



FINANCIAL ANALYSIS OF THANE DISTRICT CENTRAL CO -OPERATIVE BANK

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ABSTRACT

A bank is a financial intermediary that accepts deposits and channels them into lending activities. They are the lifeblood of modern trade and commerce and control large part of money supply. Bank's profitability can be measured by how efficiently bank deploys its total resources to maximize its net profits. The financial performance of a bank can be measured in the form of efficiency, liquidity, profitability, services, customer satisfaction etc. Financial performance is a scientific evaluation of the profitability and financial strength of any business. Financial statement analysis is used for the purpose of knowing financial performance. It helps to understand the significant facts and relationship concerning managerial performance, corporate efficiency, financial strength and weakness, credit worthiness. The technique of financial analysis is frequently applied with a view to determine continuity or discontinuity of the operating policies, investments value of the business, credit rating & testing the efficiency of operations. This study is entirely based on secondary data and different ratios have been applied to evaluate the financial performance of The Thane District Central Co-operative bank.

Keywords: DCCB, Net Worth, Return on Equity, Net profit Margin

INTRODUCTIUON

District Cooperative Central Bank is popularly known as DCC Bank. It is a cooperative banking network established in India to serve cooperatives and rural areas. It was established to provide banking to rural hinterland for agriculture sector with the branches primarily established at rural and semi-urban areas. The Banking model consists of a district central bank for each District in every state of India known with a name as a respective District Central Cooperative Bank. The members and their elected directors who represent a

DAMAYANTI REUEL PREMIER

1P a g e



multitude of professional cooperative bodies like Milk Unions, Urban cooperatives, rural cooperatives, agricultural and non agricultural cooperatives and various others, in turn would elect the bank's President. These banks are collectively represented by a State Apex Central Cooperative bank for each state and it acts as the ultimate bank and apex body for the DCCs under each state.

The Thane District Central Co-Op Bank Ltd. is registered under Maharashtra Co-Operative Society's Act-1960. From 7 branches in 1958 it has grown to a network of 91 branches all over Thane district and a customer base of more than 1 million. The Bank is the leader for all the co-operative movements in the thane district, established to guide, help and fulfill all the financial needs of co-operative movements. It acts as a Middle stage of the three tier rural financial architecture in Maharashtra State. It provides finance to primary agriculture co-operative societies (PACS) in the Thane District and generally helps to carry on Banking Business.

It also advance loans to farmers for raising of crops, marketing of agriculture fisheries societies, labours, rural artisans and other agricultural activities in the Thane District.

Short Term Finance is provided for seasonal Agriculture operation to the farmer members of primary Agriculture co-operative societies. Medium Term loan is made available to the Agriculturist through the societies for purchase of motor pumps sets, constructions of pump house, repairing deeping of old wells, installation of pipe line, purchase of bullocks/bullock carts and agriculture implements, purchase of power tiller, tractors etc. Finance is also provided to the farmers through the societies for purchase of milch cattle, rearing of goats, running of the poultry farms etc., with view to make them available side business to support their agriculture activities. The financial viability of the bank is certainly essential; not only to instill public confidence but also to make banks capable of discharging their social responsibilities. These indicators are of good importance and tell us the true financial position of the bank, help to identify the strengths and weakness of the bank and suggest improvements in its future working.

LITERATURE REVIEW

Indira R. (2009) in her research paper, attempts to understand the co operative banking efficiency by investigating the financial performance of co operative banks. Research study focuses on analyzing the financial performance of selected co-operative banks in Tumkur District. For this purpose relevant data for the period of eight years were collected from the annual reports of the co-operative banks. Financial performance is studied using ratio analysis, percentage analysis, trend analysis, one way ANOVA, chi-square test etc.



Nagarjuna R.C (2010) examined in his paper financial performance of selected co operative banks in Karnataka. The study helped to understand the working and growth of Co-operative Banks in Karnataka. In order to study the financial performance of Co-operative Banks, various financial parameters like the Capital Adequacy, Reserves, Borrowings, Liabilities and levels of Non-performing Assets etc. were analyzed. It also examines the efficiency and effectiveness in mobilizing the deposits, lending advances, investments and recovery performance, the Operating Profit/Net Profit and suggests measures for improving the working of Co-operative Banks.

Jyoti Gupta, Suman Jain, (2012) in their research paper has discussed the financial performance of UCBs in India. They have studied 200 respondents in order to understand types of loan preferences, services standard of co operative banks, efficiency, lending practices as well as satisfaction level of the customers with reference to co operative banks. Descriptive research is used in this study in order to identify the lending practices of bank and determining customer's level of satisfaction and also suggested measures to improve efficiency of UCBs in India.

Agrawal and Solanke (2012) examines the growth and development of co-operative banks, the progress of co operative banking sector, the problems, difficulties faced by them and the remedies to overcome these problems with reference to Indian economy. Some of the problems of co operative banks in the country is NPA, infrastructural weaknesses, dependence on loan capital from government, RBI, NABARD, Lack of motivation among the staff, political interference, bad recovery of loan, unethical practices, the areas of operation of the cooperative banks are restricted and limited, they are not having the modern practices of banking in their working viz. mobile banking, online banking, e-banking, ATM banking and all other modern banking practices.

Soni and Saluja (2013) the study is based on the financial ratios of DCC Bank in Rajnandgaon. The different ratios indicating liquidity, efficiency, profitability, and solvency are taken into consideration in order to understand the financial position of the bank. The financial position of this bank analyzed by ratio analysis techniques and it is found that the solvency, liquidity and profitability are satisfactory. The efficiency ratios indicated a medium level of the expenditure over the gross income. Profitability of the bank was very low due to the heavy over dues and low rate of recovery.

Sudarsan Nayak (2014) in the research paper focuses on challenges before the co operatives. Co operative in spite of being largest movement in the world and strongest link, it faces number of challenges like lack of internal resources, inadequate infrastructure, competitive tier structure, apathy of members towards management, lack of accountability, increasing sickness, dormancy, low level of professionalism, excessive government control, political interference, dominance of vested interest over management, lack of human resource



development, lack of education and training and also provides various suggestions and strategies to handle these problems.

OBJECTIVES OF THE STUDY

The main objectives of the study are as follows:

- 1) To understand the working of The Thane District Central Co-operative Bank.
- 2) To analyze the financial performance of The Thane District Central Co-operative Bank.

METHODOLOGY

This paper is basically a conceptual paper and the information is gathered from various websites, publications, journals and research papers. For the present study the financial indicator like net worth, deposit, loan & advances, investment, capital, net profit, total assets etc. are taken into consideration.

LIMITATIONS OF STUDY

The study suffers from certain limitations and some of these are mentioned below so that finding of the study can be understood in a proper perspective. The limitations of the study are as follows:

- 1) The present study is limited to only Thane district central co operative bank.
- 2) This study is limited to two years time period.
- 3) The study is based only on secondary data which has been collected from published annual reports of banks and various relevant internet sources.

ANALYSIS AND INTERPRETATION

The most important tools of analysis are through ratio. Ratio is comparison of two relevant and comparable figures. It helps in understanding and comparing the financial and overall position of organization and also helps in evaluating the performance with standards with its own previous performance. An attempt has been made to evaluate financial performance The Thane District central co operative bank. The present study is concerned about the evaluation of financial performance of Thane District Central Co operative Bank from 2013-14 to 2014-15 which has been carried out with the help of different ratios. The main variables and their trends are given below:

A. BALANCE SHEET ANALYSIS

(Rs. in Lakhs)

DCCB THANE	2013-14	2014-15
OWN FUND/NET WORTH	65400.68	74254.88
DEPOSITS	427502.42	463869.7
ADVANCES	202357.13	206873.23
TOTAL ASSETS	20211.27	22928.38
CAPITAL	2792.93	3279.79
INVESTMENT	264661.72	301127.54

Source: Annual Reports of DCCB Thane from 2013-14 to 2014-15

B. PROFIT AND LOSS ANALYSIS

(Rs. In Lakhs)

DCCB (Thane)	2013-14	2014-15
Interest earned	41574.79	44476.56
Interest Paid	21630.01	24050.09
Profit and Loss	3239.98	2077.15

Source: Annual Reports of DCCB Thane from 2013-14 to 2014-15

From the above table, it can be observed that the Net Worth, totals assets of DCCB Thane have increased. Deposit and capital of the bank have also increased but net profit has declined.

1) Own fund to deposit ratio: - Own funds /Deposits *100

Years	Own funds	Deposits	Ratio
2013-14	65400.68	427502.42	15.30
2014-15	74254.88	463869.7	16.00

It signifies the ratio of own capital to total deposit. The data about the own capital to deposit ratio is tabulated in the table. The ideal ratio is 10%. For both the years the ratio is above 10% it means Thane district co operative bank is in good financial condition. There is increase in deposits and own funds and it is reflected through the ratio.

2. Investment to deposit Ratio: - Investment/Deposits *100

Years	Investments	Deposits	Ratio
2013-14	264661.72	427502.42	61.91
2014-15	301127.54	463869.7	64.92

This ratio reflects the percentages of amount involved in liquid security and amount available at short notice the depositors. The statistical data about the investment to deposit ratio is tabulated in the above table. This ratio is very important since it denotes the availability of

funds to serve the depositors at sudden or in adverse situation. Higher the ratio greater is the availability of funds for depositors. For both the years the ratio is high it means the bank is able to keep the interest of depositors safe and secure.

3) Credit to Deposit ratio = Advances/Total deposits *100

Years	Advances	Deposits	Ratio
2013-14	202357.13	427602.42	47.33
2014-15	206873.23	463869.7	44.60

The above table shows the ratio of credit deposit of DCCB Thane. This ratio denotes the % of loan to total deposits. The credit deposit ratio plays an important role in deciding the profitability of a bank. The ratio ranges from 47.33 per cent to 44.60 per cent. Table shows that there is increase in deposits and advances but the increase is not in same proportion which is reflected through ratio.

4) Cost of Deposit: - Interest paid on deposits/ Total deposits *100

Years	Interest paid on deposits	Deposits	Ratio
2013-14	21630.01	427602.42	5.06
2014-15	24050.09	463869.7	5.18

It denotes cost of fund which is available for lending. The ratio ranges from 5.06 to 5.18. Since there is increase in deposits so there is increase in interest paid to depositors.

5) Interest Earned Ratio: - Interest received on loan/total loans *100

Years	Interest received on deposits	Advances	Ratio
2013-14	41574.79	202357.13	20.54
2014-15	44476.56	206873.23	21.50

It denotes the % of revenue on loan and advances. It means the average interest earned on loans and advances. There is increase in advances which is shown by the ratio. Higher the ratio higher the profit but this has to be kept optimum so that good borrower will be available to bank.

6) Advances to total asset ratio = Advances/Total Assets

Years	Advances	Total Assets	Ratio
2013-14	202357.13	20211.27	10.01
2014-15	206873.23	22928.38	9.02

The above table shows the ratio of advances to assets ranges from 10.01 per cent to 9.02 per cent. There is a decreasing trend is observed in the ratio of advances to assets. It indicates that the bank is careful while lending which ultimately results in better profitability.

7) Capital to Deposit ratio = Capital/Deposits

Years	Capital	Deposits	Ratio
2013-14	2792.93	427602.42	0.0065
2014-15	3279.79	463869.7	0.0070

This ratio enables the banks' ability to meet the contingencies of repayment of deposits. The ratio ranges from 0.0065 per cent to 0.0070 per cent. It is concluded that the ratio is showing increased trend.

8) Return on Total Asset = Net profit/Total Asset *100

Years	Net Profit	Total Asset	Ratio
2013-14	3239.98	20211.27	16.030
2014-15	2077.15	22928.38	9.059

The above table indicates the ratio of net profit to total assets. The ratio shows a decreasing trend due to decrease in net profit. The ratio ranges from 16.03 percent to 9.05 percent, so the bank has to take care of liquid assets to maintain steady position.

9) Return on Net Worth = Net Profit/Net worth *100

Years	Net Profit	Net Worth	Ratio
2013-14	3239.98	65400.68	4.95
2014-15	2077.15	74254.88	2.79

From the above table shows the ratio of return on equity, which is 4.95 percent in 2013-14 and 2.79 percent in 2014-15. It may be concluded that higher ratio ensures increased return to the equity shareholders and vice versa. The ratio shows decreasing trend due to decrease in net profit.

10) Net Profit margin = Net profit/Total deposits *100

Years	Net Profit	Total Deposits	Ratio
2013-14	3239.98	427602.42	0.757
2014-15	2077.15	463869.7	0.447

Above table shows that the ratio ranges from 0.757 per cent in 2013-14 to 0.447 per cent in 2014-15. It indicates poor performance of the bank. The ratio is not satisfactory due to decrease in net profit.

CONCLUSION

The present study aimed to measure the financial performance of The Thane District Central Co operative Bank from 2013-2015. Thane District Central Co operative Bank is a major bank providing loans and advances for personal, agriculture, fisheries and other purposes. There is marginal improvement in the financial condition of the bank. Funds are available for the repayment to depositors at sudden or in adverse situation. Deposits are increasing but advances are not which is reflected through advances to deposit ratio. There is increase in deposit so interest paid on deposit is also increasing which indicate increase in business of the bank. Marginal increase in loans and advances so marginal increase in interest received on advances. Advances to total asset ratio indicates that, the bank is careful while lending.

Capital to deposit ratio shows the ability of the bank to meet contingencies and it is showing increasing trend. Return on net worth ratio indicates return to equity shareholders, higher ratio ensures increase in return to equity shareholders, and this ratio is decreasing which is not satisfactory. Net profit margin ratio is also showing decreasing trend which indicate poor performance of the bank. Results showed that the profitability of the bank was strongly and negatively influenced by the deposits and advances. The study is helpful for bankers and managers in their decision making to improve the financial performance.

The study also recommends measures that could be adopted by bank to ensure soundness in its operations. The study may help decision makers to pay more attention on the major banking activities that may help in improving the financial performance and setting up plans and financial strategies. This study can be added to the present literature and it can help researchers in their future studies.

RECOMMENDATIONS

Based on the analysis and interpretation, some of the suggestions may be offered for the better performance of The Thane District Central Co operative Bank-

- 1) The bank must improve its credit deposit proportion.
- 2) The Bank should introduce modern marketing strategies.
- 3) The bank should focus on generating non interest income.
- 4) Modern techno based banking facilities should be introduced to facilitate customers and it will also help to face the competition more effectively.
- 5) The bank should properly disclose the features of the product and services to the customers.
- 6) Profit is essential for proper functioning, administration of the bank so this area should also be taken care properly.



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