

# A Study on Investment Management at The Surat District Cooperative Bank

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**Abstract :** The Surat District Cooperative Bank is one of the leading cooperative bank in the South Gujarat Region. The first decade of the 20<sup>th</sup> century was a very important era in the history of cooperation for the entire country and the Surat District as well. Many cooperative institutions were initiated during this period. A A descriptive study was adopted to achieve the objectives of the study and the study was conducted in The Surat District Co. Op. Bank Ltd., “Investment Management of Surat District Cooperative Bank“. Based on the finding, a logical conclusion is drawn and further, suitable suggestions & recommendations are brought out. The entire project report is presented in developed, logical & sequential form.

**Key Words :** Descriptive study, Investment Management, Surat District Cooperative Bank

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## 1. Introduction

The bank was decided as the best bank by NABARD and for the year 1995-96, the bank was granted for best execution grant by NABARD. Bank has consistently been getting Audit characterization under classification &#39;A&#39; and has delivered the most noteworthy reasonable profit to its individuals under State Co. Operation. Act. The bank should get ready for modernization exercises under the climate of progression. To proceed with the present- day banking framework, the bank has acknowledged the Automation of banking work. At present 67 branches are modernized.

## PRODUCTS & SERVICES PROVIDED BY THE SURAT DISTRICT CO. OP. BANK LTD.

### 1. Primary Service :

#### A. Accepting Deposits

##### a) Fixed Deposits

Fixed deposits are kept within the bank for an extended period. A customer can deposit the money within the bank at a better rate with safe custody. Customers get a payment amount [Principal + Interest] at the maturity of the deposit. A fixed deposit gives the next charge per unit than a saving account.

##### b) Current Account

Current Account is mainly conveying for businessman, firms, companies, public enterprise, etc. A customer can deposit and withdraw any amount at any time whenever they want. Current Accounts are conveying neither to earn interest nor for Savings but only for the benefits of the business.

##### c) Saving Account

Saving Account is a safe and easy way to secure money. Customers can deposit or withdraw their money at any time. In return, the bank pays interest to the depositor. 3given to the depositor by the Surat district co- operative bank ltd.

##### d) Recurring Deposit account

A Recurring Deposit Account is conveying for investors

who want to deposit fixed money every month, to get a lump sum after one to five years. This is one of the best investment options for low-income groups.

### 2. Secondary Service :

#### A. Loans

The Surat District Co. Op. Bank Ltd. provide following different types of loan :

1. Non-Agriculture Individual Medium- Term Loan for Home Appliances
2. Individual Housing Loan
3. Vehicle Loan
4. Loan / Overdraft against Kisan Vikas Patra / National Savings Certificate
5. Cash Credit General Insurance

The Surat District Co. Op. Bank Ltd. offer different type of general insurance policy :

1. Marine Insurance
2. Industrial Insurance
3. Motor Insurance
4. Fire Insurance
5. Liability Insurance
6. Miscellaneous Insurance
  - Accident and Hospitalization Insurance
  - Social Insurance
  - Rural Insurance
  - Travel Insurance
  - Package Insurance
  - Business Insurance
  - Life Insurance

The following Offers are provided to the customer by the bank :

1. Whole Life
2. Endowment
3. Child Policy Single Premium
4. Pension
5. Term

6. Fixed Term Protection Plan
7. 5 Year Recurring Premium Investment Cum Protection Plan

- Risk in Investment
- Safety in Investment
- Yield
- Maturity of Investment

## 2. Research Methodology

### 2.1. Problem Statement

The statement of the problem under study is to analyse the investment pattern of Surat District Cooperative Bank.

### 2.2. Research Objectives

From the above literature review, it may be seen that the studies in respect of Investment pattern with reference to Surat district cooperative banks were not made earlier. Hence an attempt has been made in this to study and analyse the investment pattern of the banking professionals with the following objectives :

1. To study the types of investment done by Surat District Cooperative Bank
2. To study investment strategies adopted by Surat District Cooperative Bank

### 2.3. Research Design

1. Descriptive research design
2. Exploratory research design
3. Causal research design

Descriptive research design' is used in this project for research. Descriptive research design answers What, Where, When and How question. Descriptive research design focus to describe the situation accurately.

Data Collection Methods

1. Primary data collection
2. Secondary data collection

In this research, the secondary data collection method is used. The secondary data is collected from :

- the Annual report of the Bank
- Case Study
- Another necessary theoretical requirement
- Websites & Magazines of the bank
- Bank Officers

The primary data is collected from :

- From Bank STL (accounts) department

Sampling Procedure : Quantitative Sampling Technique

Last five years of balance sheet has been taken as sample to study the investment management of The Surat District Co-operative Bank.

Description of Variables :

- Availability of Finance Government Policy
- Interest Rate
- Return on Investment
- Frequency of Return
- Liquidity

Analytical tools used

- Information gathering
- Graphical method

### 2.4. Limitations of Study

1. Guidelines of Reserve Bank of India related to investment will keep on changing every year. The research of finding is only for specific period.
2. The bank operation is confidential and because of that some information cannot be obtained.
3. The sample size is limited to five financial years. Therefore, the detailed analysis gives different results compared to a lengthy period.
4. Due to corona pandemic, there was hyper volatility in Indian economy, especially in financial sector.

## 3. Data Analysis And Interpretation

### 3.1. Investment With Other Bank (Amt In Cr)

| Year      | Investment in Government Securities |
|-----------|-------------------------------------|
| 2016 – 17 | 1212.20                             |
| 2017 – 18 | 1280.73                             |
| 2018 – 19 | 1229.58                             |
| 2019 – 20 | 1103.75                             |
| 2020 – 21 | 1309.73                             |

Investment in the government sector is calculated for the purpose of maintaining the SLR of the bank. And if such investments can be bought and sold in the money market, profits can be made through transactions based on the condition of the money market.

From 2017 bank gradually increased its investment in the government sector year by year. In 2020 bank maintained SLR year about 18 to 19% due to low-yield government sector but has more focused on Mutual Fund investment. Recently, in the year 2021 bank increased investment in this segment by 18.66% which was amounted to 205.98 crores.

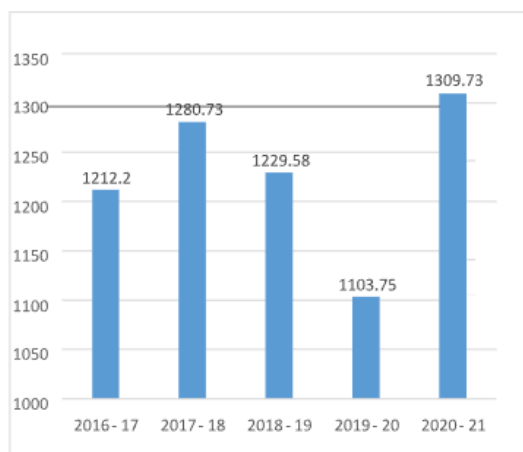


FIGURE 1 – Investment in Government Securities

| Year      | Investment in Public Sector Undertaking Bonds |
|-----------|---|
| 2016 – 17 | 139.25  |
| 2017 – 18 | 137.61  |
| 2018 – 19 | 122.81  |
| 2019 – 20 | 114.78  |
| 2020 – 21 | 144.93  |

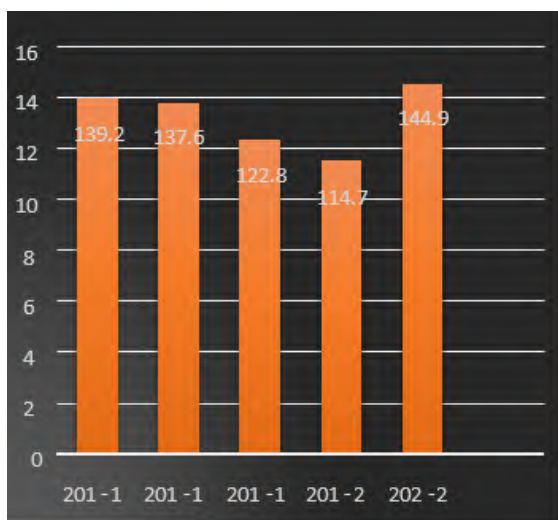


FIGURE 2 – Investment in Sector Undertaking Bonds

Bank is not permitted to invest in other banks shares, so new fresh investment in this segment can be done. Bank retire their investment in shares gradually. From, 2017 bank maintained an average rate of investment in PSU bonds, gradually it increased in the last five years by 5.68 crores.

In 2021, the highest amount was invested in PSU bonds in the last five years.

| Year      | Investment in Shares of Other Cooperative Bank |
|-----------|--|
| 2016 – 17 | 0.47   |
| 2017 – 18 | 0.57   |
| 2018 – 19 | 0.57   |
| 2019 – 20 | 0.49   |
| 2020 – 21 | 0.50   |

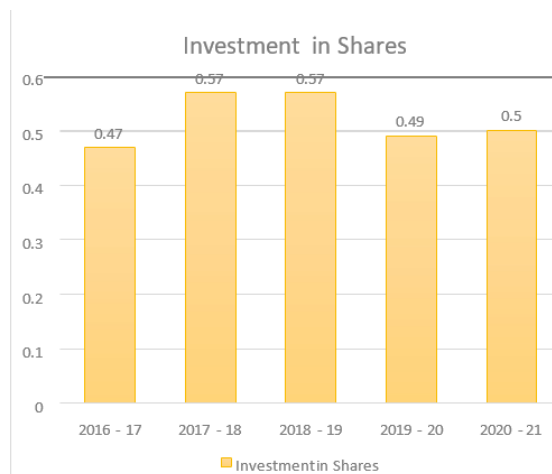


FIGURE 3 – Investment in Shares

| Year      | Investment in Mutual Fund |
|-----------|---------------------------|
| 2016 – 17 | 267                       |
| 2017 – 18 | 359                       |
| 2018 – 19 | 379                       |
| 2019 – 20 | 391                       |
| 2020 – 21 | 430.5                     |

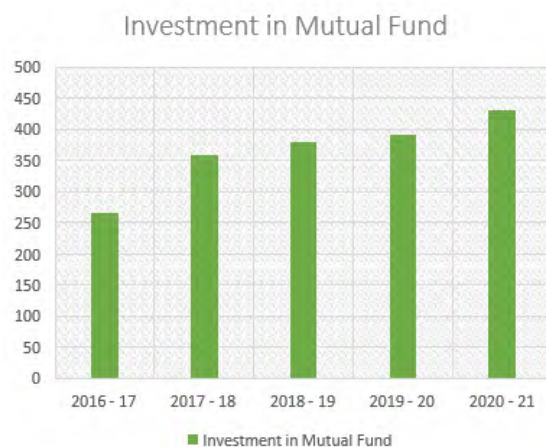


FIGURE 4 – Investment in Mutual Fund

From 2017 banks increased investment in Mutual Funds due to high IRR/Yield. The handsome growth rate in the Mutual Fund investment segment. It has grown by 61% from 2017. It has shown a progressive trend.

3.2. Fixed Deposit With Other Bank

| Investment/<br>Year               | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|-----------------------------------|---------|---------|---------|---------|---------|
| Fixed Deposit in Apex Bank        |         | 125     | 100     | 50      | 450     |
| Fixed Deposit in Notif. Bank      | 7.8     | 41.8    | 250     | 519.39  | 524.04  |
| Cumm Dep. Notif. Bank             | 1709.15 | 948.49  | 835.54  | 1159.65 | 1454.49 |
| Cumulative Deposit With Apex Bank | 249.22  | 266.76  | 192.42  | 184.91  | 32.23   |
| Cumulative Deposit With ACS Bank  | 37.66   | 40.45   | 43.99   | 45.15   | 31.21   |
| Cumm Approved Bank                | 10.53   | 10.94   |         | 40.2    | 43.03   |
| Total                             | 2014.36 | 3451.44 | 5465.8  | 4019.3  | 4556    |

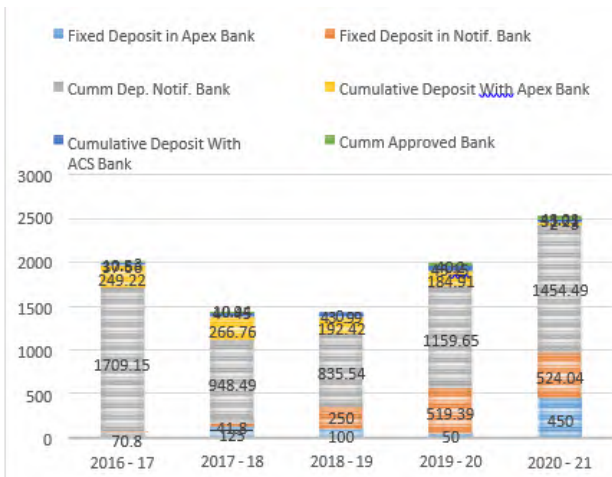


FIGURE 5 – Fixed Deposit With Other Bank

In the last five years, the bank has added 2542 Crores of investment in bank deposits. The known percentage has increased by 126% in the last five years. Bank gradually decreases investment in Apex (GSC) bank Fixed Deposit and tried to increase investment proportion higher in Notified Bank Fixed Deposit.

3.3. Non SLR Investment

| Year      | Total of PSU Bonds and Mutual Fund |
|-----------|------------------------------------|
| 2016 – 17 | 406.25                             |
| 2017 – 18 | 496.61                             |
| 2018 – 19 | 501.81                             |
| 2019 – 20 | 505.78                             |
| 2020 – 21 | 575.43                             |

The total Non-SLR investment includes the Public Sector Undertakings Bonds and Mutual Funds. The Non-SLR investment also includes the shares but as per the restrictions imposed by the Reserve Bank of India in the Master Circular of investment :- Fresh investment in shares of All India Financial Institutions will not be permitted for

Cooperative Banks. In the last five years, the bank has increased its investment in the Non-SLR segment by 42%.

TOTAL OF PSU BONDS AND MUTUAL FUND

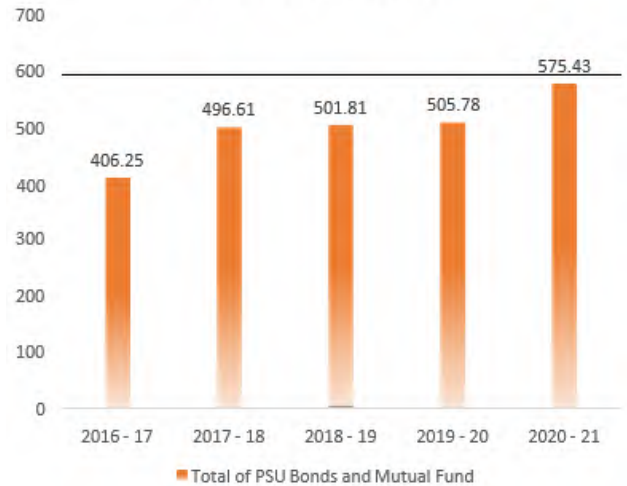


FIGURE 6 – Non-SLR Investment

3.4. Total Investment

| Year      | Average Investment |
|-----------|--------------------|
| 2016 – 17 | 3579               |
| 2017 – 18 | 3464               |
| 2018 – 19 | 2994               |
| 2019 – 20 | 3246               |
| 2020 – 21 | 3955               |

Average Investment

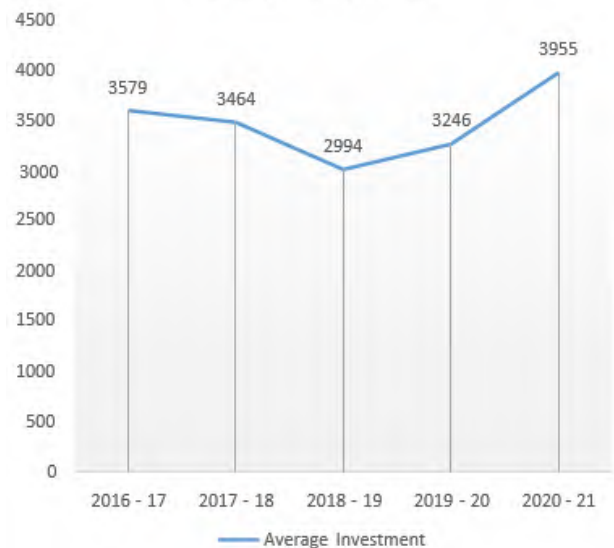


FIGURE 7 – Average Investment

The average investment has decreased to 2994 Crores in the year 2018-2019 but against it has increased to 3955 Crores in the the year 2020-2021.

#### 4. Findings

1. Investment in equity is a good option but section 19 of the Banking Regulation Act 1949 stipulates that no cooperative bank should hold the shares.
2. Bank shall not invest in Perpetual Debt Instruments because it's not permitted. Weighted average coupon rate 7.83% which has improved from last year's 7.47%. Bank maintained its Statutory Liquidity Ratio of more than 18% to 20% every year.
3. Average investment of the bank is 3955 Crores which is 58% of the bank's total deposit. Banks rely more on investment rather than advances.
4. Bank invests in other Notified banks and Apex Bank's Fixed Deposit. It covers about 60 to 70
5. Bank needs to control fund flow as per market volatility so the bank can invest in higher rate opportunities.
6. Bank has to manage also cash inflow-outflow so the bank can turn its cashflow into a fund for investment.

#### 5. Conclusion and Managerial Implications

1. Bank maintaining 12% of total investment in Treasury bills which need to be increased by at least 5% to 10%.
2. Bank earns more return on its investment in a mutual fund which is 8.68% in the year 2021 so the bank can increase its investment portion in the mutual fund segment.
3. Bank is committed to investing 10% of its total deposit in Non-SLR funds like PSU Bonds.
4. Bank can increase its investment in PSU bonds rather than other banks' Fixed Deposits so the bank can earn 2% to 3% more than the average investment rate.
5. Bank fixes investment limit as per other bank's status like Small Finance Bank, Private Bank, Nationalized Bank, Apex Bank. Bank should have reduced its investment in Apex Bank FD.

6. As per the market average rate of return on investment is reducing so the bank cut its advances rate to earn more and increases its profit.
7. Better Cash Management plan should be implicated so banks can turn cash into funds available for investment.
8. In order to earn a higher return, a proper investment plan should be made in coordination with cash management.
9. Higher return on investment requires a higher risk, the manager should focus more on risk-taking and decision-making strategy.
10. Bank can earn a good return on investment in equity but as they are not permitted, it should focus more on other NON-SLR investment which has a good rate of return.
11. As we have seen, the bank is investing just 12% of the total investment in T-Bills which needs to be increased but has still not come into action.
12. If cooperative banks/societies genuinely want to add value to the members of the society, they should not leave any stone unturned while evaluating investment opportunities.
13. Provide optimum infrastructure to the investment department for better decision-making so they can grab opportunities in time.

#### 6. References

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