A Study on Financial Performance in Primary Agriculture Co-Operative Bank Ltd in Dharmapuri

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ABSTRACT

The economic, social and cultural development of any country mostly depends upon the human resource it has. Banks are basically human organizations. The efficiency of the banks can be achieved when the personal growth and well being of the agricultural co-operative banking for the structure of the bank. This concept is gaining momentum, as there is no proper utilization of natural resources by mankind. Business correspondent is one such technologically driven delivery channel which most of the banks have relied upon to take banking channel to the door step of the customers. With a conductive regulatory framework, agricultural co-operative bank business model for financial performance in agricultural co-operative bank.

Introduction

India is an agricultural country about 70% of our country’s population depends upon agriculture for their livelihood. The Indian farmer is poor, illiterate and heavily indebted. Non – Availability of adequate and timely agricultural credit results in low productivity and makes agriculture more capital intensive. As there is no agency to supply credit, farmers are the ready victims of the moneylenders and indigenous bankers who charge exorbitant rates of interest. In order to protect them from the economic evils and moral degeneration, the co-operative movement in India was encouraged. The co-operative movement in India began with the passing of the co-operative credit society’s act of 1904. The act provided for the information of credit societies. These credit societies slowly paved the way in the formation of co-operative banks.

Finance is the essential of the all business. Every automation of business. Every automation of business does it for finance. Hence, there is the necessity to manage finance. So that the firm many have adequate funds of various nature at its disposal and at the same time avoid idleness of funds. In the modern money-oriented company, finance is one of the basis foundations of all kinds of economic activity. It is the master key which provides access to the entire source that is being employed in manufacturing and merchandising activities.

Financial management is the study and practice of making dollar denominated decision within a single firm, i.e., microfinance, most job opportunities in finance are in finance are in financial management every company needs a
financial manager, even a one person operation.

Financial managers are concerned with the acquisition and allocation of financial resources for a company. They spend most of their managing working capital (short term assets and liabilities).

The field of finance considers how business raise, spend and invest capital how individuals and firms allocate their resources among varying investments alternatives and how financial markets function. Finance is all about creating value. Both individual investors and corporate managers try to identify investments opportunities in financial and real assets that will create value for themselves, or their firm’s investors.

Competitive global markets, creating value is very hard to do. Yet this is what finance both challenging and fun and why a degree in finance can lead to a career that is both satisfying and lucrative.

Financial performance analysis is very much needed for finding out the efficiency of rising and utilization of funds in the organization by establishing strategic relationship between the components of balance sheet, profit and loss statement and other operations data for better decision making and to maximize the profitability of the organization.

Financial statements

An organization communicates its financial information to the users through financial statements and reports. Financial statements contain summarized information of the organization’s financial affairs organized systematically.

Objectives of the study

- To know the study on the agricultural credit structure of the cooperative credit society bank ltd.
- To analysis the financial performance of the PACCS.
- To analysis the profitability, liquidity and solvency position of the select PACCS bank ltd.
- To identify the key success factors and weak financial position.

Scope of the study

It gives information to the investors about the earning capacity of the bank. With the help of ratio analysis comparison of profitability and financial soundness can be made between one and another. Current year’s ratios are compared with those of previous years and if some weak spots are thus located remedial measures are taken to correct them. Gives information to the researchers for conducting research in respect of profitability, efficiency financial soundness and growth of the bank.

Statement of the problem

Low resources base has been a major constraint in the effective functioning of PACCS with necessitates augmenting the deposits and improving the performance of lending to reach smooth credit creation. Further, it paves the way to the
organizations of PACCS and to set right the mismatches in the growth of PACCS throughout the country.

With this background, the present study aims to build a knowledge base on the financial performance of select PACCS. So it is pertinent information what are the sources of funds? What is a extend of overdue how to make resources mobilization and deployment of funds effective?

These questions would be answered through studies, which would help the societies to improve their objectives. Hence, this present study entitled “A study on financial performance of select primary agricultural co-operative bank ltd.

Limitations of the study

- Data depends upon past information.
- These only the last five years financial data is considered for the study.
- The study is limited concept of co-operative and agricultural credit.
- This study is restricted only to the leverage position of the selected co-operative bank.

Research design

Analytical research is used in the study. The researcher had to use fact and information already available through financial statements earlier years and analyze these to make critical evaluation of the available material.

Methodology

His study based on secondary data were collected from various websites, newspaper and magazine, articles and published annual reports comprising the profits and loss account and balance sheets of the primary agricultural co-operative bank ltd from the source of data.

Tools of analysis

The financial performance was studied through these tools. Ratios were calculated by comparing them with the concern so that co-operative bank liquidity and solvency position were analyzed.

The following tools are used

- ✓ Ratio analysis
- ✓ Trend analysis
- ✓ Comparative statement

Review of literature

Review of literature is essential for every research to carry on the investigation successfully. The review of literature helps the researchers to have a first and knowledge about the parallel work done by others. This enables to fix the title, objectives and methodology and to have a comprehensive understanding of the proposed study.

Gurumoorthy. T.R (2001) revealed that the loan recovery would contribute to fresh loans that create new business and requirement of the financial institutions.

Sheilakaushik (1989) found that women were not given equal opportunity in availing credit from the co-operative banks.
Sathish. P (2001) a study conducted by identified that self-reliance deployment of resources member utilization, participation and economic performance were the criteria for assessing the performance of PACCS.

Veerakumaran (2001) stated that the huge overdue, breaks the recycling of funds and thus adversely affects the profitability of the banks.

RaviVarma. S (2003) revealed that among the different categories of the farmers, large and medium farmers are provided disproportionately higher amount of credit than their corresponding share in the number of accounts.

Balishter and pankaj kumara (1995) syndicated that 75 percent of deposits come from high cost schemes such as fixed deposits, deposits doubling schemes etc.

Garg M.C & Joshi N.N (1997) Found that the dominate of the money lender could still be found in satisfying the credit needs of the members of the PACCS.

Government of India (2004) the report of the committee on task force on revival of co-operative credit institutions pointed out that the low recovery of loans obviously affected the profitability of the institutions and poor loan recovery had resulted in a peculiar phenomenon, often referred to as imbalances. It also viewed that PACCS were mainly conducting their business through borrowed fund.

Mishra J.P and Maurya S.K (2005) expressed that agricultural credit disbursed by co-operatives in goal block of Gorakhpur district has increased production, productivity income and employment of borrowers in crop and milk production.

Desai S.S.M.(1993)indicated that co-operatives showed a better performance in issuing kissan credit cards than RRBs (Regional Rural Bank) and CBs (Commercial Bank).

Clage.W.H. (1972) made an attempt to measure the viability of PACCS during previous economic reform period and the post economic reform period.

Sharma, K.C (2001) as part of a study of the fortune 500’s financial management practices, find that time value of money cash flow analysis is used to select projects in 91 percent of the firms, while inventory management models were used in 60 percent of the companies.

Across al limited sample, Yashwant V.Davit (2000) management observe a tendency of construction firms with low levels of current ratios to also have low levels of current liabilities.

Combining accounts receivable and payable into one issue is hill, K.V Kulkarni, (1983) financial management finding that payees define date of payment as the date payment is received, while payers view payment as the postmark date additional WCM insight across firms, industries, and time is needed.

Sharma, Mandira and kumar, Rajiv (2008) presents two models of value creation through effective short-term financial management activities.
According to Hocar, A.M.(1948) benchmark comparison (i.e comparison of fund performance with market or index portfolio in terms of returns) is 3rd level of performance, which indicates how well, or worse the managed portfolio has performed, vis-a-vis, benchmark portfolio.

Viswanth A.R (1966) indices offer such a measure of performance. Have provided the conceptual framework of relative measure of performance of equity mutual funds. While used systematic risk, used total risk to evaluate the mutual fund portfolio performance.

H.G Guttmann, (1953) Generally, the financial performance of banks and other financial institutions has been measured using a combination of financial ratios analysis, benchmarking measuring performance against budget or a mix of these methodologies the financial statements of corporations in Oman that published commonly contain a variety of financial ratios designed to give an indication of the corporation’s performance.

Schreiner .M. (1998) there is a generally accepted relationship between risk and return, that is the higher the expected return. Therefore, traditional measures of bank performance have measure both risks and returns.

Shin, H.H and sooner, L. (1998) many researched have been too much focus on asset and liability management in the banking sector, some of these studies are

Jon R. Presely (1994) concluded from his study that there is a need for greater risk management in relation to more effective portfolio management, and this requires a greater emphasis upon the nature of risk and return in bank asset structure, and greater diversification of assets in order to spread and reduce the bank’s risks.

Findings

The study was carried on to analysis the financial performance primary agricultural co-operative bank ltd. And the findings were summarized as follows.

- The return on investments ratio was capital employed position was satisfactory of the bank.
- The return on total assets position was decreasing the study period.
- The gross profit ratio was gradually fluctuation was the study unit.
- The net profit ratio was good satisfaction of the bank.
- The fixed assets turnover ratio was decreasing for the during the study period 4.38.
- The debtors to current asset ratio were fluctuating the study period.
- The current asset to total asset ratio was the frequently of the bank.
- This ratio was cash to current liability position was good condition of the bank.
- The proprietary ratio was good satisfaction of the bank.
- The cash position was the period of the year was fluctuating during study period.
The fixed assets ratio was good satisfaction of the bank during the study period.

The debt-equity ratio was good satisfied of the during the study period.

The trend in sales position was good satisfaction of the bank.

The trend in total expenses of the bank are a gradually increase of the bank.

Suggestions

- A part from age wise analysis done presently, reason wise analysis on sundry debtors may do to reduce the sundry debtors.

- A periodic meeting with the suppliers to be conducted and requirements of documents and other to communicates to avoid the delay in processing their bills.

- Automatic storage and retrieval systems (ASRS) installed in the components stores may also installed in other stores also quick issue materials to production and surplus, manpower raised on such installation may be utilized effectively in other areas.

- The japans technique of kaizen costing may i.e implemented to reduce the overheads and increase their profit.

- An effective action may please be taken to reduce the trading expenses.

- The bank can improve the profitability position of the profit and return on investment.

The bank should make some special steps for reducing their expenses relates with different needs and utilize all available assets more effectively and efficiency to earn more profit.

Conclusion

The fundamental analysis which aims at developing an insight into the economics performance of the business is of business of paramount importance from the view point of investment decision. Thus the present study has been conducted to examine the economics sustainability of the co-operative bank.

The bank has huge retained earnings and mostly it needs not depends on other for it short and medium financial requirements. Over all financial position of the bank is god. The bank has very good human resources which is one of main reasons for its achievements.

The main problem of the bank is increasing in the price of material which affects profit margin of the bank at present as well as in future.

Almost all the latest techniques, methods are implemented by the bank. The bank has very strong base in finance and other resources.

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