RESEARCH PAPER | Commerce | Volume : 3 | Issue : 11 | Nov 2013 | ISSN - 2249-555X

A Study on Solvency Position of Dharmapuri District Central Co-Operative Bank Ltd

KEYWORDS co-operative banks, members,customers,loans,

V. Palanivel
Assistant Professor, PG & Research Department of Commerce. Sri Vijay Vidyalaya College of Arts and Science, Nallampalli, Dharmapuri, 636 807, TamilNadu

Dr. C. Manikanda Muthukumar
Assistant Professor, PG & Research Department of Commerce, Government Arts College (Autonomous), Salem-7

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. Co-operative banks are often created by persons belonging to the same local or professional community or sharing a common interest. Co-operative banks generally provide their members with a wide range of banking and financial services (loans, deposits, banking accounts etc). 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. The needs of co-operative bank are different. They have faced a lot of problems, which has affected the development of co-operative banks. Cooperative societies are based on the principles of cooperation, - mutual help, democratic decision making and open membership. Cooperatives represented a new and alternative approach to organisaton as against proprietary firms, partnership firms and joint stock companies which represent the dominant form of commercial organisation.*

Introduction
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-Operation means working to gather, the principle of Co-Operation is as old as human society. It is truly the basis of domestic and social life. the co-operative banking structure is a three tier federal one.

- A State Co-operative Bank works at the apex level (ie. works at state level).
- The Central Co-operative Bank works at the Intermediate Level. (ie.District Co-operative Banks ltd., works at district level).
- Primary Co-operative credit societies at base level (At village level)

OBJECTIVES OF THE STUDY
- To Study the Conceptual frame work of Co-Operative with regard to Dharmapuri District Central Co-Operative Bank Ltd.,
- To analyze the solvency position of the Bank and different type of financial assistance.
- To analyze beneficiary view about the various aspects of financial statements.

METHODOLOGY:
The researcher is using both methods like analytical and descriptive in nature. Ratio analysis used for data analysis with some graphical chart to express for easy understanding.This study is based on Secondary data gathered from original audited annual reports and balance sheet of the bank. The information has been collected from Dharmapuri District Central Co-Operative Bank Ltd., in Dharmapuri.

OVERALL Solvency (or) Total debts ratio
It is a ratio, which relates the total tangible asset with the total borrowed funds. It shows the proportion of assets needed to repay the debts. A higher ratio indicates greater risk and lower Ratio is safety to the banks. A higher ratio also makes the firm vulnerable to business cycles and its solvency becomes suspect. Solvency or Total debts ratio = Total debts / Total tangible assets

TABLE NO.1
TOTAL DEBTS RATIO Rs. 000

S. No.	Year	Total debts	Total tangible assets	Ratio	Trend
1	2006 - 2007	3819025	5852185	0.65	0.59
2	2007 – 2008	4143266	6979867	0.59	1.16
3	2008 – 2009	4993832	8705355	0.57	1.73
4	2009 – 2010	6690991	9224216	0.72	2.29
5	2010 - 2011	8653841	11809605	0.73	2.85

Sources: Bank Annual Report

INTERPRETATION: The above analysis shows that the total debt ratio during the study period 2006-2007 to 2010-2011. Ratio 0.65 is normal during the period 2006-2007, next two year is slightly decline the ratio on 2007-2008 is 0.59 and on 2008-2009 is 0.57, and finally last two years is increasing the ratio on 2009-2010 is 0.72 and on 2010-2011 is 0.73. The above trend analysis is shows trend value steadily increases so the bank should have borrowing in future.

Short Term Solvency Ratio:
Current Ratio:

It expresses the relationship between the current assets and current liabilities. It is computed by dividing current assets by current liabilities and expressed in times. A low current ratio a firm may not be able to pay its bills. Current ratio = Current assets / Current liabilities.

TABLE NO. 2
CURRENT RATIO Rs. 000

S. No.	Year	Current assets	Current Liabilities	Ratio	Trend
1	2006 - 2007	2565625	2678362	0.96	1.03
2	2007 – 2008	3454849	2839467	1.22	1.91
3	2008 – 2009	4441839	3421410	1.29	2.78
4	2009 – 2010	7589298	4465335	1.69	3.66
5	2010 - 2011	9014833	6098808	1.47	4.54

Sources: Bank Annual Report

INTERPRETATION : The above table shows that the current

Volume : 3 | Issue : 11 | Nov 2013 | ISSN - 2249-555X

ratio during the study period from 2006-2007 to 2010-2011. The low current ratio indicate bank is not able to repay the borrowing in during period on 2006-2007 is 0.96, then the current ratio is increasing and capable to repay borrowings the period of during three year from 2007-2008 to 2009-2010 is 1.22, 1.29 and 1.69 respectivly. The finally in the year 2010-2011 current asset position is better of the bank can meet the borrowing and liabilities even though compare with previous year, current ratio decreased to 1.47. The trend analysis shows the future value will be increase the current ratio.

Long-term solvency ratio

Fixed Assets Ratio

The ratio established the relationship between fixed assets and Long – term funds

Fixed assets ratio = Fixed assets / Long term funds.
Fixed assets here mean =Fixed assets - depreciation
Long – Term Funds = Share capital + Reserve and Surplus + Long – term loans -Fictitious assets.

TABLE 4

FIXED ASSETS RATIO **Rs. 000**

S. No.	Year	Fixed Assets	Long term funds	Ratio	Trend
1	2006 - 2007	10975	331067	0.03	0.04
2	2007 – 2008	12657	338847	0.04	0.06
3	2008 – 2009	13282	358399	0.04	0.09
4	2009 – 2010	19145	391859	0.05	0.13
5	2010 - 2011	20318	462820	0.04	0.16

Sources: Bank Annual Report

INTERPRETATION: The above table shows that the Fixed assets ratio is steadily increased during the period from 2006-2007 to 2009-2010,than again Fixed asset ratio down 1% on 2010-2011 The overall fixed assets of the bank is look like average and the trend analysis shows in the future value do increased

FINDINGS

- Over all solvency position of the bank is good based on the research analysis during period 2006-2007 to 2010 – 2011.
- Current ratio shows that short term liquidity position of the bank is capable to meet the creditor and short term borrowings.
- Short-term solvency cash position of the bank does not have strong.
- Long term solvency position or fixed assets of the bank is slowly getting up
- Long term solvency position of the bank is better now even, trend value shows that future will have strong solvency position.
- The Long term proprietary ratio from the above analysis show that does have soundness of fund to repay the creditor of the bank.

SUGGESTIONS

- The research suggests that over all short term position of the bank is very low. The trend analysis is shows that future debts will increase so banker want to reduce the borrowings or debts to smooth running to the bank.
- To suggest that bank shareholder or creditor do not having safety at present and in future will have greater risk in the bank to the owners.

CONCLUSION

As a successful Co-Operative bank in the Dharmapuri District Central Co-Operative Bank Ltd., has achieved its objectives by providing loans and advances for the betterment of the life of its members. The role of service sector plays a vital role in the economic development of the country. In rural area, the bank services are very important the improve to rural development. There is lack of banking habits among the rural people. The saving and investment are considered very important to make a country economically sound. The effective mobilization of saving lies in the hands of banking sector. Therefore, banks must provide necessary services to its customers and can attract the potential customers etc.

REFERENCE

1. Calvert H, “The principles of Co-Operative” Sultan & Chand publications. | 2. Kothari C.R, “Research Methodology” New Age International Publication. | 3. Mageshwari S.N, “Financial Management” Sultan Chand Son’s Publishers, New Delhi,1997. | 4. Reddy T.S, and .Hari Prasad Reddy V , “Management Accounting ” Margham Publications Chennai 600017. | 5. Shashi Gupta K, and Sharma R.K “Management Accounting” Principles an Practice. 11th Revised Edition Kalyani Publishers, New Delhi – 110002. |