PARIPEX - INDIAN JOURNAL OF RESEARCH | Volume - 11 | Issue - 06 | June - 2022 | PRINT ISSN No. 2250 - 1991 | DOI : 10.36106/paripex

ORIGINAL RESEARCH PAPER

Accountancy

A STUDY ON FINANCIAL STATEMENT ANALYSIS OF TAMILNADU INDUSTRIAL COOPERRATIVE (TAICO) BANK LTD, CHEENAI

KEY WORDS: Financial statement, Common size, Comparative, Ratio Analysis

Rohini.B (student 2nd year MBA) PRINCE SHRI VENKATESHWARA PADMAVATHY ENGINEERING COLLEGE PONMAR ,CHENNAI-600127

Sathya naveena* Assistant Professor PRINCE SHRI VENKATESHWARA PADMAVATHY ENGINEERING COLLEGE PONMAR ,CHENNAI-600127*Corresponding Author

Mr.S.Rathika Associate Professor and Headof Department Mangement Studies PRINCE SHRI VENKATESHWARA PADMAVATHY ENGINEERING COLLEGE PONMAR ,CHENNAI-600127

ABSTRACT

Financial statements are the pulse of an organization to understand the healthy financial position of an organisation. This Study was taken up in Tamilnadu Industrial Development Cooperative Bank (TAICO), Chennai with the objective to determine the variation in the items of income statement and balance sheet by common size statement, to evaluate the performance of the bank by comparative study and to ascertain the solvency, liquidity and profitability ratios of the bank. For the purpose of the study, last three years financial statements were obtained from the bank. With the help of Common size balance sheet, Comparative Balance sheet and Ratios of Profitability, Solvency and Liquidity the financial status was obtained. The bank has seen a down side during the pandemic period as visible from the analysis. It is also very positive to note that deposits has risen and the bank is close to pre-pandemic status as per 2021 reports. The bank has to concentrate on investing in Fixed assets and also ensure that profits are used in this regard. Other variables indicate a healthy financial statement of the bank.

1. Introduction

"Financial statement analysis is largely a study of relationship among the various financial factors in a business as disclosed by a single set of statements, and a study of the trend of these factors as shown in a series of statements". - Myers Financial analysis is the process of evaluating businesses, projects, budgets, and other finance-related transactions to determine their performance and suitability. Typically, financial analysis is used to analyze whether an entity is stable, solvent, liquid, or profitable enough to warrant a monetary investment. Financial Analysis is not only for internal purpose but also for external stakeholders of a company. This study is with reference to a Co-operative Bank.

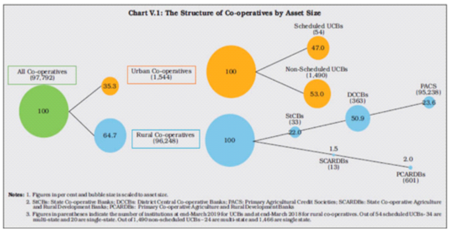
Financial performance of banks give an idea about financial status and profitability of a bank. It provides information to various parties- owners, creditors, government, public and employee.

2. Overview of Cooperative Bank

A co-operative bank has defined by divine as "a mutual society formed , composes and governed by working people themselves for encouraging regular savings and granting small loans an easy turns of interest and repayment."

The Tamilnadu Industrial Cooperative Bank Ltd. popularly known as TAICO BANK" is functioning under the administrative control of Industries Commissioner & Director of Industries and Commerce who is the Registrar of Industrial Cooperatives came into existence on 13.09. 1961 From the below chart, an overview of structure of Co-operatives based on its asset size.

Chart 1: Chart showing Structure of Co-operatives by Asset Size



Source: RBI publication

According to RBI website information, the consolidated balance sheet of urban co-operative banks expanded moderately in 2018-19 on the back of robust deposit growth which financed the pick-up in lending. Although their asset quality and provisions improved, a fall in interest income adversely affected profitability. Among short-term rural co-operatives, the financial health of state co-operative banks and district central co-operative banks weakened on account of an increase in the non-performing assets and slowdown in profitability. The soundness indicators of long-term co-operatives remained fragile.

The Tamilnadu Industrial Cooperative Bank Ltd., popularly known as "TAICO Bank" is the first of its kind in the Cooperative Sector in the Country for catering the needs of Industrial Cooperatives. A unique Cooperative Bank with state wide jurisdiction, to develop the Industrial Cooperative Societies in the State of Tamilnadu. The Bank's Head-office at Raja Annamalaipuram, Chennai.

3. Need for the study

The analysis of the financial statement is a process of evaluating the relationship between component parts of financial statement to obtain a better understanding of the bank's position and performance. This study attempts to analyze the financial performance of Tamilnadu Industrial Cooperative Bank by using various tools.

4. Objectives of the study

The objectives of the Study are as follows -

(a) To determine the variation in the items of income statement and balance sheet by common size statement
(b) To evaluate the performance of the bank by comparative study
© To ascertain the solvency, liquidity and profitability ratios of the bank

5. Scope of the study

The scope of the study is limited to Tamilnadu Industrial Cooperative Bank, Raja Annamalaipuram, Chennai. It is the headquarters of the bank.

6. Review of Literature

Various studies pertaining to the topic are taken up here - Murthi and Saraswati (1996), in their paper tited, "Reducing Overdues in Credit Cooperatives: Some Alternatives" undertook a study to evaluate the Quantitative Progress made in respect of supply of Institution Credit. Using the secondary data made avai l ab l e by RBI in Statistica l Statements re l ating to Co-operative Movement in India for a period of 6 years from 1978 to 1983 and assessing the loaning Po l icies of Girijan Co-operative Corporation, Visakhapatnam, the study concluded that the progress in respect of supply of credit was phenomenal over the period of study but it pointed out that the most unnerving aspect of institutional credit was the alarmingly high percentage of overdues, i.e., about 43% of loan recoverable in the second-half of the 80s in the case of co-operatives.

Pathania and Singh (1998), in their study titled, "A Study of Performance of HP State Co-operative Bank" observed that the performance of the Himachal Pradesh State Cooperative Bank Ltd. in terms of membership drive, share capita l, deposit mobilization, working capital and advances has improved over the period of five years, i.e., 1991-92 to 1995-96. However, recovery performance was unsatisfactory and overdues had increased sharply. This was due to the after effects of loan waiver 31 schemes.

Niranjanraj and Chitanbaram (2000), in their study titled, "Measuring the Performance of DCCBs" observed that suitable models should be deve l oped to eva l uate the performance of co-operative banks. They considered 23 parameters falling into four major groups for measuring the performance of District Central Cooperative Banks and assigned appropriate weights to each parameter. They ranked 14 District Central Co-operative Banks of Kerala based on composite marks. They suggested that performance of co-operative banks should not be measured in terms of financia l economic achievements only but their performance as co-operative organizations (social achievements) should also be evaluated.

Manoj P.K (2010), in his study "Financial soundness of old private sector banks (OPBs) in India and benchmarking the Kerala based OPBs" : A camel approach , the study focused on 10 years period from FY 2000 t0 2009. The author revealed that all Kerala based old private sector banks are lagging behind the best-in-class old private sector banks at nationalized level in financial soundness.

Jyothi Gupta and Suman Jain (2012) in their study Lending practices of co- operative banks in India and measure and compare the efficiency of co- operative bank of India and to study the impact of size on the efficiency of the co-operative banks.

Kavitha and Muthu (2018), in their research attempt to study the (SCB) State Cooperative banks in India through selective indicators. It analyses the growth rate of Deposit, Credit, and C/D Ratios of SCB.

Meghna (2021) intends to analyze the progress and problems of Maharashtra State Cooperative Banks & its relevance for Indian economy. It is an attempt to address some of the problems being faced by the Maharashtra state cooperative banks in India. The study examines the development, productivity, viability and profitability of Maharashtra state co-operative banks. Overall, the significance of the study is fruitful to the society as a whole. Particularly to the employees, customers, investors and shareholders of the bank.

7. Research Gap

From the various literatures reviewed, it has been found that the financial performance of TAICO bank has not been taken up. It is important to understand the performance of cooperative bank of this nature.

8. Research Methodology

The study is descriptive and analyses the Financial Performance of TAICO using Financial Statements for the period 31st March, 2019 to 31st March, 2021. The analysis is done using Common size Balance sheet, Comparative Balance sheet and Ratio analysis.

9. Limitations of the study

- The data collected only for a period of three years
- The study is based on mainly secondary data that is published in annual reports
- Due to time constraints, detailed analysis is not possible

10. Data Analysis and Interpretation

Data analysis and interpretation is the process of assigning meaning to the collected information and determining the conclusions, significance, and implications of the findings.

10.1 Common Size Balancesheet

Table 1: Table Showing Common Size Balance Sheet

	31.3.19		31.3.20		31.3.21	
CAPITAL AND LIABLITIES	Rs.	%	Rs.	%	Rs.	%
Capital	826.65	0.63	859.92	0.63	939.03	0.65
Reserves and Other Reserves	8650.85	6.55	9011.01	6.63	9409.97	6.52
Deposits	116796	88.44	120198	88.48	128291	88.83
Borrowings	147.96	0.11	142.66	0.11	138.2	0.1
Other Liabilities and Provisions	5599.71	4.24	5642.43	4.15	5648.61	3.91
Total	132057	100	135854	100	144427	100
ASSETS						
Cash and Balances with Reserve Bank of India	5440.22	4.12	4993.61	3.68	3363.39	2.33
Balances with Banks and Money at Call and Shares	2038.38	1.54	1770.44	1.3	1308.93	0.91
Investments	68993.4	52.25	67885.1	49.97	73709.4	51.04
Advances	50889.1	38.54	56808	41.82	61583.2	42.64
Fixed Assets	807.37	0.61	728.79	0.54	653.35	0.45
Other Assets	3888.86	2.94	3668.43	2.7	3808.41	2.64
Total	132057	100	135854	100	144427	100

Source: Bank's Balance sheet (Secondary data)

From the above table, the bank has provided 88.44% towards deposits and the percentage is almost consistent in all three years. It shows that the bank is able to mobilise Deposits even during the pandemic period. The least item in the liabilities is Borrowings which stands are 0.11% of the total value of capital. On the assets side of the balance sheet statement, it is found that Investments and Advances take up 52.25% and 38.54% in 2019. Fixed assets take up the least percentage for the bank. it is 0.61% of total assets 2019, 0.54% in 2020 and 0.45% in 2021. It shows the bank does not invest much in Fixed Assets.

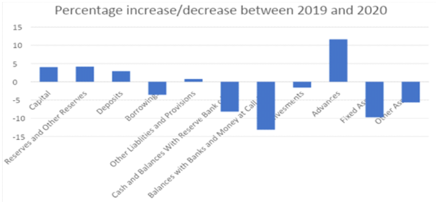
10.2 Comparative Balance sheet

Table 2: Table Showing Comparative Balance Sheet (31.3.2019 and 31.3.2020)

	31.3.19	31.3.20	Absolute Change	
CAPITAL AND LIABLITIES	Rs.	Rs.	Rs.	%

Capital	826.65	859.92	33.27	4.02
Reserves and Other Reserves	8650.85	9011.01	360.16	4.16
Deposits	116796.1	120198	3402.2	2.91
Borrowings	147.96	142.66	(5.3)	(3.58)
Other Liablities and Provisions	5599.71	5642.43	42.72	0.76
Total	132057.3	135854	3797.04	2.88
ASSETS				
Cash and Balances with Reserve Bank of India	5440.22	4993.61	(446.61)	(8.21)
Balances with Banks and Money at Call and Shares	2038.38	1770.44	(267.94)	(13.14)
Investments	68993.4	67885.1	(1108.3)	(1.61)
Advances	50889.05	56808	5918.9	11.63
Fixed Assets	807.37	728.79	(78.58)	(9.73)
Other Assets	3888.86	3668.43	(220.43)	(5.67)
Total	132057.3	135854	3797.04	2.88
Profit/Loss (From Form B)	350.38	97.9	-252.48	-72.06

Chart 1: Chart showing increase/decrease between 2019 and 2020



From the above table and its graph, it can be seen that the bank had reduction in the asset value in 2020. The bank has also steep decline in its profits. This could be attributed to the pandemic situation which gripped everywhere.

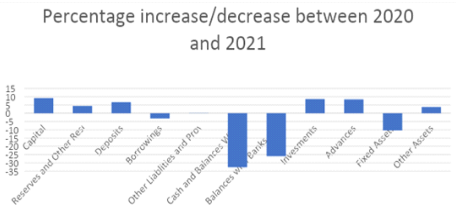
Capital has increased by 4.02% and reserves by 4.16%.
Deposits has shown an increase of 2.91% and borrowings is reduced by 3.58%.
Overall the liabilities have increased by 2.88%

In the assets side, it can be seen that Cash and Balances have reduced by 8.21%. Balances with banks has taken a deep dive down by 13.14%. Investments is reduced by 1.61% and Fixed assets is also reduced by 9.73%. Only Advances have increased by 11.63%.

Table 3: Table Showing Comparative Balance Sheet (31.3.2020 and 31.3.2021)

	31.3.20	31.3.21	Absolute Change	
CAPITAL AND LIABLITIES	Rs.	Rs.	Rs.	%
Capital	859.92	939.03	79.11	9.2
Reserves and Other Reserves	9011.01	9409.97	398.96	4.43
Deposits	120198.3	128291	8092.57	6.73
Borrowings	142.66	138.2	(4.46)	(3.13)
Other Liabilities and Provisions	5642.43	5648.61	6.18	0.11
Total	135854.3	144427	8572.36	6.31
ASSETS				
Cash and Balances with Reserve Bank of India	4993.61	3363.39	(1630.2)	(32.65)
Balances with Banks and Money at Call and Shares	1770.44	1308.93	(461.51)	(26.07)
Investments	67885.1	73709.4	5824.3	8.58
Advances	56807.95	61583.2	4775.26	8.41
Fixed Assets	728.79	653.35	(75.44)	(10.35)
Other Assets	3668.43	3808.41	139.98	3.82
Total	135854.3	144427	8572.36	6.31
Profit/Loss (From Form B)	97.9	117.59	19.69	20.11

Chart 7: Chart showing increase/decrease between 2020 and 2021



From the above table and its graph, it can be seen that the bank had reduction in the Fixed asset value in 2021 too. The bank has also increase in its profits at 20.11% which shows the recovery phase post pandemic.

Capital has increased by 9.2% and reserves by 4.43%.
Deposits has shown an increase of 6.73% and borrowings is reduced by 3.13%.
Overall the liabilities have increased by 6.31%

In the assets side, it can be seen that Cash and Balances have reduced by 32.65%. Balances with banks has taken a deep dive down by 26.07%. Investments is increased by 8.58% and Fixed assets is also reduced by 10.35%. Investments and Advances have increased by 8.58% and 8.41% respectively.

10.3 Ratio Analysis

10.3.1 Liquidity ratio – Under Liquidity ratio, Current ratio is taken up for analysis.

Current Ratio: The current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year.

Current Ratio = Current Assets / Current Liabilities

Table 4:Table showing Current Ratio

	2019	2020	2021
Total Current Assets	7478.6	6764.05	4672.32
Total Current Liabilities	5747.67	5785.09	5786.81
Current Ratio	1.3	1.17	0.81

From the above table, it is seen that the company's current ratio is declining. It is ideal to have a 2:1 ratio but the highest was in 2019 at 1.3:1 and the least in 2021 at 0.81:1.

10.3.2 Solvency Ratios:

A solvency ratio measures the extent to which assets cover commitments for future payments, the liabilities.
(a) Debt-Equity Ratio: The debt-to-equity (D/E) ratio is calculated by dividing a company's total liabilities by its shareholder equity.

Debt to Equity Ratio = Long term debt / Total Equity

Table 5:Table Showing Debt Equity Ratio

	2019	2020	2021
Total Liabilities	122543.8	125983.4	134077.7
Total Equity	9477.5	9870.93	10349
Debt Equity Ratio	12.93	12.76	12.96

From the above table, it is found that debt-equity ratio was less in 2020 and recovered to pre-covid times in 2021. The bank has maintained similar Debt-equity ratio in 2019 and 2021.

(a) Proprietary Funds Ratio:

The proprietary ratio (also known as the equity ratio) is the proportion of shareholders' equity to total assets, and as such provides a rough estimate of the amount of capitalization currently used to support a business.

Proprietary Ratio = Shareholders Fund / Total Assets

Table 6 Table Showing Proprietary Funds Ratio

	2019	2020	2021
Shareholder's funds	9477.5	9870.93	10349
Total Assets	132057.3	135854.3	144426.7
Proprietary funds ratio	0.072	0.073	0.072

It can be interpreted from the above table that the company has higher shareholder's funds in 2020 (0.073) compared to 2019 and 2021. But, this is only slightly higher compared to the other two years.

(a) Fixed Assets to Net Worth Ratio

Fixed assets to net worth ratio is a ratio measuring the solvency of a company. This ratio indicates the extent to which the owners' cash is frozen in the form of fixed assets, such as property, plant, and equipment, and the extent to which funds are available for the company's operations (i.e. for working capital).

Fixed Assets to Net Worth Ratio =Fixed Assets / Proprietors Fund

Table 7 Table Showing Fixed Assets to Net Worth Ratio

	2019	2020	2021
Fixed Assets	807.37	728.79	653.35
Proprietor's funds	9477.5	9870.93	10349
Fixed Assets to Net Worth Ratio	0.085	0.074	0.063

It is found from the above table that Fixed Assets to Net Worth Ratio has been declining every year. It was 0.085 during 2019, then 0.074 in 2020 and 0.063 in 2021. This shows that the company should invest in its fixed assets in proportion to the net worth of the bank. The bank has declining fixed assets which needs to be addressed.

10.3.3 Profitability Ratio

(a) Return on Assets (ROA) ratio:

Return on assets is a profitability ratio that provides how much profit a company can generate from its assets. It measures how efficient a company's management is in earning a profit from their economic resources or assets on their balance sheet.
Return on assets = Net Profit/Average Total Assets

Table 8 Table Showing Return on assets

	2019	2020	2021
Net Profit	350.38	97.9	117.59
Average total assets	121639.1	133955.8	140140.5
Return on assets ratio	0.003	0.001	0.001

From the table above, it is found that the Return on assets ratio is on a declining trend. Though it is 0.1% in both 2020 and 2021, it is noted that though profit has increased, the bank has not made considerable efforts to increase the asset value. If the ratio is higher, it means the company is utilizing its Assets in a better manner. On the contrary, if the ratio is lower, it means the company is inefficient in managing its assets. Here, the bank should take efforts to manage assets better.

11. Findings of the Study

(i) The bank has provided 88.44% towards deposits and the percentage is almost consistent in all three years. It shows that the bank is able to mobilise Deposits even during the pandemic period. The least item in the liabilities is Borrowings which stands are 0.11% of the total value of capital.

(ii) During 2019 to 2020, Capital has increased by 4.02% and reserves by 4.16%, Deposits has shown an increase of 2.91% and borrowings is reduced by 3.58%. Overall the liabilities have increased by 2.88%.

(iii) During 2020 to 2021, Capital has increased by 9.2% and reserves by 4.43%. Deposits has shown an increase of 6.73% and borrowings is reduced by 3.13%. Overall the liabilities have increased by 6.31%.

(iv) With current ratio, it is seen that the company's current ratio is declining. It is ideal to have a 2:1 ratio but the highest was in 2019 at 1.3:1 and the least in 2021 at 0.81:1.

(v) Using Debt-equity ratio, it is found that debt-equity ratio was less in 2020 and recovered to pre-covid times in 2021. The bank has maintained similar Debt-equity ratio in 2019 and 2021.

(vi) Using Proprietor's fund ratio, it can be interpreted that the company has higher shareholder's funds in 2020 (0.073) compared to 2019 and 2021. But, this is only slightly higher compared to the other two years.

(vii) It is found using Fixed Assets to Net Worth Ratio that, it has been declining every year. It was 0.085 during 2019, then 0.074 in 2020 and 0.063 in 2021.

(viii) Using the Return on assets ratio it is found that it is on a declining trend. Though it is 0.1% in both 2020 and 2021, it is noted that though profit has increased, the bank has not made considerable efforts to increase the asset value.

12. Suggestions

The suggestions to TAICO Bank Ltd. Based on the financial analysis of Balance sheet of 3 years from 2019 to 2021 is as below –

(i) The bank has maintained a healthy balance sheet with increase in deposits and reduction in borrowings. But, the bank should also consider increasing the reserves in proportion to deposits increase.

(ii) Investments should be increased for the bank. Though a slight increase is seen, it should try to improve to the previous year's level as considerable deposit mobilisation is seen.

(iii) The bank should provide funds for Fixed assets. There is a decline in Fixed Assets of the organisation.

(iv) The cash and bank balance is also to be improved as there is a steep decline.

(v) The bank should maintain a healthy current ratio at 2:1

(vi) The bank should also ensure efficient management the assets13. Conclusion

The overall performance of the Bank is improving year after year is reflected by a tremendous increase in the profitability of last year. Though there was a dip during covid times, the bank had still managed to mobilise deposits.

On the basis of various tools applied for the financial analysis, it can be concluded that the bank is in very strong financial position. Increasing trend in profit shows that the bank has made a lot of progress in operation to a considerable extent. The objective of the study was to understand the performance of the bank using Comparative, Common size and ratio analysis. These tools indicate that the bank is performing well and growing year by year.

The management of the bank is also with trusted hands. The banks directors are experts in their business area. They help bank in taking decisions and making different policies. Overall the bank's financial position is profitable.

REFERENCES

1. K.C Sheaker and Lakshmi Sheaker, 19th Edition, Banking Theory and Practice, Vikas Publishing House Pvt. Ltd
2. Periswamy. P, 'Banking Theory and Practices', Himalaya Publication House, 6th Edition, 2015
3. Kavitha and Muthu Meenakshi (2018) A study on efficiency of state co-operative banks in India, https://www.researchgate.net/publication/316250399_A_study_on_efficiency_of_state_co-operative_banks_in_India
4. MV, Meghna, A Study of the Progress and Problems of Maharashtra State Co-Operative Bank (June 5, 2021). Available at SSRN: https://ssrn.com/abstract=3860828 or http://dx.doi.org/10.2139/ssrn.3860828
5. www.taicobank.in
6. https://www.researchgate.net/publication/330321929_Financial_Performan ce_Analysis
7. https://www.academia.edu/1416902/MANAGEMENT_ACCOUNTING_notes_at_BEC_DOMS_doc
8. https://www.moneycontrol.com/news/business/economy/explained-the-concept-of-co-operative-banking-in-india-4532871.html
9. https://www.rbi.org.in/scripts/PublicationsView.aspx?Id=19366
10. https://corporatefinanceinstitute.com/resources/knowledge/finance/analysis-of-financial-statements/