Research Paper Commerce

A Study on Financial Performance of Shevapet Urban Co-Operative Bank, Salem

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ABSTRACT

Banking is the important in the Indian economy. The bank is simply accepting money as deposits from the depositors and lending the money to borrowers. It allows the economy growth. The cooperative banking sector is one of the main partners of Indian banking structure. According this study is to analysing the profitability, liquidity position.

KEYWORDS

INTRODUCTION ABOUT THE STUDY

1.1 Meaning

The financial statements are the results of the accounting process which begins with regarding of transactions. The accounting process involves recording, classifying and summarizing business transactions in a systematic way.

The term 'Financial Analysis' is also known as analysis and interpretation of financial statements. It refers to the process of determining the financial strengths and weakness of a firm by establishing strategic relationship between the items of the balance sheet, profit &loss account and other operative data.

1.2 Definition

According to Metcalf and Titard, "It is a process of evaluating the relationship between component parts of a financial statement to obtain a better understand of a firm's position and performance".

In the words of Myers, "Financial Statement analysis is largely a study of relationship among the various financial factors in a business as disclosed by a single set-of statement and a study of the trend of these factors as shown in a serious of statements".

1.3 Objective of Analysis

The objective of financial analysis is the following:

- To estimate the earning capacity of a firm
- To estimate the financial position and financial performance of a firm
- To determine the long-term liquidity as well as solvency of a firm
- To determine the debt capacity of a business
- To decide about the future prospects of a firm

REVIEW OF LITERATURE

Gary Moynihan, International Journal of financial service management 2006 vol I, no 2./3 an expect system for financial ratio analysis interprets a company's past and present financial health and predicts its future condition. Although company financial statements contain a wealth of information to support this analysis, their interpretation may be complicated. Experts in this field are limited. This research focuses on automating the current practice of financial ratio analysis to identify the various features that need to be incorporated into the system. The involves calculating the ratios, establishing the relationships between the ratios, determining the techniques for accurately forecasting the financial statements and/ or ratios, developing heuristics for analysing the ratio and providing a system for recommendations. A prototype expert system was then developed.

The system is capable of performing five types of analysis: liquidity, leverage, turnover, profitability and past performance. The output of the systems is list of conclusions and recommendations based on these analyses.

HuldahA.Ryan,[4] Journal of Financial and Strategic Decisions, The Use of Financial Ratios as Measures of Risk, 1996 vol 9, and number 2 summers 33, the effect of Financial Reports on Stock Market Behaviour is a Central Issue of Research in Accounting and Finance. A number of studies investigate how financial information becomes in security prices and affects investments decisions. Prior studies on the determinants of the bid-ask spread is a positive function of risk. Other studies report on an association between market risk measures and accounting risk measures. The present study extends this line of research by examining the effect risk, on the bid-ask spread. The results of ordinary least squares (OLS) regressions provide evidence of a statistically significant association between certain accounting ratios and the bid-ask spread and indicate that accounting risk measures account for more variability in the bid-risk both accounting risk measures and market risk measures is a better fitted model that model which includes both accounting risk measures and market risk measures is a better fitted model that one which includes either accounting risk measures or market risk measures alone.

Tarun k. mukhejee, Prakash Deo,[5] 2007, volvil number 7, Review of Business Research, using ratio analysis to evaluate financial health of clacks. A pedagogical note, in this paper, we purport to show the predictive ability of basic ratio analysis. The reason we choose this path is an integral part of any introductory as well as advanced rebooks in corporate finance see for example, Brealey Review of Business Research, volvil number2, 2007 66 A and myers (2007), Brealeymyers and marcus (2004), Brigham, Gaenki and Daves(1999). Additionally, data to perform this analysis is more readily available to an average investor.

Daga U.R (1985)[6] the thesis entitled "analysis financial statement of aluminium company in India" was aimed at analysis the complex financial situation in which the Indian aluminium industry has sailed during the period of study from(1973-1983).

OBJECTIVES OF THE STUDY

3.1 Objectives of the study

The present study has the following objectives:-

- To study about the overall performance of the Shevapet Urban co-operative Bank Ltd., Salem.
- To find out the profitability, liquidity position of Shevapet Urban Co-operative Bank ltd., Salem.
- To analyses the Net Profit earned during the study period.
- To suggest measures for the improvement of the Shevapet Urban co-operative Bank Ltd., Salem.

3.2 METHODOLGY

This study is based on secondary data collected from the Annual Reports, Published Articles, and Bye – law of co-operative Bank etc.

For easy analysis, the table of flow Charts was drawn whether needed.

3.3 LIMITATION OF THE STUDY

This is done in the Shevapet Urban Co-operative Bank Ltd., salem-2 only. It cannot be generalized to other Urban Banks.

The time period of the study is limited for two months.

The information given by the Salem Urban co-operative bank is annual reports only. It's based on secondary data.

3.4 STATEMENT OF THE PROBLEM

All Banks' lending pattern has been affected due to excessive occurrence of NPA. Hence, no bank adopt new basis for granting loans. This study is done is order to ascertain the current lending pattern and basis for lending to evaluate its performance.

3.5 SCOPE OF THE STUDY

1. The bank can make managerial decisions, like planning, and controlling based on the financial performance.
2. The Researcher is interested in making a critical financial performance of the Bank.

3.6 SOURCES OF DATA

The research is primarily based on secondary data, with additional information gathered from the finance department of the Salem central co-operative bank, Salem. The main sources are company's five year annual reports.

3.7 TOOLS USED FOR ANALYSIS DATA

The financial status of the Shevapet Urban Co-operative Bank, various tools for analysis

- ❖ Comparative balance sheet
- ❖ Common-size statement
- ❖ Ratio analysis

DATA ANALYSIS AND INTERPRETATION

Financial statements are prepared primarily for decision-making. The statements are not an end in them, but are useful in decision making. Financial analysis is the process of determining the significant operating and financial characteristics of a firm from accounting date. Operational performance has to be measured and compared with the previous years of its own to see its improvement level. Inter firm and intra firm comparison gives guidelines for future course of action.

- Comparative balance sheet
- Common-size statement
- Ratio analysis

RATIO ANALYSIS

According to Accountant's Handbook by Wixon, Kell and Bedford, a ratio "is an expression of the quantitative relationship between two numbers".

A company's financial information is contained in 3 basic financial statements- the Balance Sheet, the Trading and P&L Account and the P&L Appropriation Account. These statements are very useful to different parties concerned such as management, creditors, and investors and so on. These statements may be more fruitfully used if they are analysed and interpreted to have an insight into the strengths and weakness of the firm.

COMPARATIVE BALANCE SHEET

Comparative Balance Sheet is statements which describe the comparative results of assets and liabilities in a two or more different date. The comparative balance sheet has two columns for the data of original balance sheets. A third column is used to show increase or decrease in values. And fourth column may represent the percentage of increase or decrease of values.

COMMON SIZE BALANCE SHEET

A statement in which balance sheet items are expressed as percentage of each asset to total assets and percentage of each liability to total liability is called common size balance sheet. This statement establishes relation between each asset and total value of asset and each liability against total liabilities.

FINDINGS:

- The current ratio had big change from 2007-2008 to 2008-2009. Its decreased in the year 2010-2011 to 2011-2012.
- The debt equity ratio is decreased from 0.41% to 0.32% in the year2007-2008 to 2009-2010. But it is increase by 0.39% in 2011-2012.
- The proprietary ratio fall down from 0.18% to 0.017 in the year 2007-2008 to 2010-2011 and its increased 0.15% in 2011-2012.
- The cash position of the bank is decreased from 6.00% to 0.52%.
- Return on shareholders' fund has increased in the year 2007-2008 to 2008-2009. It was decreased in the year 2009-2010 but it is increased to 3.34% in the year 2011-2012.
- Share capital ratio is to be decreased.

SUGGESTION:

- The share capital of the bank should be improved.
- The reserve fund should be improved to avoid the critical situation.
- The balance with other bank should be improved.
- Efforts should be taken by the bank to credit loans.
- To provide loans and advances for productive purpose.
- The profit earning capacity of the bank is poor. Effective steps should be taken to improve net profit of the bank.

CONCLUSION:

The study was undertaken to analyze the financial performance of urban co-operative bank ltd. selected profitability and liquidity ratio's. Over all the analysis if the share capital is decreasing year by year. So, proper steps to be taken in concerned quarters. Though the co-operative bank for service motive, they must earn some profit.

Keeping in view of the challenges being by the co-operative in India, they are various initiations to strengthen their co-operative edge in the market. These initiatives include total quality control initiatives, management initiatives and cost reduction initiatives. It is now increasingly recognized that the operative system in India has the capacity and potentiality to neutralize the adverse emerging from the process of globalization and liberalization. The co-operative are aiming at capitalization on the sympathy of the general masses towards the co-operative sector and are determined to move into the high pedestal of efficiency, productivity, competitiveness and transparency in new millennium.

REFERENCES

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