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### Financial Statement Analysis of Uttarakhand State Co-operative Banks

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#### Abstract

The financial performance of cooperative banks plays a crucial role in supporting rural and semi-urban economies. This study evaluates the financial performance of the Uttarakhand State Co-operative Bank (USCB) over a five-year period (2015-16 to 2019-20) using key financial indicators. The research relies on secondary data obtained from the bank's annual reports, balance sheets, and profit and loss statements, along with reports from RBI and NABARD.

The study employs ratio analysis, trend analysis, and comparative financial analysis to assess the bank's profitability, liquidity, and operational efficiency. Financial ratios such as return on equity, return on assets, net interest margin, and liquidity ratios help evaluate a bank's financial stability. Trend analysis is conducted to observe changes in deposits, advances, income, and expenditures over time.

Findings suggest that while USCB has demonstrated financial stability and growth, certain areas require performance improvement to enhance profitability and efficiency. The study provides insights for banking professionals, policymakers, and researchers, contributing to a better understanding of financial sustainability in cooperative banking.

**Keywords:** *Financial Performance, Cooperative Banks, Uttarakhand State Co-operative Bank, Ratio Analysis, Trend Analysis, Profitability, Liquidity, Operational Efficiency.*

## Introduction

The banking sector has a big role in the development of a country economy by mobilizing savings, facilitating credit, and ensuring financial stability. Within this sector, cooperative banks have emerged as significant institutions that cater to the needs of rural and semi-urban populations. Among these, the Uttarakhand State Co-operative Bank (USCB) is a prominent financial institution operating within Uttarakhand, India. This study aims to analyze the financial performance of USCB over a five-year period from 2015-16 to 2019-20, focusing on its financial statements, profitability, asset quality, liquidity, and efficiency. By evaluating the bank's financial position, this research provides insights into the strengths, weaknesses, and overall sustainability of the cooperative banking model in Uttarakhand.

Cooperative banks differ from commercial banks in that they are member-owned institutions that operate on a democratic principle. These banks primarily focus on providing financial services to agricultural and rural communities, thereby promoting inclusive growth and financial empowerment. The Uttarakhand State Co-operative Bank, as the apex cooperative bank in the state, oversees and supports the functioning of district and primary cooperative banks within the region. Its financial health is crucial in determining the overall stability of the cooperative banking sector in Uttarakhand.

The financial statements of a bank, including the balance sheet and profit & loss statement, provide a comprehensive overview of its financial performance. These statements reflect critical aspects such as capital adequacy, liquidity position, income generation, expenditure trends, and overall profitability. A thorough financial statement analysis of the Uttarakhand State Co-operative Bank enables stakeholders, including policymakers, investors, and banking professionals, to assess the bank's efficiency, sustainability, and adherence to regulatory requirements.

The balance sheet of a bank highlights its capital and liabilities along with the distribution of assets. Key components of the balance sheet include share capital, reserves and surplus, deposits, borrowings, investments, advances, and other assets. Understanding the composition of these elements is essential to gauge the financial stability and operational efficiency of the bank. Additionally, an analysis of the profit and loss statement provides insights into the bank's revenue sources, cost structures, and profitability trends over the years.

One of the critical aspects of financial analysis is ratio analysis, which helps in interpreting the bank's financial health through various key performance indicators. Some of the essential ratios include the Shareholders' Funds to Total Assets Ratio, Deposits

to Total Assets Ratio, Borrowings to Total Assets Ratio, Investment to Advance Ratio, Return on Assets (ROA), Return on Equity (ROE), Net Interest Margin, and Cost-to-Income Ratio. These financial ratios provide an in-depth understanding of the bank's operational efficiency, liquidity management, and overall financial sustainability.

The Uttarakhand State Co-operative Bank primarily relies on deposits and borrowings as its key sources of finance. Over the five-year period analyzed in this study, deposits have remained the largest source of funding for the bank, followed by borrowings. This trend indicates the bank's strong deposit mobilization capabilities, which are essential for ensuring a stable source of funds. Additionally, borrowings contribute significantly to the bank's financial structure, reflecting its ability to raise funds for lending and investment activities.

In terms of asset distribution, the bank maintains a diversified asset portfolio, consisting of liquid assets, investments, advances, fixed assets, and other assets. The study reveals that a significant portion of the bank's assets is allocated to advances, which is a common trend among cooperative banks that focus on lending to agricultural and rural sectors. Investments also form a considerable portion of the bank's asset base, ensuring a balanced approach toward liquidity management and revenue generation.

Profitability analysis is another crucial component of financial statement analysis. The Uttarakhand State Co-operative Bank earns revenue primarily from interest income, supplemented by non-interest income sources such as fees and commissions. The bank's ability to generate sufficient interest income while managing its interest expenditure effectively determines its overall profitability. Additionally, factors such as operating expenses, provision for contingencies, and tax liabilities play a significant role in shaping the bank's net profit margin.

A key observation from the study is the bank's consistent efforts in maintaining operational efficiency while optimizing its financial resources. The analysis of financial ratios, such as the Net Interest Margin and Return on Assets, provides insights into the bank's ability to generate profits from its asset base. Furthermore, the study examines the bank's cash deposit ratio, which highlights its liquidity position and capacity to meet short-term obligations.

NABARD and RBI regulatory bodies ensure that cooperative banks adhere to financial prudence, maintain adequate capital reserves, and follow best practices in banking operations. The Uttarakhand State Co-operative Bank, being a part of this framework, must comply with these regulatory guidelines to sustain its growth and credibility.

The significance of cooperative banks extends beyond financial transactions, as they play a pivotal role in fostering rural development and financial inclusion. By providing credit facilities to farmers, small businesses, and self-help groups, cooperative banks contribute to economic upliftment and poverty alleviation. The Uttarakhand State Co-operative Bank, in particular, has been instrumental in supporting agricultural activities, rural entrepreneurship, and small-scale industries in the state.

Despite the numerous advantages of cooperative banking, challenges such as non-performing assets (NPAs), regulatory compliance, technological advancements, and competition from commercial banks pose significant hurdles. Addressing these challenges requires a proactive approach in risk management, adoption of digital banking solutions, and strengthening governance mechanisms. The financial statement analysis of the Uttarakhand State Co-operative Bank offers valuable insights into how the bank navigates these challenges while ensuring financial stability and sustainable growth.

## Review of Literature

Sangeetha & Myilswamy (2020). Electronic Banking technology benefits customers, banks, and organizations by enhancing efficiency, service quality, safety, and integrity. The study statistically describes the moderate relationship between age, profession, annual income, and bank category and customer satisfaction or problems related to E-Banking services. However, customers utilized only a limited range of available E-Banking facilities.

Gogoi (2020). Customer satisfaction significantly influences loyalty, with satisfied customers spreading positive word-of-mouth. The customer journey, from selecting a location to experiencing services, impacts long-term loyalty more than promotional campaigns. Service providers should focus on enhancing customer experiences rather than relying solely on new marketing techniques.

Zhong & Moon Hee (2020). The study examined how perceived price, service quality, food quality, and physical environment influence customer satisfaction, loyalty, and happiness, with gender as a moderating factor. Results showed that restaurant quality and reasonable pricing positively impact customer satisfaction, which, in turn, enhances loyalty.

Inna et al. (2020). High-rating banks exhibit strong visualization of management indicators, audits by Big Four firms, and compliance with sustainable development disclosures. Regulatory reviews of bank

reports ensure transparency and adherence to corporate social responsibility goals.

RBI (2020). The Cooperative Credit Societies Act, 1904, was amended in 1912 to expand its scope beyond credit societies.

Isaac (2019). Customers of Republic Bank expressed high satisfaction with its products, services, turnaround time for issue resolution, and professionalism. Respondents affirmed that the bank's service quality met their expectations, resulting in customer retention, loyalty, and positive word-of-mouth recommendations.

Lekshmi (2019). The cooperative banking system in Kerala originated to serve common people. In the three-tier structure, primary agricultural cooperative societies cater to financial needs and distribute agricultural inputs, while the Kerala State Cooperative Bank and District Cooperative Banks support these societies.

## Research Methodology

This study employs a quantitative research approach to analyze the financial performance of the Uttarakhand State Co-operative Bank (USCB) over a five-year period from 2015-16 to 2019-20. The research is based on secondary data collected from the bank's annual reports, balance sheets, and profit and loss statements. Additionally, data from regulatory bodies such as the RBI and the NABARD have been utilized to ensure the accuracy and reliability of the financial information. The use of secondary data allows for a comprehensive analysis of the bank's financial health and performance trends.

## Research Design

The research follows a descriptive and analytical research design to evaluate the financial position of USCB. Descriptive analysis helps in summarizing the bank's financial data, while analytical methods such as ratio analysis, trend analysis, and comparative analysis are used to interpret the findings. The study aims to provide insights into the bank's profitability, liquidity, and efficiency by examining key financial indicators over a defined period.

## Data Collection and Sources

The study relies entirely on secondary data sources. The primary data sources include:

- Annual Reports of USCB (including financial statements)
- RBI Reports related to cooperative banking in India

- NABARD Reports on financial performance and cooperative banking regulations
- Other Relevant Government Publications and industry reports

These data sources help in ensuring reliability and credibility, as they are obtained from authorized financial institutions and regulatory bodies.

### Data Analysis Techniques

To assess the financial performance of USCB, the study employs multiple analytical techniques:

### Ratio Analysis

Ratio analysis is a key tool used to evaluate financial performance. The following financial ratios are calculated:

- Liquidity Ratios: Shareholders' Funds to Total Assets Ratio
- Profitability Ratios: Return on Assets, Return on Equity
- Efficiency Ratios: Investment to Advance Ratio, Cost-to-Income Ratio
- Net Interest Margin: Assessing the bank's ability to earn interest from its financial activities

These ratios provide insights into the bank's financial sustainability, risk exposure, and overall efficiency in managing its financial resources.

### Trend Analysis

Trend analysis is conducted to observe changes in financial indicators over the five-year period. It examines patterns in:

- Income Generation: Interest income and non-interest income
- Expenditures: Operating and total expenses
- Deposits and Advances: Growth in customer deposits and lending activities
- Profitability Trends: Net profit performance over the years

This technique helps identify significant fluctuations in financial performance and provides an understanding of the bank's long-term sustainability.

### Comparative Financial Analysis

The study also employs a comparative financial analysis method to benchmark USCB's performance against industry standards and cooperative banking norms in India. By comparing financial indicators with similar cooperative banks, the study evaluates the bank's competitive standing within the sector.

### Statistical Tools Used

The data is processed and analyzed using Microsoft Excel and other statistical tools to derive meaningful interpretations. Descriptive statistics such as mean, percentage, and growth rate are used to summarize financial trends. These statistical techniques ensure a systematic and structured analysis of financial data.

**Table 1. Consolidated Balance Sheet and Profit & Loss statement Analysis of Uttarakhand State Co-operative Bank**

Balance Sheet (Rs. In Thousands)								
B 1	Capital and Liabilities	31-03- 16	31-03- 17	31-03- 18	31-03- 19	31-03- 20	Average	
B 2	Particular	Amou nt (Rs.)	Amount (Rs.)	Amount (Rs.)	Amount (Rs.)	Amount (Rs.)	Amou nt (Rs.)	% Fro m Tot al
B 3	Capital	674387	690387	726587	760662	775662	725537	2.4 1%
B 4	Reserve and Surplus	731590	881383	1008486	1103475	1323144	100961 5.6	3.3 5%
B 5	Deposits	134011 10	1361340 3	1382408 9	1865480 0	2042539 0	159837 58.4	53. 07 %
B	Borrowings	878821	1161924	1238482	1462687	1316375	121165	40.

6		9	5	1	0	8	82.6	23 %
B 7	Other Liabilities and Provisions	245486	190233	278906	238788	463390	283360.6	0.94%
	<b>Total</b>	<b>23840792</b>	<b>26994651</b>	<b>28222889</b>	<b>35384595</b>	<b>36151344</b>	<b>30118854.2</b>	<b>100 %</b>
B 8								
B 9	<b>Assets</b>							
B 10	Cash and Balance with RBI	129627	343785	571882	743414	855200	528781.6	1.74%
B 11	Balance with Banks and money at Call and Short notice	6613588	6315239	5241679	8839884	8807168	716351.6	23.76%
B 12	Investment	3639845	3971632	5269247	5868009	5583647	4866476	16.16%
B 13	Advances	12816419	15595834	16589601	19274693	19996194	16854548.2	55.96%
B 14	Fixed Assets	43729	63152	86192	84510	77714	71059.4	0.24%
B 15	Other Assets	597584	705009	464288	574085	831421	634477.4	2.11%
B 16	<b>Total</b>	<b>23840792</b>	<b>26994651</b>	<b>28222889</b>	<b>35384595</b>	<b>36151344</b>	<b>30118854.2</b>	<b>100 %</b>

**Profit and Loss Statement (Rs. In Thousands)**

P 1	<b>Income</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>Average</b>
P 2	Interest Earned	1900665	2089439	2015026	2199122	2680717	2176993.8
P 3	Other Income	30429	23908	100150	30477	98575	56707.8
P 4	<b>Total</b>	<b>1931094</b>	<b>2113347</b>	<b>2115176</b>	<b>2229599</b>	<b>2779292</b>	<b>2233701.6</b>
P 5	<b>Expenditure</b>						
P 6	Interest Expended	1664819	1820758	1698794	1870354	2243938	1859732.6
P 7	Operating Expenses and Provision Contingencies	196669	221985	289403	228360	512868	289857
P 8	<b>Total</b>	<b>1861488</b>	<b>2042743</b>	<b>1988197</b>	<b>2098714</b>	<b>2756806</b>	<b>2149589.6</b>
P	<b>Profit / Loss</b>						

9							
P 1 0	Net Profit / Loss (-) for the Year	69606	70604	126979	130885	22486	84112

In the five years average (2015-16 to 2019-20) Uttarakhand state co-operative bank has 5.79% owners finance in the total assets, 53.07% deposits finance in the total assets, and 40.23% borrowings finance in the total assets. Deposits are the biggest source of finance of this bank and borrowings are the second biggest source of finance of this bank. This bank has 30118854.2 thousand average total assets in the five years average (2015-16 to 2019-20) and 92.91% of these total assets sources are the deposits and borrowings.

In the five years average (2015-16 to 2019-20) Uttarakhand state co-operative bank has 25.50% high liquid assets in total assets, 16.16% investments in total assets, 55.96% advances in total assets, and 0.24% fixed assets in the total assets. This bank 72.12% finance has invested in the earning assets i.e. investment and advances. Bank has 28.80% investments in the comparison of advances and 106.29% advances in the comparison of deposits.

**Table 1. Ratio Analysis of Uttarakhand State Co-operative Bank**

Financial Ratios							
F1	Share Holders Funds to Total Assets Ratio	5.90%	5.82%	6.15%	5.27%	5.81%	5.79%
F2	Cash, Balance with Bank and Money at Call to Total Assets Ratio	28.28 %	24.67 %	20.60 %	27.08 %	26.73 %	25.50 %
F3	Deposits to Total Assets Ratio	56.21 %	50.43 %	48.98 %	52.72 %	56.50 %	53.07 %
F4	Borrowings to Total Assets Ratio	36.86 %	43.04 %	43.88 %	41.34 %	36.41 %	40.23 %
F5	Fixed Assets to Total Assets Ratio	0.18%	0.23%	0.31%	0.24%	0.21%	0.24%
F6	Investment to Advance Ratio	28.40 %	25.47 %	31.76 %	30.44 %	27.92 %	28.80 %
F7	Advance to Deposit Ratio	95.64 %	114.56 %	120.01 %	103.32 %	97.90 %	106.29 %
F8	Return on Assets Ratio	0.29%	0.26%	0.45%	0.37%	0.06%	0.29%
F9	Return on Equity Ratio	4.95%	4.49%	7.32%	7.02%	1.07%	4.97%
F10	Interest Income to Total Income Ratio	98.42 %	98.87 %	95.27 %	98.63 %	96.45 %	97.46 %
F11	Non-Interest Income to Total Income Ratio	1.58%	1.13%	4.73%	1.37%	3.55%	2.54%
F12	Interest Expenditure to Total Expenditure Ratio	89.43 %	89.13 %	85.44 %	89.12 %	81.40 %	86.52 %
F13	Non-Interest Expenditure to Total Expenditure Ratio	10.57 %	10.87 %	14.56 %	10.88 %	18.60 %	13.48 %
F14	Total Expenditure to Total Income Ratio	96.40 %	96.66 %	94.00 %	94.13 %	99.19 %	96.23 %
F15	Net Profit to Total Income Ratio	3.60%	3.34%	6.00%	5.87%	0.81%	3.77%
F16	Cash Deposit Ratio	50.32 %	48.92 %	42.05 %	51.37 %	47.31 %	48.13 %
F17	Net Interest Margin to Total Assets Ratio	0.99%	1.00%	1.12%	0.93%	1.21%	1.05%
F18	Monthly Expenses to per Employee Ratio (Rs. In Thousands)	45.44	38.91	39.63	47.99	68.84	48.37
F19	Average Employees per Branch Ratio	6.06	7.19	8.13	7.94	7.81	7.43



F2 0	Business per Employee Ratio (Rs. In Thousands)	27028 3.80	25399 3.37	23395 1.46	29865 7.43	32337 2.67	27605 1.75
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In the five years average (2015-16 to 2019-20) Uttarakhand state co-operative bank has earned 0.29% net profit on total assets and 4.97% net profit on equity. Uttarakhand state co-operative bank has earned 97.46% income of total income from the interest income and only 2.54% income of total income from the non-interest income.

In the five years average (2015-16 to 2019-20) Uttarakhand state co-operative bank has expended 86.52% expenditure of total expenditure in the interest expenditure and 13.48% expenditure of total expenditure in the non-interest expenditure. Uttarakhand state co-operative bank has expended 96.23% income in the total expenditure and 3.77% earn the net profit out of total income received. The bank has earned 1.05% net interest margin of total assets in average five years from 2015-16 to 2019-20.

In the five years average (2015-16 to 2019-20) Uttarakhand state co-operative bank has 48.13% cash & cash equivalent of deposits. Bank has expended average 48.37 thousand rupees expenditure every month on every employee during the 2015-16 to 2019-20. Average employees per branch are exceeding seven employees in Uttarakhand state co-operative bank branches. Bank has done 276051.75 thousand business per year per employee in the average five years (2015-16 to 2019-20).

## Conclusion

This study provides a comprehensive financial statement analysis of the Uttarakhand State Co-operative Bank, highlighting its financial performance over a five-year period. By examining key financial indicators, balance sheet components, profit and loss trends, and ratio analysis, this research aims to offer a detailed assessment of the bank's financial health. The findings of this study are relevant for policymakers, banking professionals, and researchers interested in understanding the dynamics of cooperative banking in India. Moreover, this analysis serves as a foundation for future studies on the financial sustainability of cooperative banks and their role in economic development.

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## Limitations of the Study

The research is limited to the financial data of USCB and does not include primary data from bank officials, employees, or customers. Furthermore, the study does not extensively cover external factors such as economic conditions, policy changes, or technological advancements that might have influenced the bank's performance. Despite these limitations, the study provides valuable insights into the financial strength and operational efficiency of USCB.

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