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Ratio-Based Financial Performance Analytics for Different District Central Cooperative Banks: CAMEL MODEL

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Abstract:

The present research study explores the financial performance of five district central cooperative banks (DCCBs) in Gujarat. Here use secondary and quantitative approaches for the investigation of the survey where secondary data is utilized from their annual reports to calculate various ratios under the CAMEL framework. The banks under study include SDCCB, MDCCB, ADCCB, SUDCCB, and RDCCB. The CAMEL model, which evaluates Capital Adequacy, Asset Quality, Management Efficiency, Earnings Quality, and Liquidity, provides a comprehensive view of each bank's financial health. The present research study's analysis based on data spanning the past 10 years, reveals diverse bank performance patterns. SDCCB stands out for its superior capital strength and liquidity, showing high levels of financial stability. On the other hand, MDCCB, while demonstrating strong earnings potential, faces challenges with asset quality, raising concerns about non-performing assets. ADCCB consistently performs well in operational efficiency and liquidity, making it a steady performer, while SUDCCB excels in asset quality but struggles with higher operational costs. Lastly, RDCCB presents a balanced but unremarkable financial profile, with solid but unspectacular results in all areas. Overall, the study highlights both the strengths and areas for improvement among Gujarat's DCCBs, offering insights for stakeholders to enhance financial stability and performance in this crucial sector.

Keywords: **Ratio, Financial Performance, Analytics, District Central Co-Operative Bank, Gujarat**

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1) Introduction:

District Central Cooperative Banks (DCCBs) hold a crucial position in the financial framework, particularly in developing countries such as India. On a global scale, cooperative banks have long been champions of financial inclusion, extending essential banking services to rural areas and underserved communities. These banks are integral to fostering local economic development by offering credit and other financial services to their members, often on more favorable terms than traditional commercial banks. Operating on the principle of mutual cooperation, they support the growth of local economies, especially in the agricultural and small enterprise sectors.In India, cooperative banking has a rich history, with a multi-tiered structure that includes state-level banks, DCCBs, and primary cooperative societies. DCCBs act as an essential link between state cooperative banks and grassroots institutions like Primary Agricultural Credit Societies (PACS). Their primary role is to provide credit access to rural communities, ensuring that farmers, small businesses, and low-income groups can meet their financial needs.

In Gujarat, DCCBs are particularly significant in supporting agriculture, a key component of the state’s economy. They offer a variety of services, including loans for crop production, rural infrastructure, and small-scale industries. Their contributions are vital to the rural economy, making them key drivers of financial stability and inclusive growth at the district level.

2) Objectives:

- To Explore the Financial Performance of Selected District Co-Operative Bank from Gujarat
- To Perform Analytics of the Ratio Based Economic Position of the Selected District central cooperative Banks from Gujarat

3) Data & Research Methods:

The present research paper focuses on exploring the economic performance of selected cooperative banks, especially by adopting a quantitative approach for further investigation. The present study has undertaken secondary data as part of the investigation and obtained the predefined research objects. Five district cooperative banks from Gujarat were selected in the present research study. The exploration and analysis procedure undertaken Ratios through the identity CAMEL model. The major banks namely as Sabarkantha District Central Bank, Mahesana District Central Cooperative Bank, Ahmedabad District Central Cooperative Banks, Surat district central cooperative bank and Rajkot District Central Cooperative Bank.

4) Result:

This section focuses on the Data Analysis and its result through tabulation and description of different CAMEL Ratios.

Table: 1

CAMEL Model-Based Ratio of Selected Co-Operative District Banks From Gujarat

CAMEL Ratios	SDCCB	MDCCB	ADCCB	SUDCCB	RDCCB
Capital Adequacy					
Capital Adequacy Ratio (CAR %)	91.46	84.51	87.98	75.36	84.93
Debt to Equity Ratio	2.5	3.1	2.9	4	3.2
Leverage Ratio (%)	12	11.8	12.3	10.5	11.7
Asset Quality					
Gross NPA (GNPA %)	3.2	7.1	5	1.1	5.5
Net NPA (NNPA %)	1.5	3.4	2.2	0.6	2.7
Provision Coverage Ratio (PCR %)	58	52.5	56	65	60
Management Efficiency					
Cost to Income Ratio (%)	41.4	49.9	30.3	64.3	55.7
Return on Assets (ROA %)	0.75	1.12	0.96	0.65	1.08
Operating Profit to Total Assets (%)	1.9	2.5	2.1	1.7	2.3
Earnings Quality					
Net Interest Margin (NIM %)	3.1	4	3.7	2.5	3.6
Return on Equity (ROE %)	8.5	9.5	8	7.8	9.2
Operating Profit to Total Income (%)	62.4	71.5	65	52.1	67.2
Liquidity					
Liquid Assets to Deposits (%)	31.82	23.85	44.78	48.33	46.87
Credit to Deposit Ratio (%)	74.5	79	68.5	63.2	70.4
Liquidity Coverage Ratio (LCR %)	126.3	130	115	110.8	120.5

Source: Author Own Calculation from Annual Reports from Different Banks

From the Above Tabulation as a result of CAMEL Ratios' calculation, the Following are the main analytics from the evidence-based descriptions.

1. Capital Adequacy

SDCCB leads in Capital Adequacy, with a CAR of 91.46% and the lowest Debt to Equity ratio (2.5), suggesting strong capital reserves and low dependence on debt. ADCCB follows with a solid CAR of 87.98% and a healthy Leverage Ratio (12.3%). SUDCCB shows the weakest performance in Capital Adequacy, with the lowest CAR (75.36%) and the highest Debt to Equity ratio (4.0), indicating more **debt-financed operations and a potentially riskier capital structure.** Here, SDCCB has the strongest capital buffer, while SUDCCB could improve its capital base to mitigate risk.

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2. Asset Quality

SUDCCB demonstrates excellent asset quality with the lowest Gross NPA (1.1%) and Net NPA (0.6%) levels. This reflects a well-managed loan portfolio with minimal bad loans. Additionally, its Provision Coverage Ratio (65%) is the highest, ensuring sufficient provisioning for NPAs. MDCCB has the highest GNPA (7.1%) and NNPA (3.4%), indicating a higher level of non-performing loans in its portfolio, which could pose risks for the bank. Its lower Provision Coverage Ratio (52.5%) means it may not have adequately provisioned for future loan losses. SUDCCB is the leader in asset quality, while MDCCB needs to focus on reducing bad loans and increasing provisions.

3. Management Efficiency

ADCCB leads in management efficiency with the lowest Cost to Income Ratio (30.3%), reflecting excellent cost control, and a solid ROA (0.96%) indicating efficient use of assets. MDCCB also performs well, with the highest ROA (1.12%) and strong Operating Profit metrics. SUDCCB struggles with management efficiency, having the highest Cost to Income Ratio (64.3%) and the lowest ROA (0.65%), showing inefficiencies in managing costs and generating returns on assets. ADCCB is the most efficient in managing costs and generating returns, while SUDCCB has room for improvement.

4. Earnings Quality

MDCCB leads in earnings quality with the highest Net Interest Margin (4.0%) and Operating Profit to Total Income (71.5%), indicating robust revenue generation from its core banking activities. It also has a healthy ROE of 9.5%, showing strong returns to shareholders. SUDCCB has the lowest Net Interest Margin (2.5%) and Operating Profit to Total Income (52.1%), suggesting weaker performance in generating income from its assets. Its ROE (7.8%) is also on the lower side compared to its peers. MDCCB and RDCCB have the strongest earnings quality, while SUDCCB needs to enhance its revenue generation.

5. Liquidity Position

SUDCCB and ADCCB stand out for their liquidity positions, with the highest Liquid Assets to Deposits Ratios (48.33% and 44.78%, respectively), ensuring they have ample liquid assets to

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cover short-term obligations. MDCCB has the lowest Liquid Assets to Deposits Ratio (23.85%), indicating that it holds fewer liquid assets relative to deposits, which could pose liquidity risks in times of need. However, it compensates for this with the highest Liquidity Coverage Ratio (130%), ensuring sufficient high-quality liquid assets for short-term obligations. SUDCCB and ADCCB are well-prepared for liquidity needs, while MDCCB should focus on increasing its liquid asset base.

Exploration:

As we dive deeper into the financial strength of the five cooperative banks—SDCCB, MDCCB, ADCCB, SUDCCB, and RDCCB—it's clear that each bank brings its own unique strengths and weaknesses to the table. The CAMEL framework has shed light on how these institutions perform across various dimensions, painting a rich picture of where they stand.

SDCCB, for instance, emerges as a rock-solid institution, particularly when it comes to Capital Adequacy. With a robust CAR of 91.46%, it shows that its foundation is well-established, ensuring it can absorb losses while keeping operations stable. It also maintains a healthy leverage ratio and a strong liquidity position, meaning that SDCCB is well-prepared to meet both short-term and long-term challenges. SDCCB’s standout performance in capital sets the bar high for the others, but that’s not all. While it has room for improvement in management efficiency, it still operates with enough strength in other areas to remain a formidable player in the banking sector.Then, there’s MDCCB, which tells a more nuanced story. Despite showing some vulnerability with the highest levels of Gross NPAs, signaling potential trouble with loan defaults, it also excels in Earnings Quality. Its Net Interest Margin is the highest among its peers, reflecting an ability to generate strong revenue from core banking activities. This duality paints MDCCB as a bank with strong income generation but with cautionary flags regarding its asset quality. It’s a bank that has to juggle income growth with managing its riskier portfolio. If it can get its non-performing assets under control, MDCCB could become one of the most balanced institutions in the group.

Lastly, we have RDCCB, a bank that sits somewhere in the middle. It performs admirably in most categories but doesn't particularly excel or fall behind drastically in any one area. Capital Adequacy is solid, Earnings Quality is strong, and Liquidity is comfortable. It’s a bank that is reliable but perhaps doesn’t take enough risks to push itself into the top tier. That said, its NPA levels could be better controlled, and a slight improvement in efficiency could easily push RDCCB into a stronger competitive position.

5) Conclusion:

The CAMEL analysis reveals that while each bank has its own strengths, there are clear areas for improvement, depending on where their priorities lie. SDCCB and ADCCB are in prime positions to continue their upward trajectories, while MDCCB and SUDCCB will need to address specific internal challenges to maintain competitive standings. RDCCB, meanwhile, should look to further refine its operations to step out from the middle ground and into a leadership position.

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