21 of the RRBs Act 1976. Its head office is located in Mandi, and it operates across 12 districts with a network of 266 branches. The Kangra Central Cooperative Bank Ltd, registered on March 17, 1920, was established to facilitate the operations of the primary cooperative societies affiliated with it by raising resources and acting as a balancing center. It has served as a pioneering banking institution catering to the needs of the public and cooperative societies in five districts of Himachal Pradesh since 1920.

Literature Review:

Joshi, Deepali (2001), In her comprehensive evaluation of the cooperative system in India, Joshi concluded that the financial performance of cooperative banks varies across states. While states like Gujarat, Andhra Pradesh, and Maharashtra have robust structures, the system is not performing well in Uttar Pradesh and Bihar.

Reddy and Prasad (2011), conducted a comparative study on the performance of Regional Rural Banks (RRBs) in Andhra Pradesh to assess their viability. Their analysis revealed that Andhra Pragathi Grameena Bank outperformed the regional cooperative banks, indicating a stronger financial and operational position. This conclusion was based on various performance metrics and financial indicators used in the study to evaluate the efficiency.

Sambath (2014), in his study titled "Growth and Progress of the Urban Cooperatives Banks in India," analyzed the growth and development of Urban Cooperative Banks (UCBs) in India. He revealed that the future of cooperative banks in the country is challenging due to intense competition from public and private sector banks, which focus on significant expansion activities vertically and horizontally. According to Sambath, the growth of cooperative banks hinges on several factors: transparency in operations and control, effective governance, customer-centric policies, technological upgradation, and overall efficiency.

Barwal and Kumar (2015), conducted a study titled "Comparative Performance Evaluation of Himachal Pradesh Cooperative Bank and Kangra Central Cooperative Bank," analyzing the shareholder fund position, deposit mobilization, and advances of both banks. They aimed to assess these institutions' financial and operational performance from various perspectives for a relative evaluation. Their analysis revealed that the Himachal Pradesh State Cooperative Bank effectively increased shareholders' wealth during the study period, with a commendable growth rate in shareholder funds. On the other hand, the Kangra Central Cooperative Bank showed consistency in this aspect. Regarding deposits, the Kangra Central Cooperative Bank demonstrated exceptional performance, with an impressive average growth rate of nearly 15% throughout the study period.

Kopra (2017) emphasized the integral role of Regional Rural Banks (RRBs) in Maharashtra's rural credit structure. The study highlighted that RRBs in the state actively contribute to the comprehensive development of rural areas, affirming that the principle of "Growth with Social Justice" is indeed being realized.

Tiwari et al. (2019) observed that KGSGB's net profit lags behind other RRBs, potentially due to high capital costs affecting its profitability. The study noted that KGSGB's loan distribution matches that of PRB, PUB, and SUPGB, with AUPGB leading in this regard. However, KGSGB disburses fewer loans than other RRBs, indicating a potential issue with credit management despite its low default rate. Moreover, KGSGB has recorded the lowest C/D ratio among RRBs, possibly attributed to challenges in implementing banking programmes. The study suggests that RRB officials should focus on increasing the C/D ratio by extending services to unbanked areas.

Selvakumar & Abima (2020), conducted a study assessing the short-term and long-term solvency as well as profitability of Assam Gramin Vikash Bank, Maharashtra Gramin Bank, and Karnataka Gramin Bank. The study found that all three banks performed well through financial statement analysis utilizing various financial metrics, including measures of short-term solvency, long-term solvency, and profitability.

George & Rashmi (2021) researched the financial inclusion efforts of local rural banks. Their findings indicated a positive relationship between independent and dependent variables, demonstrating that people were knowledgeable about the newly introduced and tailored bank features. Furthermore, the study revealed that regional rural banks provide their services in every state on a nationwide scale.

Chaudhary & Kaur (2021) investigated the profitability of Indian regional rural banks both pre- and post-merger. Employing a paired t-test and panel data analysis, their research scrutinized the profitability of merged RRBs. The analysis suggests that the government should designate a dominant bank before an RRB merger. Their findings indicated that diversification and credit risk were positively and statistically significantly linked to RRB profitability, while cost inefficiency exhibited a negative association.

Objectives of Study:

1. To analyze a comprehensive comparison of the financial performance and stability of Himachal Gramin Bank and Kangra Central Cooperative Bank from 2017 to 2023
2. To assess the net profit trends for HGB and KCCB, comparing their profitability and the extent of variability in their net profit positions.
3. To study the financial and operational performance of these two banks.

Research Methodology:

The present study has been conducted to compare the financial performance of two banks i.e. Himachal Gramin Bank (HGB) and Kangra Central Cooperative Bank (KCCB) operating in the state of Himachal Pradesh. Secondary data have been collected from the published annual reports for the last seven years i.e. from 2017 to 2023. The various parameters on which the comparison is made are: Growth in Deposit, Growth in Borrowing, Growth in Shareholder fund, Growth in advances, Growth in investment, Growth in income and expenses and Growth in net profit. To analyze the data, various statistical tools are used such as arithmetic mean, standard deviation, cumulative annual growth rate (CARG) and coefficient of variance (CV) are used to analyze the overall financial performance and growth of these banks in the state.

In order to examine the research data, the compounded annual growth rate has been computed as follows

$$CAGR = ((EV/BV)^{(1/n)} - 1) * 100$$

Where, n=number of year, CARG= compounded annual rate of growth, EV= Ending Value, BE= Beginning Value, ^= Circumflex.

The Mean Value of an indicator which, is calculated as follows.

$$\text{The combined mean (X)} = \frac{n_1X_1 + n_2X_2 + n_3X_3 + \dots + n_nX_n}{n_1 + n_2 + n_3 + \dots + n_n}$$

$$X_i = \frac{\sum_{i=1}^n n_i x_i}{\sum_{i=1}^n n_i} \quad i=1$$

Here, 'ni' represents the number of observations in the study, and 'Xi' denotes the mean value. The value of C.V. is calculated as follows:

$$C.V. = \frac{\sigma_i}{X_i} \times 100 \quad \text{Where, C.V. stands for co-efficient of variation,}$$

σ_i = Standard deviation of ith indicator, X_i = Mean value of ith indicator.

1 Results and Discussion:

1.1 Growth in Deposits of Himachal Gramin Bank and Kangra Central Cooperative Bank for the period 2017-23

Table 1: Growth in Deposits for the period 2017-23

(Amount Rs. in Lakhs)

Year	HGB	Growth Rate in %age	KCCB	Growth Rate in %age
2017	405695		962619	
2018	446838	10.14	997144	3.59
2019	509792	14.09	1075179	7.83
2020	581113	13.99	1153925	7.32
2021	647816	11.48	1217418	5.50
2022	727175	12.25	1264766	3.89
2023	785374	8.00	1335471	5.59
CAGR in %	9.90		4.79	
Mean	586258	11.66	1143789	5.62
SD	142132		139006	
CV in %age		20.07		30.78

Source: Data compiled from the banks' annual reports & balance sheets.

Table 1 compares the growth in deposits for Himachal Gramin Bank (HGB) and Kangra Central Cooperative Bank (KCCB) from 2017-2023. Himachal Gramin Bank (HGB) consistently demonstrated more robust

growth rates, with a Compound Annual Growth Rate (CAGR) of 9.90%, compared to Kangra Central Cooperative Bank's lower CAGR of 4.79%. This indicates that Himachal Gramin Bank experienced more substantial and consistent deposit growth over the analyzed period. Additionally, the mean deposit amount for Himachal Gramin Bank was Rs. 5.86,258 lakhs, with a standard deviation (SD) of Rs. 1,42,132 lakhs, resulting in a coefficient of variation (CV) of 20.07%. On the other hand, Kangra Central Cooperative Bank's mean deposit amount was 11,43,789 lakhs, with a smaller SD of 1,39,006 lakhs but a higher CV of 30.78%. This shows that Kangra Central Cooperative Bank had a higher mean deposit amount, and its growth exhibited more variability than Himachal Gramin Bank.

1.2 Growth in Borrowing of Himachal Gramin Bank and Kangra Central Cooperative Bank for the period 2017-23

Table 2: Growth in Borrowing for the period 2017-23

(Amount Rs. in Lakhs)

Year	HGB	Growth Rate in %age	KCCB	Growth Rate in %age
2017	33417		97150	
2018	35550	6.38	101833	4.82
2019	39306	10.57	110548	8.56
2020	42235	7.45	108799	-1.58
2021	92662	119.40	100579	-7.56
2022	103963	12.20	66170	-34.21
2023	69018	-33.61	73233	10.67
CAGR in % age	10.92		-3.96	
Mean	59450	20.40	94045	-3.22
SD	29232		17384	
CV in %age		252.30		(515.53)

Source: Data compiled from the banks' annual reports & balance sheets.

Table 2 presents the growth in borrowing for two banks, i.e. HGB and KCCB, from 2017 to 2023. In the HGB, borrowing started at Rs. 33,417 lakhs in 2017 and showed steady growth, reaching Rs. 1,03,963 lakhs by 2022 before experiencing a sharp decline to Rs. 69,018 lakhs in 2023. The Compound Annual Growth Rate (CAGR) for HGB over this period was 10.92%. Conversely, KCCB's borrowing started at Rs. 97,150 lakhs in 2017 and fluctuated over the years, with a notable decline in 2022 followed by a recovery in 2023. The CAGR for KCCB was -3.96%. On average, HGB borrowed 59,450 lakhs annually with a standard deviation of Rs. 29,232 lakhs. KCCB borrowed Rs. 94,045 lakhs annually with a standard deviation of Rs. 17,384 lakhs, indicating higher variability in HGB's borrowing. Overall, HGB showed positive growth with fluctuations, while KCCB's borrowing exhibited both growth and decline, with higher volatility.

1.3 Growth in Shareholders' Funds of Himachal Gramin Bank and Kangra Central Cooperative Bank for the period 2017-23

Table 3: Growth in Shareholders' Funds for the period 2017-23

(Amount Rs. in Lakhs)

Year	HGB	Growth Rate in %age	KCCB	Growth Rate in %age
2017	12847		71878	
2018	13217	2.88	72240	0.50
2019	13735	3.92	67559	-6.48
2020	13877	1.03	63569	-5.91
2021	14747	6.27	64119	0.87
2022	15204	3.10	71464	11.46
2023	15420	1.42	78065	9.24
CAGR in %	2.64		1.19	
Mean	14150	3.10	69842	1.61
SD	991		5123	
CV in %age		60.97		463.98

Source: Data compiled from the banks' annual reports & balance sheets.

Table 3 depicts the growth in shareholders' funds for two bank groups, i.e. HGB and KCCB, from 2017 to 2023. HGB's shareholder funds started at Rs.12,847 lakhs in 2017 and exhibited a modest growth trajectory, reaching Rs. 15,420 lakhs by 2023, with a Compound Annual Growth Rate (CAGR) of 2.64%. On the other hand, KCCB's shareholder funds began at 71,878 Lakhs in 2017 and experienced fluctuations over the years, with notable growth in 2022 and 2023. The CAGR for KCCB was 1.19%. On average, HGB's shareholder funds increased by Rs. 14,150 lakhs annually with a standard deviation of 991 lakhs, while KCCB's funds grew on average by Rs. Rs. 69,842 lakhs annually with a standard deviation of Rs. 5,123 Lakhs, indicating higher variability in KCCB's funds. The coefficient of variation (CV) highlights this, with HGB's funds having a CV of 60.97% and KCCB's funds having a significantly higher CV of 463.98%. Overall, it was analyzed that HGB demonstrated more stable growth than KCCB, which showed higher volatility in its fund growth.

1.4 Growth in Advances of Himachal Gramin Bank and Kangra Central Cooperative Bank for the period 2017-23

Table 4: Growth in Advances for the period 2017-23

(Amount Rs. in Lakhs)

Year	HGB	Growth Rate in %age	KCCB	Growth Rate in %age
2017	117756		359595	
2018	150087	27.46	382044	6.24
2019	177200	18.06	396573	3.80
2020	204881	15.62	420256	5.97
2021	235021	14.71	424286	0.96
2022	268629	14.30	414727	-2.25
2023	316070	17.66	416286	0.38
CAGR in %	15.15		2.11	
Mean	209949	17.97	401967	2.52
SD	68938		23881	
CV in %age		27.21		134.13

Source: Data compiled from the banks' annual reports & balance sheets.

Table 4 presents the growth in advances for 2017-2023 for two bank groups, i.e. HGB and KCCB. From 2017 to 2023, both banks' groups witnessed an overall upward trend in advances, although their growth rates varied. HGB experienced a consistently higher growth rate than KCCB, with a Compound Annual Growth Rate (CAGR) of 15.15% compared to KCCB's 2.11%. Despite the overall positive growth, KCCB faced some challenges, particularly in 2022, when its advances decreased by -2.25%, which might indicate potential issues within its operations or external market factors affecting its performance. The Mean and Standard Deviation (SD) provide additional insights into the average growth and variability. Significantly, the Coefficient of Variation (CV) highlights a considerable disparity in the variability of advances between HGB and KCCB. KCCB shows significantly higher variability, suggesting a higher level of risk or volatility in its operations than HGB.

1.5 Growth in Investment of Himachal Gramin Bank and Kangra Central Cooperative Bank for the period 2017-23

Table 5 Growth in Investment for the period 2017-23

(Amount Rs. in Lakhs)

Year	HGB	Growth Rate in %age	KCCB	Growth Rate in %age
2017	164129		498553	
2018	147964	-9.85	597254	19.80
2019	196501	32.80	588215	-1.51
2020	311304	58.42	577919	-1.75
2021	446829	43.53	560113	-3.08
2022	516640	15.62	548433	-2.09
2023	482564	-6.60	517835	-5.58
CAGR in %	16.66		0.54	
Mean	323704	22.32	555475	0.97
SD	158274	27.49	36627	9.35
CV in %age		123.16		963.92

Source: Data compiled from the banks' annual reports & balance sheets.

Table 5 provides data on comparative investment growth from 2017 to 2023 in two bank groups, i.e. HGB and KCCB. Throughout the period, both bank groups exhibited fluctuations in investment growth rates, with HGB generally experiencing higher growth rates than KCCB. HGB's Compound Annual Growth Rate (CAGR) stood significantly higher at 16.66% compared to KCCB's mere 0.54%, indicating a substantial disparity in their investment growth trajectories. Despite occasional declines, such as in 2018 for HGB and multiple years for KCCB, both bank groups maintained favourable growth rates. However, the standard deviation (SD) and coefficient of variation (CV) highlight the considerable variability in investment growth for both bank groups. Particularly for KCCB, with a CV of 963.92%, the variability indicates a high level of risk and uncertainty in its investment portfolio. This analysis describes the importance of closely monitoring investment trends and managing risks to ensure sustained financial performance and stability for both HGB and KCCB.

1.6 Growth in Income (Interest Earned & Other Income) of Himachal Gramin Bank and Kangra Central Cooperative Bank for the period 2017-23

**Table 6 Growth in Income (Interest Earned & Other Income) for the period 2017-23
(Amount Rs. in Lakhs)**

Year	HGB	Growth Rate in %age	KCCB	Growth Rate in %age
2017	35493		94045	
2018	36446	2.69	94311	0.28
2019	42854	17.58	100901	6.99
2020	51172	19.41	106911	5.96
2021	55609	8.67	109184	2.13
2022	61448	10.50	102626	-6.01
2023	66467	8.17	108815	6.03
CAGR in %	9.38		2.11	
Mean	49927	11.17	102399	2.56
SD	12112	6.27	6391	4.94
CV in %age		56.13		192.97

Source: Data compiled from the banks' annual reports & balance sheets.

Table 6 outlines the growth in income, including interest earned and other income, for the period from 2017 to 2023 for two bank groups, i.e. HGB and KCCB. Both banks exhibited positive growth in income over the seven years, although their growth rates differed significantly. HGB demonstrated a notably higher Compound Annual Growth Rate (CAGR) of 9.38%, compared to KCCB's more modest 2.11%. This indicates that HGB had a more robust and consistent growth trajectory in income generation. Despite occasional growth rate fluctuations, particularly in 2019 and 2022 for both entities, the overall trend remained positive. The mean values highlight the average income growth, with HGB consistently outperforming KCCB. However, the standard deviation (SD) and coefficient of variation (CV) metrics reveal substantial variability in income growth rates, especially for KCCB, with a CV of 192.97%, indicating higher volatility in its income generation compared to HGB, which had a CV of 56.13%. This analysis underscores the significance of understanding and managing income growth dynamics to ensure financial stability and performance for both HGB and KCCB.

1.7 Growth in Expenses (Interest & Other expenditure) of Himachal Gramin Bank and Kangra Central Cooperative Bank for the period 2017-23

**Table: 7 Increase in Expenses (Interest Expanded & Other Expenditure) for the period 2017-23
(Amount Rs. in Lakhs)**

Year	HGB	Growth Rate in %age	KCCB	Growth Rate in %age
2017	33908		89830	
2018	34095	0.55	93856	4.48
2019	37785	10.82	105417	12.32
2020	42896	13.53	110945	5.24
2021	44304	3.28	108838	-1.90
2022	49107	10.84	93873	-13.75
2023	51020	3.90	100452	7.01
CAGR in %	6.01		1.61	
Mean	41874	7.15	100459	2.23
SD	6875	5.23	8213	9.07
CV in %age		73.15		406.73

Source: Data compiled from the banks' annual reports & balance sheets.

Table 7 presents the data of the increase in expenses, covering interest expended and other expenditures, for the period spanning 2017 to 2023 for two bank groups, i.e. HGB and KCCB. HGB demonstrated a higher Compound Annual Growth Rate (CAGR) at 6.01%, compared to KCCB's 1.61%, indicating that HGB's expenses expanded comparatively faster. Despite occasional fluctuations, such as in 2019 and 2022, both bank groups maintained an overall upward cost trend. The mean values depict the average growth in expenses, with HGB generally exhibiting higher levels than KCCB. However, the standard deviation (SD) and coefficient of variation (CV) metrics highlight the substantial variability in expense growth rates, especially pronounced for KCCB with a CV of 406.73%, indicating significant volatility in its expenditure compared to HGB, which had a CV of 73.15%.

1.8 Position of Net Profit of Himachal Gramin Bank and Kangra Central Cooperative Bank for the period 2017-23

Table: 8 Position of Net Profit for the period 2017-23

(Amount Rs. in Lakhs)

Year	HGB	Growth Rate in %age	KCCB	Growth Rate in %age
2017	520		2756	
2018	463	-10.96	455	-83.49
2019	518	11.88	- 4516	
2020	79	-84.75	- 4033	
2021	870	1001.27	346	
2022	457	-47.47	8754	2430.06
2023	217	-52.52	4777	-45.43
CAGR in %	-11.74		8.17	
Mean	446	136.47	1220	767.05
SD	251	425.70	4719	1440.34
CV in %age		311.94		187.78

Source: Data compiled from the banks' annual reports & balance sheets.

Table 8 provides the data on the net profit position for 2017-2023 for two bank groups, i.e. HGB and KCCB. Both entities experienced fluctuations in net profit over the specified period, with significant variations in growth rates. HGB's net profit exhibited a negative Compound Annual Growth Rate (CAGR) of -11.74%, while KCCB's CAGR stood at 8.17%, indicating divergent performance trajectories. Notably, both bank groups encountered substantial swings in net profit, with dramatic fluctuations observed in specific years. For instance, HGB saw a remarkable surge in net profit in 2021, while KCCB experienced a significant decline in the same year. The mean values depict the average net profit levels, with KCCB generally exhibiting higher profits than HGB. However, the standard deviation (SD) and coefficient of variation (CV) metrics highlight the considerable variability in net profit, particularly pronounced for KCCB, with a CV of 187.78%, indicating higher volatility in its profit compared to HGB, which had a CV of 311.94%.

Finding and Suggestion:

The financial performance and stability analysis of Himachal Gramin Bank (HGB) and Kangra Central Cooperative Bank (KCCB) from 2017 to 2023 reveals several key findings. Firstly, HGB consistently outperformed KCCB regarding deposit growth, borrowing, shareholders' funds, advances, income, and expenses, as indicated by higher compound annual growth rates (CAGR) and mean values across these parameters. HGB demonstrated more robust and stable growth trajectories than KCCB, which exhibited higher variability and fluctuations in its financial indicators. However, KCCB showed higher average profits

than HGB despite both banks experiencing significant volatility in net profit over the analyzed period. Based on these findings, it is suggested that HGB continues its strategic focus on maintaining stable growth across various financial parameters while managing risks and volatility effectively. Additionally, KCCB should prioritize efforts to enhance stability and consistency in its financial performance, possibly by adopting measures to mitigate fluctuations in net profit and other key indicators. Both banks could benefit from strengthening their operational efficiency, enhancing customer-centric policies, and leveraging technological advancements to improve overall performance and sustainability in the dynamic banking landscape of Himachal Pradesh.

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