



AN EMPIRICAL STUDY OF FINANCIAL RATIO OF MODASA NAGARIK SAHAKARI BANK LIMITED

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Abstract

In the past few years, it seems that India and the world's economic situation have been very wealthy. Despite the rise in crude oil prices, the value of the Indian currency has remained steadily stable. The monetary policy has been revised by the Reserve Bank and, as a result, inflation has remained in control and interest rates dropped. There are various types of institutions who are working as a bank in the society and one of them is a co-operative bank. Researchers have selected The ModasaNagarikSahakari Bank (TMNS) in the study. In 1960, TMNS Bank was founded in Modasa. The bank has its ultimate goal - "to help all class of society to increase their standard of living by providing financial aid, therefore, the civilian of Modasataluka can live with self-reliant". Various financial ratios, different graphs, and charts have been used by the researcher to analyze financial data in their research study. In the end, the profitability ratio of TMNS bank Ltd. is based on the CAR and CDR increases but the profit of the Bank decreases due to lack of full utilization of received deposits.

Keyword: Co-operative Bank, Financial Performance, Banking, Financial Ratios etc.

1. Introduction:

Co-operative Act, 1904: For the first time the concept of Co-operative bank was developed by Friedrich Wilhelm Raiffeisen. The ideology of Raiffeisen took shape as modern co-operative banks across worldwide. The main purpose of the establishment of this act is to the formation of co-operative society in India for rural credit. This system enables people to the availability of credit to small business and poor class of society.

In fact, the success of co-operative banks is the failure of public banks. Co-operative society supported and helped only those members who were familiar and local. Such a co-operative society was providing a loan only for the production work. Certain conditions were laid

down to make co-operative bank as a consortium leader. The beginning and progress of co-operative activities in India initiated in 1904. At that time no one bank meets the financial needs of the rural bank due to economic turmoil. The networks of India's co-operative banks are the most comprehensive with more than five thousand lakh members. The co-operative bank is a small type of financial institution compared to other commercial banks. Cooperative banking operation is spread over rural and urban areas. The function of Cooperative banks is similar to commercial bank such as accept deposits, providing long term and short term loan to needy, playing a role of clearinghouse and furnish other utility function. All the co-operative banks must register under the Co-operative Society Act, 1965 before the commencement of banking operation and it is regulated by RBI and NABARD. Banking Operation of such co-operative bank is limited to some areas in compare to another commercial bank. It is mandatory for all Co-operative banks to follow the rules and to maintain of SLR and CRR which is determined by RBI in order to control the supply of money in an economy. Most farmers are struggling to take loans from a centralized bank but due to the strict policy they fail to get a loan. Such people are a trap in the circle loansharks who offers the loan at the extremely high-interest rate and thus the rural people were exploited.

2. Objectives of the research:

- To study and measure the profitability of TMNS bank.
- To find out different financial ratio.
- To get the information regarding any relationship between ratios.
- To measure the efficiency of TMNS bank.
- To determine the trend of different key drivers relating to banking performance.

3. Data Analysis and Interpretation

3.1 Analysis of Financial Condition of TMNS Bank Ltd.

To Analysis of the financial position of TMNS bank, the financial year 2015-16 has been considered as a key year. The researchers consider it a cornerstone indicator.

- ❖ **Share Capital:** The lifeline of the bank is depending upon its share capital. If the bank has less money then it will not be able to do their operation with its best efforts. Currently, TMNS bank has an authorized capital of Rs. 5.25 Cror and the face value of each is Rs. 25. it is clearly visible that the bank's capital is currently growing. Thus, it is said that TMNS bank is achieving success in improving its wealth.
- ❖ **Deposit:** Investors are in the habit of investment their spare money into the banking institutions and they expect to get more returns as well as bear low risk from there. As per received data, the bank has succeeded in wooing its customers by giving an attractive interest rate. Currently, the bank has more than one hundred fifty-five crores deposits which

show that there has been a twofold increase compared to the year 2013.

- ❖ **The Mobilisation of Bank deposits:** It shows that how much loan has been given through the bank's deposit? Currently, the bank has paid a loan of more than seventy-six crores which show an increase of thirty-five percent compares to the year of 2013.
- ❖ **Working Capital:** Working capital indicates that any surplus of capital after deduction of current liabilities from current assets. The working capital of TMNS bank is merely eighteen thousand in the year 2018. The TMNS bank has shown an increase of fifty-one percent compares to the year 2013.
- ❖ **Profitability:** All banks try to maximize the profitability at any cost or in any situation -this is a bitter reality. The profitability of TMNS bank is more than one crore twenty-five lakhs in the year. The TMNS bank has shown an increase of eight percent compares to the year 2013.
- ❖ **Non Performing Assets:** NPA of all public sector banks is increasing when the public sectors are increasing but the NPA of TMNS bank is stable and efforts are being made to reduce NPA. Gross NPA was 4.7 percent in 2016, which is currently dropped to 3.8 percent.

Table 1.1 Financial Data of TMNS Bank

Year	Paid up Share Capital		Deposit		Advances taken by Shareholders		Working Capital		Profit	
	Amount (Rs.)	Growth (%)	Amount (Rs.)	Growth (%)	Amount (Rs.)	Growth (%)	Amount (Rs.)	Growth (%)	Amount (Rs.)	Growth (%)
2013-14	18506200.00	100	993453330.00	100	561134854.00	-	11,936	-	11559693.00	-
2014-15	22192375.00	119	1152572372.00	116	685299300.00	22.13	13,988	17.20	11904687.00	2.98
2015-16	26216450.00	141	1268609705.00	127	718102562.00	4.79	15,182	8.54	12408442.00	4.23
2016-17	26739450.00	144	1284261167.00	129	725899007.00	1.09	15,678.84	3.27	16318841.00	31.51
2017-18	28317200.00	153	1550612853.00	156	763745342.00	5.21	18,009.20	14.86	12579720.00	-22.91

(Source: Compilation of data from the annual report published by TMNS Banks Ltd.)

Figure: 1

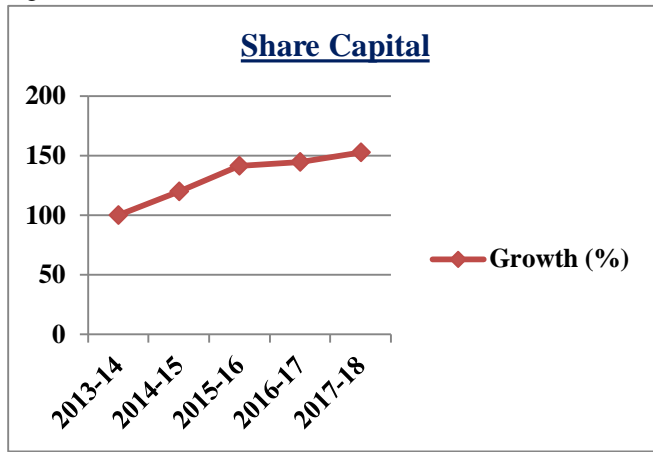


Figure: 2

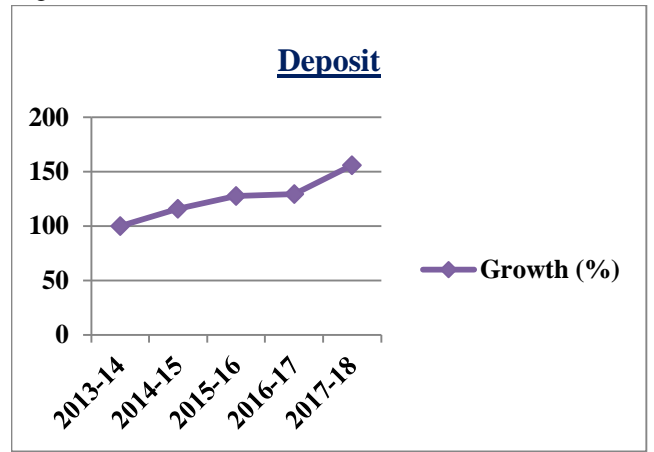


Figure: 3

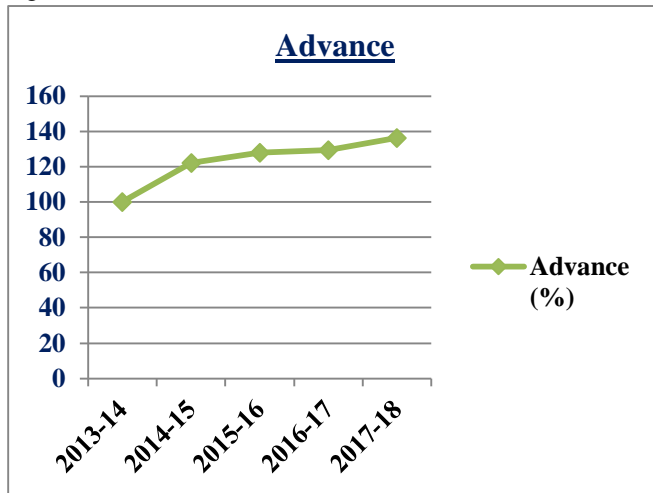


Figure: 4

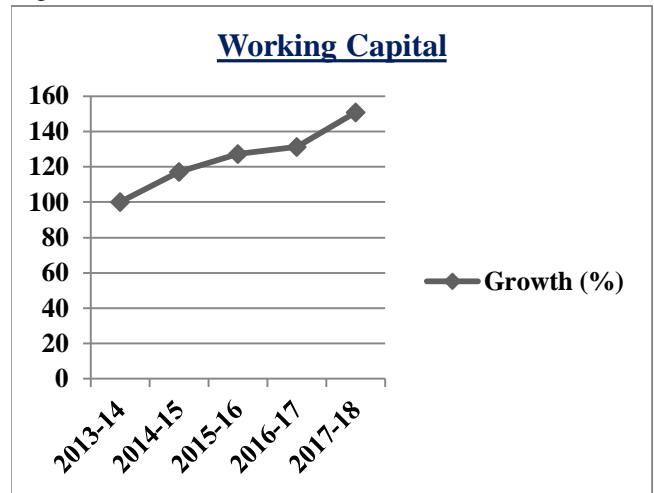


Figure: 5

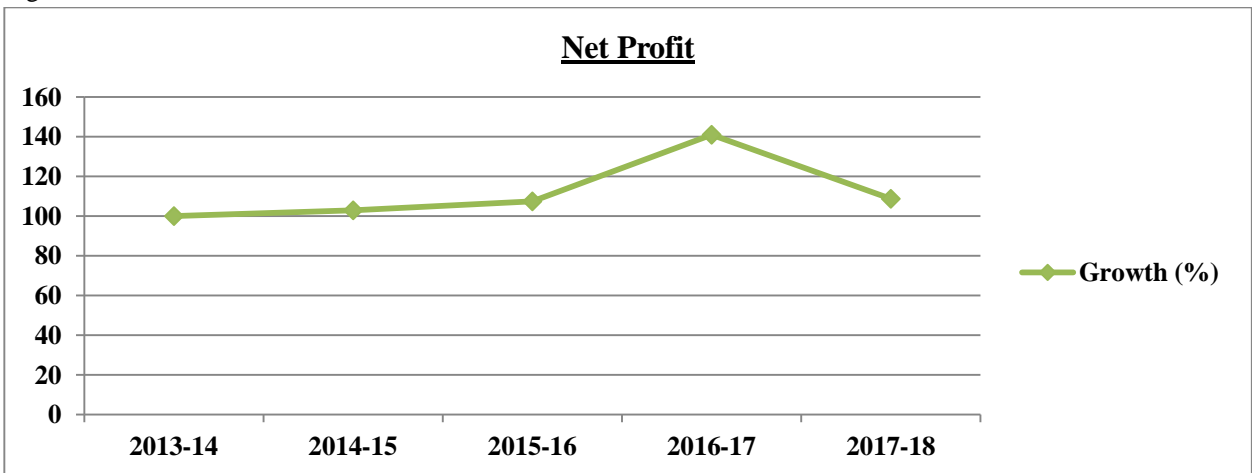
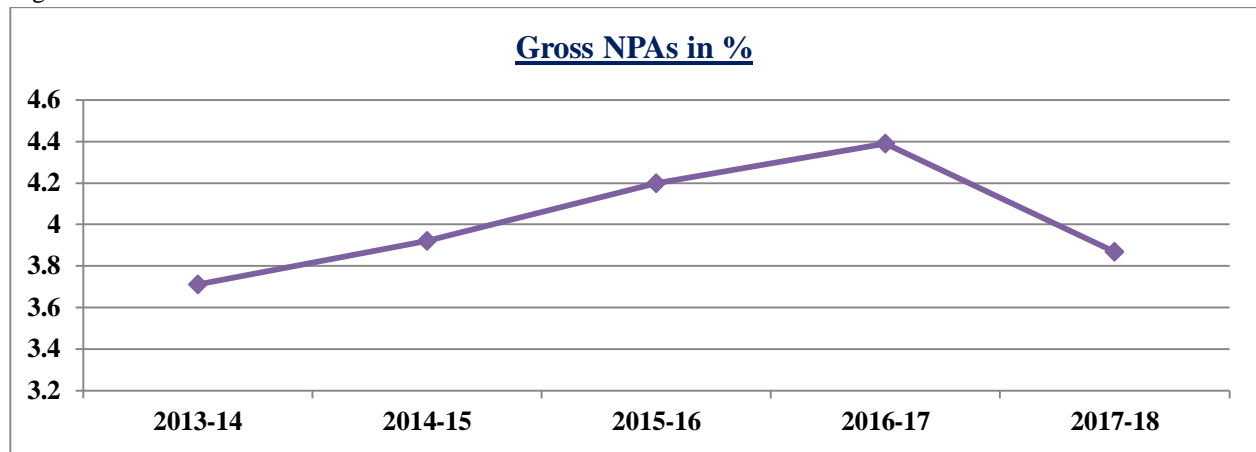


Figure: 6



3.2 Analysis of financial data of TMNS Bank Ltd using financial ratio
For the period from 1st april 2008 to 31st march 2018

Sr. No	Name of Ratios	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	MEAN	*S.D.	#C.V.
1	Operating Expenses Ratio(OER)	48.94	45.17	42.09	38.14	32.01	28.30	18.91	26.36	25.35	26.32	30.33	10.33	34%
2	Net Profit to Advance Ratio(NPAR)	1.97	2.08	2.06	1.92	1.98	2.06	1.74	1.73	2.25	1.65	1.94	0.19	9%
3	Return on Investment(ROI)	5.63	5.77	6.07	5.63	6.30	6.71	5.87	6.21	7.65	5.69	6.15	0.63	10%
4	Credit to Deposit Ratio(CDR)	61.02	59.78	60.69	56.64	62.63	56.48	59.46	56.61	56.52	49.25	57.91	3.77	6%
5	Capital Adequacy Ratio(CAR)	18.59	17.25	19.25	19.89	20.12	19.98	20.22	21.83	22.49	22.32	20.19	1.58	7%
6	Earnings Per Share(EP R)	8.80	8.48	7.96	7.11	7.91	8.40	7.90	8.23	10.80	8.60	8.42	0.91	11%

(Sources: Given ratio are calculated from the Published data of Annual Report by TMNS Bank Ltd.)

*S.D. denotes Standard Deviation

#C.V. denotes Co-Efficient of Variance

Findings and Conclusion:

1. In the banking system, the OER is calculated by its total operating expenses divided by its total advances. The less OER is more favorable for the company. The Average OER of TMNS Bank Ltd. is 30.33%. The highest OER found in the year of 2008-09 is 48.94% and the lowest

OER ratio is being seen in 2014-15 is 18.91%.

2. NPAR ratio shows the correct relationship between earning a profit for the year and the amount lent to its loan holder. The researcher has analyzed the financial statement and came to find that NPAR should be more in compare to OER but

due to low-interest margin, it is not possible to gain the profit for the bank. The Average NPAR is found 1.94. The highest NPAR of the bank is found in the year 2016-17 is 2.25:1 and lowest NPAR in the year 2015-16 is 1.73:1.

3. RBI has made compulsory to every bank to maintain SLR and CRR. As a result, every bank compels to invest certain money in the liquid assets which can easily convert into the cash in a very short time. The Average ROI is found at 6.15. The highest ROI of the bank is found in the year 2016-17 is 7.65% and the lowest ROI in the year 2011-12 is 5.63%.
4. CDR is also known as LDR (Loan to Deposit Ratio). Generally, it means that how much fund is utilized out of the received deposit? Higher the rate of CDR indicates that the company does not keep spare money in the bank because banks always tend to fully utilize all the deposit of investors to a needy person. The Average CDR is found 57.91. The highest ROI of the bank is found in the year of 2012-13 is 62.63% and lowest CDR in the year 2017-18 is 49.25%.
5. The Average CAR of TMNS Bank Ltd. is 20.19. The highest CAR found in the year 2016-17 is 22.49% and the lowest CAR ratio is being seen in 2009-10 is 17.25%. The TMNS bank has maintained its CAR ratio for last 10 years and it is more than 9% as guidelines by BASEL COMMITTEE and RBI.
6. The Average EPS of TMNS Bank Ltd. is 8.42. The highest EPS found in the year of 2016-17 is 10.80 and the lowest CAR ratio is being seen in 2011-12 is 7.11. After an analysis of relevant data, the researcher reveals that there is an inverse relationship between OER and NPAR. While OER is higher NPAR will lower and vice versa. Researcher reveals that EPS does not have any relation with profit because has formed policy and according to policy bank will give up to 12% dividend to its reimbursement share capital.

Suggestions:

- After an investigation of financial data, it is very necessary to

reduce the operating expenses of the bank, therefore OER can be increased.

- Since the 2016-17 profit of the bank is decreasing due to Growth in NPA. The bank should also try to revise their interest rate policy so that new investors can be attracted. Due to a high-interest rate on deposit, the bank has not been the success to achieve a gain in profit.
- CDR of the bank is around 57% that means more than 40% of the total raised fund is idle.

Limitation of the study:

Bank's policy has been created in such a manner that outsider cannot get any financial information of the organization. The bank does not allow the researcher to research on financial data. Branch Manager has been unable to provide all the information needed by the researcher. Branch manager has a habit of looking suspiciously toward the researcher.

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