International Journal of Research in Economics and Social Sciences (IJRESS)
Available online at: http://euroasiapub.org
Vol. 7 Issue 6, June- 2017, pp. 330~337
ISSN(o): 2249-7382 | Impact Factor: 6.939 | Thomson Reuters Researcher ID: L-5236-2015

ANALYSIS PERFORMANCES OF DHARMAPURI DISTRICT CENTRAL CO-OPERATIVE BANK ON OVERVIEW

Dr.M.Prakash,.,
M.Com M.Phil.,Ph.D, .
Head/Supervisor
Department of Commerce
VAIGAI Arts & Science Women's College,
Muthampatty – PO, Valapady TK
Salem – 636 111.

S.KUMARESAN[2]
Register No.16CAD1044
M.Phil Research Scholar

ABSTRACT

The information in order to analyze the data is taken from the previous Year balance sheet. The objective of the study is about the sources and changes in the working capital management and its effects over the years on the bank and to study about the current assets and their effective utilization in discharging the current liabilities.This study is used on analytical in nature. The data needed for the present study have been collected through the secondary data. In this study an attempt has been made to analyze the financial performance of the bank to interpret its results by using the various tools of financial statement analysis namely Ratio analysis, Comparative balance sheets, Common size income statement, Comparative financial statement. The cash balance level of the bank when compared to current liabilities is to minimum and the management may improve the cash balance to an optimum level to meet the contingencies.

INTRODUCTION

The co-operative society's bank is another form of organization whose principle objective is not to earn profit to render service to its members. It is an enterprises generally setup by the individual of the weaker sections to safeguard their own interest by eliminating middlemen and exploitation.

"Each for all and all for each" is the motto of the co-operative movement.

Co-operative society is just opposite of these in which men, in order to achieve a common economic objective, voluntary work together. This can be made clear by an example, in the field of trade there are a large number of middlemen and each takes some profit which very much increases the prices of commodities in relation to organization through which they directly purchase the commodities from the producer and make them available to the number of organization, then the prices of the commodities will be reduce and amount available to the middlemen this type of organization will be called co-operatives organization.

International Journal of Research in Economics and Social Sciences (IJRESS)
Available online at: http://euroasiapub.org
Vol. 7 Issue 6, June- 2017, pp. 318~329
ISSN(o): 2249-7382 | Impact Factor: 6.939 | Thomson Reuters Researcher ID: L-5236-2015

Co-operative societies are organization of natural person who main object is promotion of thrift and mutual help as well as furtherance of common economic interest of their members it is said that co-operation is the golden mean between capitalism and socialism. The evils of the capitalistic system like exploration of the workers and freedom from state interference are removed in co- operation. The excessive state interference in the activities of the individual found in the socialistic system is also minimized in co-operation, in fact, the weaker section of the society join hands against the exploration, of the powerful. Thus, co-operative may undertake production not with a view to earn profit, but only the render service to the members. Consumers join hand to establish direct contact with the manufacturers so as to the consumers at most economic rates. It is a protective device used by the economically weak against the exploitation and oppression of the economically strong.

HISTORICAL BACKROUND OF CO-OPERATIVE SOCIETIES

Co-operative banking started with passing of the co-operative societies act in 1904. A large number of co-operative credit societies were establish under this act, subsequently in 1912, the co-operative societies act was passed for facilitating the establishment of new organization for supervision auditing supply of co-operative. Co-operative banking did not making much progress in the pre-independence period and whatever progress has been made by co-operative organization has been possible only after independence.

The principle of co-operation has been prevalent in India since an ancient time. The ancient form of co-operation still present in villages, where for the fulfillment of their needs, people have always entered in to co-operative credit act was passed in 1901, on the recommendation of the famine commission, lord Corazon appointed a committee under the chairmanship of Edward low, on the recommendation of this committee the co-operative societies act was passed in 1904. Before 1904 through some efforts were made but they could not be successful e.g.

- First of all Sir William Wetter burn and Justice Remade made a scheme of running agricultural bank. Lord Ripon, then the Viceroy of India, also approved this scheme but British Government did not accept this scheme.
- In 1892, the Madras Government sent Sir Nicolson to Europe to study the system of Co-operation. He recommended the formation of Co-operation of co-operative society for providing rural loans. But the Madras Government did not give attention to his report become, according to the opinion of the Government, the problem, of rural loan was not so importuned.

OBJECTIVES OF THE STUDY

- To study and identify the existing financial performance of the bank
- To find out financial position of the bank.
- To study the trend of financial performance of the bank.

SCOPE OF THE STUDY

Financial analysis is an evaluation of both a firm's past financial performance and its prospectus for the future. Typically it involves an analysis of the firm's financial statements and its flow of funds. Financial statement analysis involves the calculation of various ratios. It is used by such interested parties as creditors, investor's, and managers to determine the firm's financial position and operating results are viewed by investors and creditors will have an impact on the firm's reputation, price/earnings ratio and effective interest rate.

LIMITATIONS OF THE STUDY

- The study is based on the data obtained from the annual reports of the concern i.e. balance sheet.
- The period under study has been only for 5 financial years i.e. 2005 to 2009.
- The study doesn't take into account the other areas such as dividend policy, capital budgeting etc.

RESEARCH METHDOLOGY

"Research methodology is a systematic procedure of collecting the data in order to analyze and verify phenomenon with the help of the data".

The research process includes various steps such as formulating research problems extensive literature survey, preparing the research design, collection of data & processing, testing & preparation of the report etc.,

RESEARCH DESIGN

The research design of this study is analytical in nature. Here the facts and information are already available in order to make analysis and interpretation.

RATIO ANALYSIS

- Gross profit ratio
- Net profit ratio
- Operating Profit Ratio
- Return on Equity

TURN OVER RATIO

- Debtor's turnover Ratio
- Debt Collection Period
- Fixed Asset Turnover Ratio
- Total Assets Turnover Ratio

LIQUIDITY RATIO

- Current Ratio
- Quick Ratio

Financial Performance Analysis.

The financial statement provides the basic data for financial performance analysis. Basic limitation of the traditional financial statement comprising the balance sheet and the profit and loss account is that they do not give all the information regarding the financial operations of a firm. Nevertheless, they provide some useful information to the extent the balance sheet mirrors the financial position on a particular date in terms of the structure of assets, liabilities and owners equity, and so on. The profit and loss account shows the results of operations during a certain period of time in terms of the revenues obtained and the incurred during the year. Thus, the financial statements provide a summarized view of the financial position and operations of a firm. Therefore, much can be learnt about a firm from a careful examination of its financial statements as invaluable documents / performance reports. The analysis of financial statements is, thus, an important aid to financial analysis.

The focus of financial analysis is on key figures in the financial statements and the significant relationship that exists between them. The analysis of financial statements is a process of evaluating relationship between component parts of financial statements to obtain a better understanding of the firm's position and performance. The first task of financial analyst is to select the information relevant to the decision under consideration from the total information contained in the financial statement. The second step involved in financial analysis is to arrange the information in a way to highlight significant relationships. The final step is interpretation and drawing of inferences and conclusions. In brief, financial analysis is the process of selection, relation, and evaluation.

Tools of Financial Analysis

A financial analyst can adopt the following tools for analysis of the financial statement. These are also termed as methods of financial analysis.

Ratio analysis

Ratio analysis is a widely – used tool of financial analysis. It is defined as the systematic use of ratios to interpret the financial statements so that the strengths and weakness of a firm as well as its historical performance and current financial condition can be determined. The term ratio refers to the numerical or quantitative relationship between two items/ variables. This relationship can be expressed as: (i) percentages (ii) Fractions (iii) Proportion of numbers. Computing of ratios does not add any information not already inherent in the financial statement. The ratios reveal that relationship in a more meaningful way so as to enable us to draw conclusions from them. The rationale of ratio analysis lies in the fact that it makes related information comparable. A single figure by itself has no meaning but when expressed in terms of a related figure, it yields significant interfaces. The ratio analysis, as a quantitative tool, answers to questions such as: are the net profits adequate?

Are the assets being used efficiently? Is the firm Solvent? Can the firm meet its current obligations? And so on.

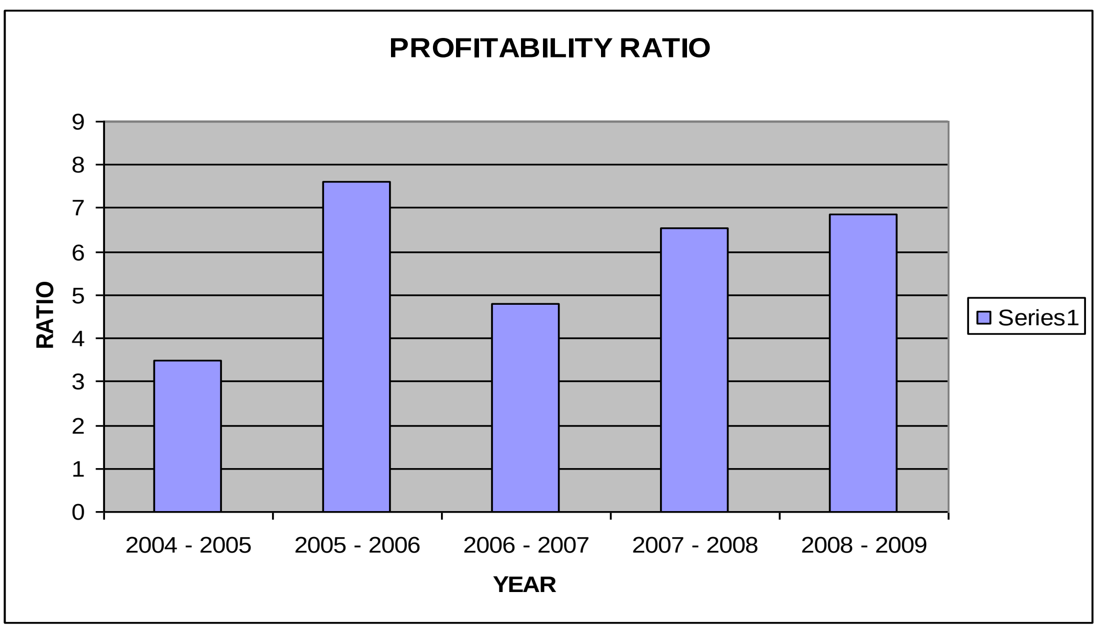
Gross Profit Ratio

Gross Profit Ratio = (Gross profit / Net sales) x 100

Table -1

The table shows that Gross Profit Ratio showing slightly increasing trend, it was low in the period 2004-2005 with 3.50% and raised during the period 2005-2006 to 7.62% then a sudden decrease in the next year to 4.80% and from that it started raising to 6.86% in the period 2008 – 2009.

Chart -1



Net Profit Ratio

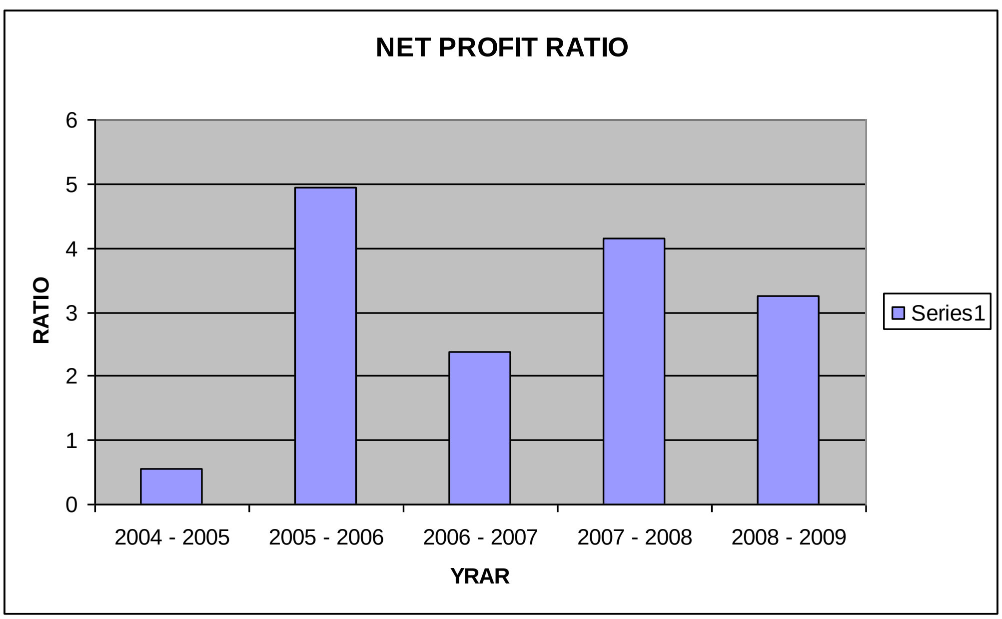
Net Profit Ratio = (Net Profit after Tax / Net Sales) x 100

Table- 2

Year	Net Profit After Tax	Net Sales	Ratio %
2004 – 2005	2,483,226	443,655,702	0.56
2005 – 2006	27,793,429	562,156,209	4.94
2006 – 2007	13,372,347	558,979,157	2.39
2007 – 2008	26,629,773	642,036,128	4.15
2008 – 2009	22,321,948	684,042,985	3.26

The table shows that Net profit ratio was low during the period 2004 – 2005 was 0.56. In the year 2005-06 it increased to 4.94. And in the year 2006-07 it decreased to 2.39 and again in the year 2007-08 it decreased to 0.52. During the period 2008 –09 it again decreased to 0.49. It shows a decreasing trend.

Chart-2



Operating Profit Ratio

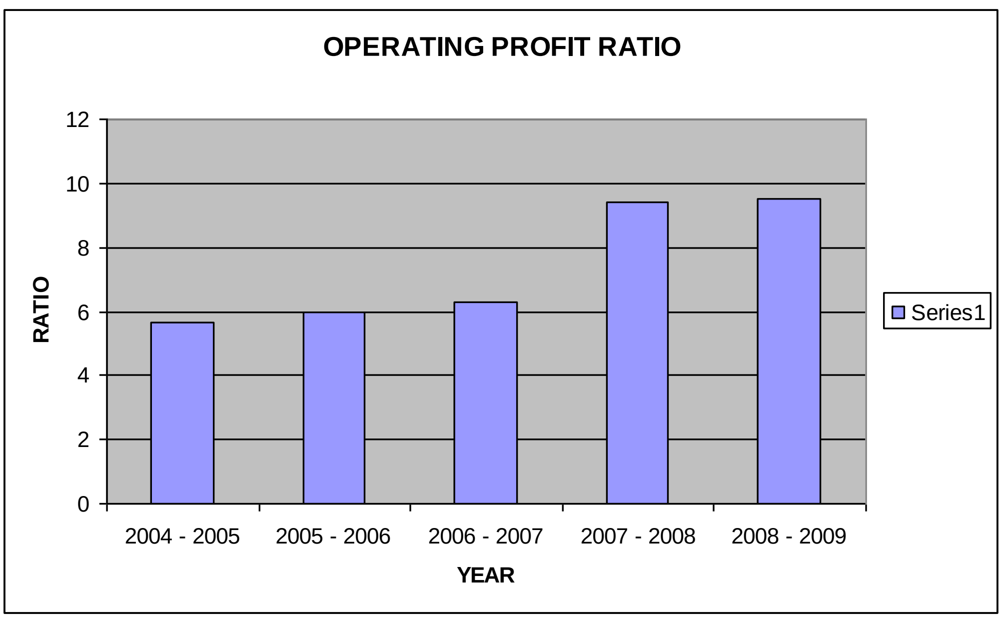
Operating Profit Ratio = (Operating Profit / Net Sales) x 100

Table-3

Year	Operating Profit	Net Sales	Ratio %
2004 - 2005	24,963,264	443,655,702	5.63
2005 - 2006	33,518,306	562,156,209	5.96
2006 - 2007	35,247,359	558,979,157	6.31
2007 - 2008	60,449,540	642,036,128	9.42
2008 - 2009	65,282,800	684,042,985	9.54

The table shows that Higher operating profit ratio shows better operating efficiency. The ratio was low during the period 2004 – 2005 to 5.63. In the year 2005-06 it increased to 5.96. And in the year 2006-07 it increased to 6.31and again in the year 2007-08 it increased to 9.42. During the period 2008 –09 it again increased to 9.54.

Chart-3



Vol. 7 Issue 6, June- 2017, pp. 318~329
ISSN(o): 2249-7382 | Impact Factor: 6.939 | Thomson Reuters Researcher ID: L-5236-2015

CONCLUSION

On studying the financial performance (through ratio analysis)., for the Dharmapuri District central co- operative bank. a period of five years from 2004 – 2009 the study reveals that the financial performance in general is satisfactory. It could be concluded that the bank has been performing well.

REFERENCE

- **M.Y Khan & P.K Jain,** Financial management (5thed: Tata Mc. Graw-Hill publishing company limited) ch.16,p.16.1
- **M.P Pandikumar.** Management accounting (1sted: Excel books, New Delhi) ch.12, p.271
- **T.S. Reddy & Y Hariprasad Reddy**, Management accounting Margham publication:7th edition 2006 (P. 3.26 to 3.75)
- **S.N. Maheswari,** Management accounting Sultan Chand & sons,1995 6th edition (P. 81 to 120)
- **C.R Kothari,** Research methodology Methods and Techniques, (2nd ed; New Delhi: Viswa Prakasham,1996) ch.1,p.30-38