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A STUDY ON FINANCIAL PERFORMANCE OF DHAMODHARAHALLI AGRICULTURAL CO-OPERATIVE BANK IN KRISHNAGIRI DISTRICT

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Abstract—*A Co-Operative bank is a financial entity which belongs to its members, who are at the same time the owners and the customers of their bank. The co-operative banks are expected to perform some duties, namely, extend all types of credit facilities to customers in cash and kind, advance consumption loans, extend banking facilities in rural areas, mobilize deposits, supervise the use of loans etc. In India, the cooperative societies act was passed in 1904, and a new co-operative society act was passed in 1912. The main object of the co-operative bank is to solve the problem of rural indebtedness by supplying credit at low rate of interest. The co-operative movement in Indian banking was started with an objective of providing finance to the agriculture and thus relieving them from the clutches of the village money lenders*.

Keywords—*Agriculture, Co-operative Bank, Customers, Facilities, Members.*

INTRODUCTION TO THE INDUSTRY

Co-Operative is a unique method of doing walk jointly, and assists the Poor more than the rich. All these who want to Co-Operative must have a common need and fulfill it should agree to work selflessly. **"Each for all and all for each"** is its motto. Co-operative is a worldwide movement. The co-operative society's act was passed in 1904.in 1912, the other type of activities has been started, that is sales, purchase production, housing, etc. the government of India (RBI) for providing financial assistance to co-operative banks get direct finance from reserve bank of India at confessional rate of interest.

It can be seen that the organization of the co-operative credit societies is pyramidal in nature. It has a three-tier structure.

- Primary credit societies at the bottom
- Central co-operative bank at the middle
- State co-operative bank at the top

The primary societies are functioning in the various towns and village, the central banks at the capitals forming the apex of the system. The reserve bank of India assists the co-operative structure by providing confessional finance, through NABARD in the form of general lines of credit for lending to agriculture activities.

PROFIT ANALYSIS

Profit analysis is a process of evaluating the profit positions of a bank from accounting data. Profit analysis is the judgmental process, which aims to evaluate the current and past profit positions and results for determining the future profit conditions and performance.

Profit analysis is the process of identifying the profitability position of the bank. In order to make the profit analysis more meaningful the users resort to the techniques of special calculation in the form of

- Ratio Analysis
- Comparative Balance Sheet
- Statement of Changes in Working Capital
- Trend Analysis

RATIO ANALYSIS

Ratio analysis is a technique of analysis and interpretation of financial statements. It is the process of determination and interpretation of various ratios for helping in decision making. Ratio analysis is to analyze and interpret the financial health of a firm. However, ratio analysis is not an end in itself. It is only a means of better understanding of financial strength and weakness of a firm.

RATIO

- Liquidity ratio
- Activity ratio
- Profitability ratio

REVIEW OF LITERATURE

Hari Govinda Rao & et al., (2013), in their study entitled "An Empirical Analysis on Financial Performance of Public Sector Housing Corporation in India: A Case Study of HUDCO", stated that the main concept of their study is Profitability and liquidity management is of crucial importance in financial management decision. The most favourable financial performance could be achieved by a company that can trade-off between profitability and liquidity performance indicators. The purpose of this study is to find out the financial position of and know the significance of them. They suggested that both the institutions under the study should concentrate on financial profitability, especially unexplained variables in purpose of creating shareholders‟ wealth.

Vivek Kumar and Major Singh, (2013), conducted a study on "Profitability of Indian Banks – A Comparative Study of SBI and HDFC". The study revealed that the various profitability ratios of two banks as the measure of profitability. The common denominator used for developing the various profitability ratios is business volume (deposits plus advances). The study analyses the published five-year data from 2007-08 onwards for the two largest banks, i.e., SBI- the largest public-sector bank and HDFC- the largest private sector bank. The comparative analysis of the profitability of the two banks clearly reveals that there is a large difference between the profitability of the two banks. HDFC‟s profitability is more than that of SBI.

PROFILE OF THE BANK

Date of Registration : 19.02.1940

Date of Commencement : 21.05.1940

This bank has been established as Dhamodharahalli, agricultural co-operative bank. It has been selected as one of the bet agricultural co-operative bank in the district by "National Bank for Agricultural and Rural Development (NABARD)"

AREA OF OPERATION:

This bank area of operation include Vandikarankottai, Sandhanoor, Koothampatti, Pariyour, Thoppoor and S.N.patti

OBJECTIVE

- Issue loans and advances at low interest. The bank collects deposits from members and non-members and collects shareholders.
- It helps to sell the agriculture products to the members.
- They will train the members by demonstration it.
- It encourages the saving habits and develops sense of co-operation.
- Provide loan to self-help group.
- It gives co-operative education to its members.
- It issues jewel loans and under take other service.

MEMBERSHIP

The bank has both 'A'&'B' class members.

The value of 'A' class membership share is Rs.100 and 'B' class membership share is Rs.5 and the entrance fees Rs.15.

OBJECTIVE OF THE STUDY

- The main objective of this project is to analyze profit of the Dhamodhrahalli, agricultural co-operative bank for the period of five years
- To know the liquidity, solvency and profitability position of the concern.

RESEARCH METHODOLOGY

Research

Research methodology is a way to systematically solve the problems. It may be understood as a science of studying how research is done scientifically.

Data collection

The data collected for this project is secondary data only from sources like balance sheet and profit & loss account of Dhamodhrahalli agriculture co-operative bank.

Tools used

The following tools are used to analyze the collected data

- Ratio analysis
- Comparative balance sheet
- Statement of change in working capital
- Trend analysis

PERIOD OF STUDY

Ratio analysis, comparative balance sheet, trend analysis and working capital has been analyzed for 5 years.

LIMITATIONS OF STUDY

- The study is restricted only to a period of five years.
- The period of study is limited to 6 weeks and therefore the problem faced cannot be studied in depth.
- The trend values for the future is a prediction and cannot be expected to happen the same in reality

ANALYSIS AND INTERPRETATIONS

Current Ratio

Current ratio may be defined as the as the relationship between current assets and current liabilities. this ratio is also known as working capital ratio and is a measure of general liquidity and is most widely used to make an analysis of the short-term financial position or liquidity of the firm.

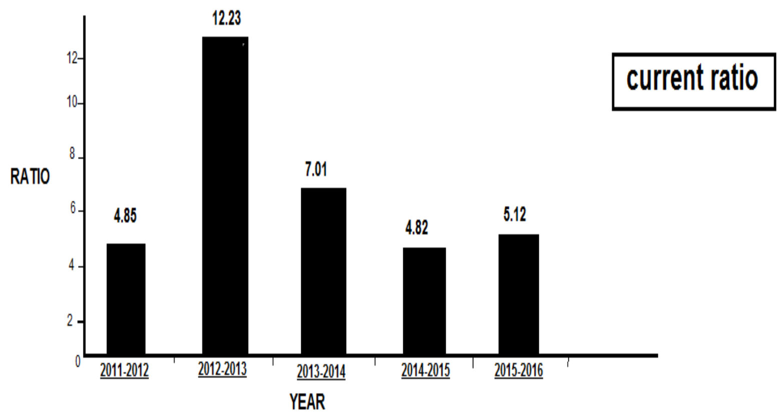
$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

Table 1: Table Shows Current Ratio

Year	*Current assets*	*Current liabilities*	*Ratio*
2011-2012	11,77,442.51	2,42,690.82	4.85
2012-2013	9,62,502.48	78,668.42	12.23
2013-2014	10,05,776.62	1,43,453.42	7.01
2014-2015	9,62,457.02	1,99,569.42	4.82
2015-2016	15,28,029.82	2,58,143.42	5.12

The above table shows that current ratio is a measure of liquidity of current assets and current liabilities. The statements current ratios are more than the standard ratio 2:1. So, the short-team liquidity position of the bank is good.

Chart 1



Liquid ratio

Liquid ratio also known as acid test or quick test ratio is a more rigorous test of liquidity then current ratio. The term liquidity refers to the ability of a firm to pay its short obligations as and when they become due

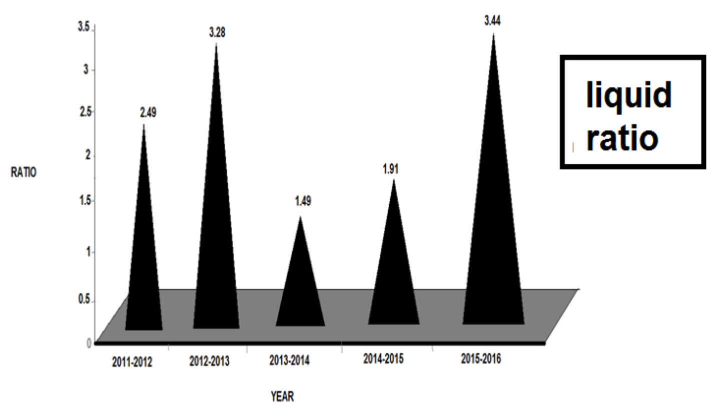
$$\text{Liquidity ratio} = \frac{\text{Liquidity assets}}{\text{Current liabilities}}$$

Table 2: Table Shows Liquid Ratio

Year	*Liquid assets*	*Current liabilities*	*Ratio*
2011-2012	6,05,811.63	2,42,690.82	2.49
2012-2013	2,58,339.56	78,668.42	3.28
2013-2014	2,14,955.42	1,43,453.42	2.49
2014-2015	3,82,047.57	1,99,569.42	1.91
2015-2016	8,88,004.27	2,58,143.42	3.44

The above table shows that liquid ratio is a measure of liquid assets and current liabilities. The standard ratio of the liquid ratio is 1:1 in the above calculation the liquid ratio for all the years is more than the standard ratio. So, the short-team liquidity position of the bank is satisfactory.

Chart 2



Gross Profit Ratio

Gross profit ratio measures the relationship of gross profit to net sales.

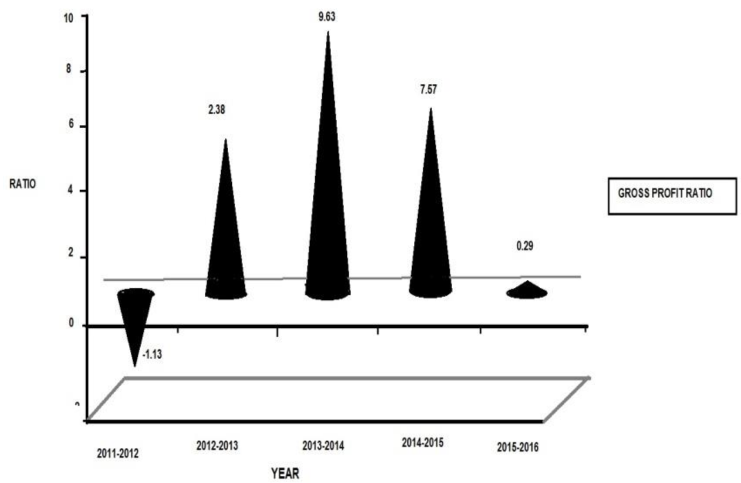
$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Net Sales}} \times 100$$

Table 3: Table Shows Gross Profit Ratio

Year	*gross profit*	*Net sales*	*Ratio (in time)*
2011-2012	-12,281.77	10,91,490.30	-1.13
2012-2013	63,717.02	11,83,493.35	5.38
2013-2014	1,00,054.44	10,39,426.65	9.63
2014-2015	1,20,645.66	15,93,866.40	7.57
2015-2016	4,458.64	15,01,788.80	0.29

The above table represents the gross profit margin for the year 2011 to 2015. It was found that during 2011-2012 the ratio was very low. There is an increase in gross profit ratio in the year 2013-2014.thus, the firm has reasonable gross profit to meet operating expenses of the bank.

Chart 3



Net Profit Ratio

Net profit ratio establishes a relationship between Net profit after tax and net sales. I indicate the efficiency of the management selling, Administration expenses and other activities of the firm. It is the overall measure of firm's profitability position and is calculated as

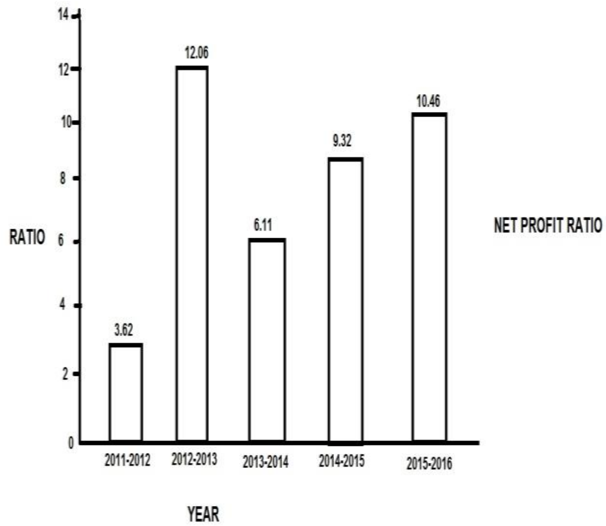
$$\text{Gross profit ratio} = \frac{\text{Gross profit}}{\text{Net sales}} \times 100$$

Table 4: Table Shows Net Profit Ratio

Year	*Net profit*	*Net sales*	*Ratio (in %)*
2011-2012	39,499.58	10,91,490.30	3.62
2012-2013	1,42,638.18	11,83,493.35	12.06
2013-2014	63,533.80	10,39,426.65	6.11
2014-2015	1,48,479.96	15,93,866.40	9.32
2015-2016	1,57,092.14	15,01,788.80	10.46

The above table shows that the net profit ratio has fluctuating. Each year sales have increased and the net profit has also increased and the banks net profit is satisfactory.

Chart 4



FINDINGS

- Short-term solvency position of the bank is good since the current ratio and liquid ratio are higher than the expected norms.
- Activity ratio shows that inventory turnover ratio, creditor's turnover ratio and working capital turnover are efficient. Debtor's turnover ratio and total assets turnover ratios are inefficient.
- The gross profit percentage has been decreased in the year 2015-2016. The net profit of the bank is satisfactory.
- From the schedule of changes in working capital for the last two years there is net increase in working capital & liquidity position is satisfactory.
- Trend value of sales and purchase for next five years is predicted to be increasing every year.
- The comparative balance sheet shows that only for the year 2014-2015 the financial position is not satisfactory.
- 10. SUGGESTIONS:
- The banks should adopt the modern methods of banking like internet banking, credit cards, ATM, etc.
- The banks should plan to introduce new schemes for attracting new customers and satisfying the present ones.
- The banks should plan for expansion of branches,
- The banks should improve the customer services of the bank to a better extent.

CONCLUTION

Though Dhamotharahalli agricultural Co-operative Banks have made significant progress in catering to the needs of the large section of the population especially the poor in rural and Dhamotharahalli areas, most of these Banks lack professionalism, sound management system and autonomy in decision making. This has caused low volume of business, stagnation in borrower membership and the high incidence of over dues and thus collectively causing financial ill health among these Co-operative Banks. Various factors such as increasing competition, tightening prudential standards, supervision and regulatory standards, multiple controls etc have only complicated the situation for these banks. Given the enormity of the situation and critical role of Cooperative Banks in nation building there was a felt need to analyse and present the reasons for the success or failure of Co-operative banks and to assist them in retaining their position in a fiercely competitive market place. The bank should follow the suggestions as mentioned in order to maintain the profit level and for its overall development.

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