

" આપની બેંકની નાણાકીય પરિસ્થિતિ જાણો"

Know Financial Strength of your bank

Any business's final aim is to create wealth. Wealth is measured by availability of capital & reserves.

Any trend showing slow growth in reserves compare to growth in advance & deposits is early warning system

Some of Important Ratio/ Financial Data

1. CD Ratio
2. CASA
3. Gross NPA
4. Net NPA
5. NPA Coverage Ratio
6. Average Cost of Deposit
7. Yield on Advances (Total advances/category of advance wise/sectorwise)
8. Yield on Investment
9. Modified duration of Investment
10. Average Rate of Return on Investment
11. NII
12. NIM
13. Incremental Advances/Business to Incremental NII/NIM
14. Net Worth
15. Return on Working Capital
16. Return of Total Asset
17. Cost of Total Funds
18. CRAR
19. Floating Provision
20. NPI
21. Concentration of Deposit
22. Concentration of Advance
23. Concentration of NPA
24. Concentration of Exposure (includes both advance & Investment)
25. Non Fund based exposure
26. Bulk deposit to total deposit

If bank has revaluation reserve from fixed asset than proportionate amount of depreciation will be debited to revaluation reserve and it will decrease year by year until next upward revaluation.

Now for withdrawal of Reserves, RBI permission is required so for all reserves other than statutorily required reserved provision shall be created to the extent it is possible. i.e member's incentive, BDDR etc

So in case of revaluation reserves bank shall consider its effect on total reserved for at least next three years.

Bad Debt Provision – Bank considering growth in advance bank shall consider impact of required provision as per IRAC norms (Standard/NPA). Higher NPA provision allows bank to take risky ventures at higher margins.

Investment Depreciation Reserves. – Bank shall consider size of its investment portfolio (HTM,HFT,Available for Sale) and its impact on additional IDR to be created every year.

Availability of Excess IFR is cushioning for additional burden of IDR

Red Flags:
GNPA > 6%
PCR < 60%
Bulk deposits > 25%
CD ratio > 85%
Negative NIM trend
“Good Co-operative Bank” typically has:
GNPA < 3%
NNPA < 1%
PCR > 75%
CRAR > 12%
NIM ~ 2.5%
Bulk deposits < 20%

1) Business & Liquidity Ratios		
Ratio	Ideal Range	Remarks
CD Ratio	65% – 80%	Too high → liquidity risk; Too low → inefficiency
CASA Ratio	30% – 45% (Co-op: 25%+)	Higher CASA = lower cost
Bulk Deposits / Total	< 15–20%	High = liquidity risk
Concentration of Deposits	Top 20 < 15%	Avoid dependence

2. Asset Quality (Most Critical)		
Ratio	Ideal Range	Remarks
Gross NPA	< 3% (Good), < 5% (acceptable)	>7% = high risk
Net NPA	< 1%	Should be near zero ideally
PCR (Provision Coverage Ratio)	> 70% (ideal 80%+)	RBI prefers higher
NPA Concentration	Low (Top accounts < 20%)	Avoid big borrower risk

3. Profitability Ratios		
Ratio	Ideal Range	Remarks
NIM	2–3%	Core Earning Indicator
NII GROWTH	Positive & stable	Should grow YOY
Return on Assets (ROA)	0.5–1%	Key profitability metric
Return on Net worth (RONW)	10% – 15%	Lower → inefficient capital use

4. Cost & Yield Ratios		
Ratio	Ideal Range	Remarks
Cost of Deposits	4%-6%	Lower is better
Cost of Funds	<6%	Depends on CASA
Yield on advances	8%- 10%	Should cover risk
yield on Investment	6%-8%	Stable Income
Spread (Yield- Cost)	>2%	Critical for Survival

5. Capital & Stability		
Ratio	Ideal Range	Remarks
CRAR	> 12%	Higher buffer preferred
Net Worth Growth	Increasing	Indicates strength
Floating Provision	Positive buffer	Helps in stress
6. Investment Risk Metrics		
Ratio	Ideal Range	Remarks
Modified Duration	2-5 years	Higherr= Interest risk
Return on Investment	Stable and > cost of funfs	Avoid volatility
Growth Efficiency Ratios		
Ratio	Ideal Range	Remarks
Incremental Credit vs NII	Positive Co-relation	Growth should add income
Business per employee	Increasing	Efficiency Indicator