



SOURCES AND APPLICATIONS OF FINANCIAL PERFORMANCE OF CO-OPERATIVE BANK IN TAMIL NADU

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ABSTRACT

In India face several problems of growth regarding financial institutions; it contributes 27 per cent of GDP in 2013 – 2014. The growth is determined by performance of financial institutions. In this article to perform the financial performance of Urban Co-operative banks in Tamil Nadu. It reflects that the Liquidity ratios measure the ability of the bank of meet its current obligations. They indicate whether the firm has sufficient liquid resources to meet is short-term obligations. A current ratio of 2:1 in considered ideal. That is for every one rupee of current liability there must be current assets of 2:1, if the ratio in less than two. It may be difficult for a bank to pay current liability. They were the first ever attempt at micro credit dispersion in rural, semi-urban and urban area in India and are voluntary organized in a democratic setup by people having common interest and high moral values with the aim of “Thrift” and “self-help” through mutual help. This paper examines the different sources of working funds of the selected Employee Societies as well as helps to understand the deployment of working funds with reference to loans and advances and investments. Co-Operative banks are contributing the constituent part in the India’s banking and financial system. The Urban Co-Operative Banks have to play an important role in meeting the requirements of small traders, weavers, agriculturists and other lower and middle income group of people. This is an empirical survey, based on secondary data.

1. INTRODUCTION

Co-operation is derived from the Latin word “co-operari”, “co” means with and „operari“ means to work. In other words, co-

operation means working together with others for a common purpose. Co-operation is self help as well as mutual help. It is a joint enterprises of those who are not financially strong and cannot stand on their own legs and therefore come together not with a view to getting profits but to overcome disability arising out of want of adequate financial resources” and this better their economic conditions. Montague says that “science points out the way to survival and happiness for all mankind through love and co-operation “according to E.R. Bowen, “Co-operation is the universal instrument of creation”. In Tamil Nadu the first co-operative act was in 1961 and replaced in 1983. In 1988, the co-operative rules came in to force.

India the co-operative credit structure is made up of agricultural and non-agricultural credit institutions. Agricultural Credit Institutions play a pivotal role in the rural credit delivery system dispensing short term, medium-term, and long term credit to rural weaker sections of society. Generally, short term and medium term agricultural credit needs are satisfied by the state co-operative banks, the central co-operative banks and the primary agricultural credit societies constituted at apex level, district level and village level, town or city level respectively. While long term agricultural credit needs are satisfied by state co-operative banks and primary co-operative agricultural and rural development banks set up at the apex level at the base level respectively. The progress of the Urban Co-Operative Banks consists a detailed and systematic assessment of its selective variables like share capital, deposits, loans and advances etc. In this paper, the researcher wants to predict the role of the UCB’s in future through forecast analysis by using SPSS 20. Such a growth analysis involves the collection, observation and analysis of data relating to the selective

variables. Growth analysis helps in understanding not only the past achievements but also the future aspirations of the UCB's. It leads to the comparison of the actual performance with that of the expected. The researcher has selected the following statistical tools to evaluate the growth analysis of UCB's.

2. REVIEW OF LITERATURE

Giri D.K.,(2001) discusses about the theoretical issues on co-operative marketing its meaning, definition, membership operation relevance of co-operative marketing, genesis, growth, organizational structure, finance operations, processing storage, institutions and case studies on each of these government support is necessary for co-operative o flourish. In India, the central co-operative banks are placed in a significance position in relation to co-operative at the district level. The central co-operative banks exist mainly for serving the primary agriculture co-operative banks. They also provides the block capital and working capital loans to various agro-based industries, sugar factories, spinning mills and the like which help to generate rural employment. As the provide finance to other functional societies like employees co-operative credit societies industrial co-operative societies, co-operative and the like.

Vaidyanathan committee report, “the financial package proposed is expected to fund the accumulated losses of about Rs.8,566 crores(including existing receivables from state governments) takes the system to the CRAR of a minimum of percent, provide for return of state government equity of about Rs.1,243 crore in credit co-operatives, and back the overall initiative with technical and technological support aggregating Rs.670 crore.

Ravivarma S, and others, conducted a study on the performance of a central co-operative bank in Himachal Pradesh. He found that the paid-up share capital, reserve fund, owned fund, deposits, borrowings and working capital of the selected co-operative bank has increased. The return on capital employed and return on share holder's equity were not satisfactory.

3. ANALYSIS

Return on Total Asset (ROTA)

The return on total asset is how much the profit earned by the bank per rupee of assets used. Some times the amount of financial charges (Interest etc) is added back to the net profit figures to relate the net operating profit the operating asset of the firm. The return on total asset level of asset at its disposal. The ROTA essentially relates the profits to the size of the bank increase its size but is unable to increase in profit proportionately.

$$\text{Return on total asset} = \frac{\text{Return}}{\text{Total Assets}} \times 100$$

Return on Share Holders Fund (ROSF)

The return on equity examine profitability from the perspective of the equity investors by relating profits available for the equity share holders with the book value of the equity investments. The return from the point of view of equity share holders may be calculated by comparing net profit with total contribution in the bank. We are taking ROSF calculated to show the return on total share holders' funds. The ROSF as follows

$$\text{ROSF} = \frac{\text{Net Profit}}{\text{Shareholder's Funds}} \times 100$$

Return on Total Income (ROTI)

Return is the main income of our bank. The firm basically is to meet run employees salary other expenses and earn income in profit. The SCUB's total income is of two parts Total Income includes interest and discount, Other Receipts, commission exchange and brokerage. This ratio compares total income with net profit.

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Table 1: Return on Total Assets 2003-2004 to 2014-2015 (Rs.000)

Year	Net Profit	Total Assets	Ratio
2003-2004	176	240948.05	0.73
2004-2005	197	263070.45	0.75
2005-2006	837.2	278191.2	0.3
2006-2007	2714.5	300983	0.9
2007-2008	3658	285693	0.01
2008-2009	2374	280426.3	0.85
2009-2010	610.91	281224.05	0.22
2010-2011	470.97	31383.27	0.15
2011-2012	203	340144.05	0.6
2012-2013	1590.34	392268.82	0.4
2013-2014	710.87	445138.3	0.16
2014-2015	1220	472803.03	0.26
Mean			0.44
Correlation			0.13
Range			0.89
CGR			-8.24

Source: Annual Report of SCUB

Return = Net profit of the SCUB

4. FINDINGS

The main findings of the study are listed below as,

- ✓ Sources of working funds
- ✓ Deployment of working funds,
- ✓ Socio economic status and
- ✓ Financial Performance of selected employee societies.

4.1 Sources of working funds

Deposits: The average deposits during the study period constitute 90.35 per cent, 80.69 per cent and 83.28 per cent of the total working funds in the PECST and TECSP and NMECSK respectively. The net worth of TECSP is stronger, that of NMECSK is strong and that of PECST has to be improved. The PECST, through resorted to borrowings is 2004-05, it gradually relinquished borrowings is subsequent year.

Membership and share capital: The growth of share capital in ten years is at 543.65 per cent in NMECSK, 473.30 per cent in TECSP and 294.33 per cent in PECST. In case of the quantum of share capital the order charges as NMECSK has 24.41 lakhs, PECST has Rs.18.72 lakhs and TECSP has Rs. 9.75 lakhs. The number of membership further changes the order as PECST has the highest number of members with 917 NMECSK comes next with 354 and TECSP comes third with 323. Among the Thanjavur district, NMECK has more amount of share capital. But in the case of PECST and TECSP has

to improve their share capital at the level of membership proportion.

Owned funds: The total owned funds has increased in all the three ECSs. The proportion of share capital is more (30.47 per cent) in PECST when compared to NMECSK where it is 26.69 per cent and TECSP when it is 13.46 per cent only. Correspondingly the proportion of reserves is more in TECSP where as it is 73.28 per cent in NMECSK and 69.51 per cent in PECST.

4.2 Deployments of working funds

Cash and bank balances: The TECSP and PECST have an average of 25.02 per cent and 23.22 per cent of their total assets under cash and bank balances respectively. But NMECSK had nearly half of its total assets under cash and bank balances.

Loans and advances: The average of advances in total assets was highest of 53.62 per cent in TECSP and it is 44.49 per cents in PECST while the same is at 39.32 per cent in NMECSK. The selected employees' co-operative societies, particularly NMECSK and PECST have to enhance their level of loans and advances.

Investments: PECST may divert certain percentage of its investments to loans portfolio to earn more interest income taking calculative steps to overcome the risk.

Fixed and other assets: The proportion of non-remunerative assets held by TECSP and NMECSK may be treated as tolerable limits

while that of PECST has to be reviewed. PECST has funds under other assets little over the prudent level.

Trend of total assets: The growth trend in total assets of all the three employees co-operative societies are marching ahead with their banking operations. They continue to serve the customers of their service area by deploying their mobilized funds aiming their profitability and to improve their business performance.

4.3 Socio Economic Status

A majority of members i.e., 40.00 per cent was in the age group of 41-50 followed by 31-40 age groups. The members in the age groups of below 30 and above 60 did not figure significantly in the total membership of the society. The percentage of male membership ranged between 74 (PECST), 66 (TECSP) and 62 (NMECSK) and the percentage of female membership ranged between 26 (PECST), 34 (TECSP) and 28 (NMECSK). The women membership was low as the percentage of women in the total workforce. In all the regions the members practicing Hindu religion was high. Muslim's representation in membership also reflected the general trend of Muslims not able to enter government service in proportion to their population. Christians were comparatively well represented. The caste composition reflected the structure of Indian society. MBCs accounted for nearly 36.00 per cent of the total Membership. MBCs were fairly well represented when compared to SC/STs. Other communities i.e., FC accounted for 20.00 per cent of total membership. Out of the 150 sample respondents 140 respondents i.e., 93.33 per cent of respondents were married. As marriage is considered a sacred institution, the number of married persons had remained high. 52.67 per cent of the respondent's family size was in the range of 3-5 members and respondents with family size of above 8 and 2 formed 10 per cent and 15.33 per cent respectively.

4.4. Financial Performance

Net profit to total income ratio: The common feature found in all the three employees' co-operative societies is that they make net profit in all the years of study and registered net increase. The net growth of net profit in 10 years for TECSP is around 4.34 times, for PECST it is around 3.5 times and for NMECSK it is around 6 times. But PECST has the weak net profit ratio (5.90) among the three employees co-operative

societies through it has earned more total income than the other two employees co-operative societies.

Net profit to total deposits ratio: The ratio of net profit to total deposits for all the three employees' co-operative societies taken for the study is low. All the three employees' co-operative societies have to improve the ratio by earning more income and containing the cost of deposits without harming the growth of deposits, i.e., mobilizing more and more low cost deposits.

Net profit to total assets ratio: The average ratio of net profit to total assets is 1.68 for TECSP, 0.69 for PECST and 1.53 for NMECSK, it is very low for all the three employee co-operative societies, but the ratio is positive. The positive ratio of net profit to total assets has to be maintained by all the three employees' co-operative societies and efforts are to be initiated to improve the ratio by enhancing the net profit in the years to come.

5. CONCLUSION

The CGR is negative in SUCB. It is concluded that return on total assets is low during the period. The management is utilizing funds effectively. In this study the researcher take only net profit no appear tax in co-operative bank and share holder funds includes share capital and RF & other reserves to add in profit current year. The ratio is explaining in total profit in change in shareholders' funds. The average ratio indicates 4.37 in SCUB. The CGR is positive. It is concluded that net profit compared to total income is satisfactory. Liquidity ratios measure the ability of the bank of meet its current obligations. They indicate whether the firm has sufficient liquid resources to meet is short-term obligations. A current ratio of 2:1 in considered ideal. That is for every one rupee of current liability there must be current assets of 2:1. If the ratio in less than two, it may be difficult for a bank to pay current liability. The growth of Co-Operative banks depends on transparency in control and operation, governance, customer-centric policies, technology up gradation and efficiency. Banking sector is increasingly using computers in strategic planning, management control and operation control activities. The ECSs has not made significant use of technology is evident from the fact that most of its operations are done manually. So, steps should be taken to

use computers in all activities of the bank to make its operations more efficient.

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