

An Investigation On Earnings Capacity Of Tamilnadu State Apex Co-Operative Bank Ltd

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The State Apex Cooperative Bank is instrumental in promoting cooperative banking, supporting rural economies, and facilitating financial inclusion, thereby contributing significantly to the overall development of the state. Strong financial position is important for aiding rural economy through its activities. In this context, the researcher studied the earnings capacity of the Tamilnadu State Apex Cooperative Bank for the period of 11 years spanning between 2013-14 and 2023-24. The study collected secondary data from annual reports of the respective bank. The study is analytical in nature. The researcher analysed earnings capacity of the bank using seven financial ratios. Apart from the above ratios, the researcher also applied the statistical tools of simple percentage, mean, standard deviation and compound annual growth rate for analysis. The study evidenced that net profit of the bank increased at a fair rate during the study period, but total income of the bank did not increase at fair rate. Both interest on advances and interest on investments increased at a lower rate during the study period. Spread of the bank met higher fluctuations from its mean value. The earnings capacity of the Tamilnadu State Apex Cooperative Bank was good in terms of interest income to total income ratio during entire period of the study. Earnings capacity of the bank was good in terms of net profit ratio and return on equity during second half of the study period but not so during the first half of the study period.

Key words: Apex bank.

Introduction

The State Apex Cooperative Bank plays a vital role in the financial cooperative system of its respective states, acting as a cornerstone for the cooperative banking sector. These banks are primarily established to support the agricultural and rural-centric economy, ensuring that financial services are accessible to farmers, small businesses, and various cooperative societies. The Bank serves as the apex body that provides guidance, support, and financial services to its affiliated district cooperative banks. By facilitating better access to credit and financial assistance, it aids in the development of rural areas, helping them grow economically and socially. One of the key functions of the State Apex Cooperative Bank is to act as a financial intermediary, pooling resources from various sources, including the government, to provide support to the lower-tier cooperative banks. This not only enhances their ability to lend but also ensures that banking services are extended to underserved communities. Moreover, the bank plays a crucial role in implementing government schemes aimed at rural

development, agricultural credit, and poverty alleviation. Through various initiatives, the State Apex Cooperative Bank ensures that its services align with the broader economic goals of improving the livelihood of rural populations.

The Cooperative Banks operating in Tamil Nadu are meeting the credit needs of farmers, weavers, rural artisans, and urban consumers. These entities are referred to as Cooperative Credit Institutions. The cooperative institutions are categorized into two types: long-term cooperative credit institutions and short-term cooperative credit institutions. The cooperative credit institutions that operate under the short-term credit framework are structured in a three-tier system. At the grassroots level, the Primary Agricultural Cooperative Banks (PACBs) operate at the village level. At the district level, the Central Cooperative Banks (CCBs) function with their headquarters located in the district capital and branches spread across various locations within the respective districts. At the apex level, the Tamil Nadu State Apex Cooperative Bank Ltd. (TNSC Bank) operates in Chennai, coordinating the entire short-term cooperative credit framework. The Tamil Nadu State Apex Co-operative Bank Ltd. began its operations in November 1905 as an Urban Cooperative Bank. It was later transformed into a District Central Cooperative Bank in July 1920. Currently, the Bank operates in Chennai with 51 branches, an Extension Counter, and its Head Office. TNSC Bank provides guidance to the District Central Cooperative Banks and Primary Agricultural Cooperative Banks in their operations, playing a significant role in the cooperative movement of Tamil Nadu.

Profitability analysis of cooperative banks is crucial for several reasons. Firstly, it helps in assessing the financial health and performance of these banks, enabling stakeholders to make informed decisions. By analyzing profitability, cooperative banks can identify areas of strength and weakness, allowing them to take necessary steps to improve their financial stability.

Moreover, profitability analysis helps in evaluating the effectiveness of the bank's strategies and policies in generating returns. It provides insights into the efficiency of operations, asset utilization, and overall management effectiveness. Understanding the profitability trends also assists in benchmarking against industry standards and competitors, facilitating strategic planning for sustainable growth. Profitability analysis of cooperative banks is essential for ensuring long-term viability, fostering trust among members and customers, and fulfilling their social mission of supporting local communities and promoting financial inclusion.

Literature Review

Shanthi R., & Anandan M. (2017) studied the the financial performance of Urban Co-operative banks in Tamil Nadu. The study concluded that net profit compared to total income was satisfactory. The sample bank had sufficient liquidity ratio during the study period. **Mallick S., & Das S. (2020)** in their study aimed to find out any affiliation among capital adequacy, management ability and profitability in scheduled urban co-operative banks operating in India. The study found that the affiliation of management ability with profitability in terms of cost of deposits and business per employee was found negatively related and non-interest income to working fund had a positive impact on profitability. **Talla N.N., Bethapudi A. & Reddy R.G. (2021)** in their study aimed to investigate the financial performance of Dharmavaram Urban Cooperative bank. The study found that there was significant difference

in the growth and composition of income. The total expenses were increasing significantly. Even though there was increasing trend in the Total income earned during the study period it was statistically significant but the EPS of DUCB was not enhanced which is statistically in significant during the study.

Veeramani R. (2021) studied the financial performance of Bharat cooperative bank. The study evidenced that the state of capital adequacy was satisfactory. While considering Asset quality it was not up to the level, that is, it is not in a good state. The state of Management efficiency was also not up to the standard. The general earning capacity and the liquidity position were found favorable and satisfiable for the bank. **Poli F. (2022)** studied the ownership dispersion and performance of cooperative banking. The study found that bank profitability was positively affected by the membership as in the study conducted by Jones and Kalmi (2015) on Finnish cooperative banking and different from the comparable Austrian empirical research of Gorton and Schmid (1999). **Kumar T.S., & Yuvasri V. (2023)** analyzed the financial performance of the Cuddalore District Central Cooperative Bank Limited. The study found that the gross profit value and percentage of the bank showed fluctuations. The total income of the bank exhibited a fluctuating trend, primarily attributed to inefficient management practices. **Fahriania D., & Zubaidahb T.R. (2023)** aimed to determine the financial performance of cooperatives for the period from 2017 to 2019. The study found that the profitability ratio measured using Return on Assets shows that financial performance was in poor condition and the Return on Equity (ROE) showed financial performance in unfavourable conditions. **Syamala A., & Ramesh S. (2023)** in their study attempted to evaluate the financial performance indicator of Khammam DCCBs using the CAMEL model. The study found that the study estimated from correlation that DCCBs' Capital Adequacy and Earning Capacity were positively correlated with its profitability while financial indicators such as Asset Quality, Management Capacity and Liquidity Ratio were favorably correlated with banks ' probability.

Karuppaiah R., & Saravanan V.C. (2024) in their study analysed the profitability and financial performance of District central cooperative banks in Tamilnadu. The study found that the NPA problem was high in DCCBs in Tamil Nadu. The NPA problem continued even after the introduction of loan waiver schemes and full-interest repayment schemes. The net profit to working capital ratio and net profit to total income ratio showed fluctuating and declining trends during the study period. **Vinay M., & Umamaheshwari (2024)** in their study evidenced that the overall performance of The Karnataka state co-operative apex bank was Good. It successfully improved its financial performance. It was working in order to strengthen its financial viability. The Karnataka state co-operative state Apex bank was considered to be reliable one. **Hegde R.S., & Ramya H.P. (2024)** in their study investigated the factors influencing profitability and financial growth in Kadamba cooperative society. The study found that while there was a notable increase in revenues during the review period, profitability has declined due to challenges such as pricing and market competition. A strong correlation was observed between gross revenue and profitability. **Kamal et al (2025)** made a study found a consistent improvement in asset quality until 2022–23, followed by a marginal deterioration in 2023–24, attributed to rising credit volumes and external borrower stress. The study identified employee competence, provisioning policies, and technological integration as critical factors influencing NPA outcomes.

Objectives

The study has been done with the following specific objectives.

- To study the growth and trend of profits of the Tamilnadu State Apex Cooperative Bank Ltd.
- To study the profitability position of the Tamilnadu State Apex Cooperative Bank Ltd.

Methodology

The study is carried out to analyse the profitability position of The Tamilnadu State Apex Cooperative Bank Ltd. The study period is 11 years spanning between 2013-14 and 2023-24. The study needed secondary data in the form of financial data. These data were collected from annual reports of the respective bank, which were retrieved from the official website of the concerned bank. The study is analytical in nature. The researcher analysed one of the components of CAMEL model, i.e., earnings capacity of the bank. For this purpose the researcher used seven financial ratios which could bring out the results of earnings capacity of the bank (Net Profit Ratio (NPR); Return on Assets Ratio (ROA); Return on Equity Ratio (ROE); Interest Income to Total Income Ratio (IITI); Interest on Advances to Total Income Ratio (IATIR); Interest on Investments to Total Income Ratio (IINTI); Other Income to Total Income Ratio (OITIR)). Apart from the above ratios, the researcher also applied the statistical tools of simple percentage, mean, standard deviation and compound annual growth rate for analysis.

Results and Discussion

Total income is the basic component of earning profit, interest income is the most important component of total income of a bank. The interest income is contributed by interest on advances and interest on investments. Analysing these criteria will bring out a clear picture of profitability of the Tamilnadu State Apex Cooperative Bank Ltd. This section of the paper presents the analysis of the above criteria and also the results of profitability ratios of the bank.

Table 1: Trend of Income and Net Profit of TN Apex Co-Op. Bank

₹ crore

Year	Total Income	% Growth	Net Profit	% Growth
2013-14	1091.13	NA	32.22	NA
2014-15	1038.69	-4.81	41.38	28.45
2015-16	1005.16	-3.23	43.31	4.66
2016-17	960.78	-4.42	43.70	0.89
2017-18	920.57	-4.18	81.83	87.27
2018-19	922.12	0.17	81.87	0.04
2019-20	1014.72	10.04	82.15	0.34
2020-21	1216.97	19.93	147.78	79.89
2021-22	1519.99	24.90	229.23	55.12

2022-23	1715.04	12.83	114.78	-49.93
2023-24	1990.08	16.04	121.29	5.67
Mean	1217.75		92.68	
SD	362.13		58.70	
CAGR	5.62		12.81	

Table 1 shows that total income of the Tamilnadu State Apex Cooperative Bank Ltd. increased at a lower rate during the study period. It increased from ₹1,091.13 crore to ₹1,990.08 crore, it accounted for an average annual growth rate of 5.62%. total income of the bank had negative growth during the first half of the study period and during the second half it achieved high growth over the respective previous years with higher growth rates. In particular, total income of the bank increased rapidly during 2020-21, 2021-22 and 2023-24. The average annual growth rate of net profit of the bank was higher than the growth rate of total income, it is 12.81%. Net profit of the bank increased from ₹32.22 crore to ₹121.29 crore during the study period. Net profit of the bank increased at very high rates during the years 2014-15 (28.45%), 2017-18 (87.27%), 2020-21 (79.89%) and 2021-22 (55.12%), it decreased drastically during 2022-23 (-49.93%) over the previous year. A moderate level of deviation was found both in total income and net profit of the bank from their respective mean values. It was noted that the growth rate of net profit was higher than growth rate of total income, it was because the bank's expenses increased at very lower rate.

Interest income is the major income of a bank, it included both interest income from advances and interest income on investments. Analysing the trend of interest on advances, interest on investments and total interest income will show profit earnings capacity of the bank. These results are presented in the following table.

Table 2: Interest Income and Its Trend of TN Apex Co-Op. Bank

₹ in crore

Year	Interest on Advances	% Growth	Interest on Investments	% Growth	Total Interest Income	% Growth
2013-14	766.40	NA	304.18	NA	1070.58	NA
2014-15	606.41	-20.87	382.78	25.84	989.20	-7.60
2015-16	515.01	-15.07	440.94	15.19	955.95	-3.36
2016-17	309.12	-39.98	541.32	22.76	850.44	-11.04
2017-18	374.07	21.01	411.75	-23.94	785.82	-7.60
2018-19	432.90	15.73	364.73	-11.42	797.63	1.50
2019-20	544.81	25.85	313.55	-14.03	858.36	7.61
2020-21	687.52	26.20	321.35	2.49	1008.88	17.54
2021-22	766.28	11.46	311.86	-2.95	1078.14	6.87
2022-23	937.93	22.40	506.47	62.40	1444.41	33.97

2023-24	1190.44		412.73		1603.17	10.99
Mean	648.26		391.97		1040.23	
SD	259.63		80.45		261.91	
CAGR	4.08		2.81		3.74	

It is known from table 2 that the total interest income of the Tamilnadu State Apex Cooperative Bank Ltd. increased at a lower rate during the study period. It went up from ₹1,070.58 crore to ₹1,603.17 crore, it accounted for an average annual growth rate of 3.74%. Total interest income of the bank increased at a higher rate during 2022-23 (33.97%) followed by 2020-21 (17.54%). It was noted that during the first half of the study period total interest income of the bank decreased over their respective previous years. There was a lower level of deviation in the total interest income of the bank from its mean value (₹1,040.23 crore) as shown by the result of SD (₹261.91 crore). Income from interest on advances increased from ₹766.40 crore in 2013-14 to ₹1,190.44 crore in 2023-24, this growth accounted for an annual average growth rate of 4.08%, it is considered low and therefore interest on advances went up at a lower rate, but the rate was higher than the growth rate of interest on investments. Interest on advances of the bank decreased during the years 2014-15 to 2016-17, during the rest of the years it increased over the previous years. A moderate level of deviation was found in interest on advances from its mean value (₹648.26 crore) as per the result of SD (₹259.63 crore). Income from interest on investments increased from ₹304.18 crore in 2013-14 to ₹506.47 crore in 2023-24, this growth accounted for an annual average growth rate of 2.81%, it is considered very low and therefore interest on investments increased at a lower rate. Interest on investments of the bank decreased during the years 2017-18 to 2019-20 and during 2021-22 over their respective previous years. Interest on investments increased drastically during the year 2023-24 (62.40%) followed by 2014-15 (25.84%). A low level of deviation was found in interest on advances from its mean value (₹391.97 crore) as per the result of SD (₹80.45 crore).

The primary income of a bank is interest income from advances and investments and primary expenses of a bank is interest expenses to deposits and borrowings. Spread is the result of differences between interest income and interest expenses. The following table presents the results of spread and the ratio of spread to total assets ratio of the Tamilnadu State Apex Cooperative Bank Ltd.

Table 3: Spread and Its Trend of TN Apex Co-Op. Bank

₹ crore					
Year	Interest Income	Interest Expenses	Spread	% Growth	SPTAR
2013-14	1070.58	902.38	168.20	NA	1.16
2014-15	989.20	858.52	130.68	-22.31	0.98
2015-16	955.95	830.94	125.01	-4.33	0.87
2016-17	850.44	781.85	68.59	-45.14	0.42
2017-18	785.82	681.91	103.91	51.50	0.77
2018-19	797.63	683.22	114.42	10.11	0.82

2019-20	858.36	767.23	91.13	-20.35	0.51
2020-21	1008.88	916.37	92.51	1.51	0.40
2021-22	1078.14	1008.39	69.75	-24.59	0.24
2022-23	1444.41	1333.41	110.99	59.12	0.35
2023-24	1603.17	1616.90	-13.73	-112.37	-0.04
Mean	1040.23	943.74	96.50		0.59
SD	261.91	287.30	46.26		
CAGR	3.74	5.45	-179.63		

SPTAR – Spread to Total Assets Ratio

Spread of the Tamilnadu State Apex Cooperative Bank decreased drastically during the study period. Spread of the bank is highly fluctuating during the study period. It ranged between - ₹13.73 crore and ₹168.20 crore. The mean value and standard deviation of the spread stood at ₹96.50 crore and ₹46.26 crore, it shows that there were moderate level of deviation in spread of the bank from its mean value. The spread to total assets ratio of the bank ranged from -0.04 to 1.16. It was noted that the ratio is decreasing over the study period. The ratio was at a considerable level during the first half of the study period and not so during the second half. Hence the earnings capacity of the bank in terms of spread to total assets ratio was good during the first half and it is not so during the second half of the study period.

The profitability of the sample bank has been analysed using seven different financial ratios. The results of these ratios are presented in table 4.

Table 4: Profitability Ratios of TN Apex Co-Op. Bank

Year	NPR	ROA	ROE	IITI	IATIR	IINTI	OITIR
2013-14	2.95	0.22	3.25	98.12	70.24	27.88	1.88
2014-15	3.98	0.31	4.05	95.24	58.38	36.85	4.76
2015-16	4.31	0.30	4.09	95.10	51.24	43.87	4.90
2016-17	4.55	0.26	4.01	88.52	32.17	56.34	11.48
2017-18	8.89	0.61	8.99	85.36	40.63	44.73	14.64
2018-19	8.88	0.58	8.85	86.50	46.95	39.55	13.50
2019-20	8.10	0.46	6.83	84.59	53.69	30.90	15.41
2020-21	12.14	0.64	10.99	82.90	56.49	26.41	17.10
2021-22	15.08	0.80	13.85	70.93	50.41	20.52	29.07
2022-23	6.69	0.36	6.50	84.22	54.69	29.53	15.78
2023-24	6.09	0.39	6.35	80.56	59.82	20.74	19.44
Mean	7.42	0.45	7.07	86.55	52.25	34.30	13.45

NPR – Net Profit Ratio; ROA – Return on Assets Ratio; ROE – Return on Equity Ratio IITI – Interest Income to Total Income Ratio; IATIR – Interest on

Advances to Total Income Ratio; IINTI – Interest on Investments to Total Income Ratio; OITIR – Other Income to Total Income Ratio;

The net profit ratio of the Tamilnadu State Apex Cooperative Bank ranged between 2.95% and 15.08% and its mean value stood at 7.42%. The profitability position of the bank was good during the years 2020-21 and 2021-22, it was at considerable level during the period from 2017-18 to 2019-20 and it was not good during the first four years of the study period. Profitability in terms of Return on Assets of the bank was not upto the mark during the period of study. The ratio ranged from 0.22% to 0.80% and its mean value stood at 0.45%. The bank earned at a lower rate from its total assets. Return on equity ratio of the bank ranged from 3.25% to 13.85%, its mean value stood at 7.07%. Earnings capacity of the bank was good during the years 2020-21 and 2021-22, during these years the bank earned more as the proportion of its equity. It was at a considerable level during the years 2017-18 and 2018-19. During the period of first four years, earnings capacity in terms of return on equity was not good. Interest income to total income ratio of the Tamilnadu State Apex Cooperative Bank ranged from 70.93% to 98.12%, its calculated mean value stood at 86.55%. It is considered high and therefore the proportion of interest income is higher on its total income. It shows that the bank has efficiently managed its banking business. Hence, earnings capacity of the bank is good during the study period in terms of interest income to total income ratio.

Interest on advances to total income ratio of the bank ranged from 32.17% to 70.24%, its calculated mean value stood at 52.25%. Having more interest on advances exhibits good operating efficiency of a bank. In this context, the bank had good earnings capacity in terms of interest on advances to total income ratio during the entire period of the study, except during 2016-17 to 2018-19, during other years it was more than 50% of its total income. Interest on investments to total income ratio of the bank ranged from 20.52% to 56.34%, its calculated mean value stood at 34.30%. The results show that the bank had one third of its total income in the form of income from investments. Other income to total income ratio of the bank ranged from 1.88% to 29.07%, its calculated mean value stood at 13.45%. The results show that the bank had lower proportion of other income on its total income. It shows that its earnings capacity is good.

Conclusion

The State Apex Cooperative Bank is instrumental in promoting cooperative banking, supporting rural economies, and facilitating financial inclusion, thereby contributing significantly to the overall development of the state. Its strategic functions underscore its importance in fostering a sustainable economic environment that benefits all sectors, particularly those involved in agriculture and rural enterprises. Having long-lasting financial performance of a cooperative bank will help the society and economy especially rural economy. Earnings capacity is the important component among various criteria of financial performance of a bank. In this context, the researcher studied the earnings capacity of the Tamilnadu State Apex Cooperative Bank. The study evidenced that net profit of the bank increased at a fair rate during the study period, but total income of the bank did not increase at fair rate. Both interest on advances and interest on investments increased at a lower rate during

the study period. Spread of the bank met higher fluctuations from its mean value. The earnings capacity of the Tamilnadu State Apex Cooperative Bank was good in terms of interest income to total income ratio during entire period of the study. Earnings capacity of the bank was good in terms of net profit ratio and return on equity during second half of the study period but not so during the first half of the study period.

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