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Research Paper - Commerce

Performance of Sanlgi D.C.C. Bank Limited Sangli.

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1.1 INTRODUCTION :-

Form a moderate start, the cooperative movement in India has reached a stupendous position. Like other form of cooperatives. A Sangli D.C.C Bank is one of the most important bank who played a vital role in the improvement and development of cooperative movement in a particular district. This bank has also played important role for the drought prone area. His highness late Chintamanrao Appasaheb Patvardhan was established this bank on 28th March 1927. The head office is in Sangli and its branches are mostly located in urban as well as rural area. The princely merged after independence consequently this district bank was registered as "Dakshin Satara District Central Cooperative Bank on 27th July 1950. The Sangli district became independent in 1960. And this district bank naturally started and working as " Sangli District Central Cooperative Bank Ltd. Sangli." The objectives of this district bank of promoting credit requirements of member societies as well as the small and tiny sector in the particular district. In this research study, an attempt is to made to evaluate the financial performance of Sangli D.C.C Bank. During the period 1999-2000 to 2008-09.

1.2 Methodology :-

This study based on secondary data. The secondary data on various financial aspects of the Sangli D.C.C Bank which were collected from the annual reports and records of the Bank. This data was subjected to rigorous financial Ratio Analysis.

The financial ratio analysis was considered to be an effective tool in providing bird's eye view of the performance of a business organization. The ratios relating to solvency, liquidity, profitability, efficiency and strengthen and weakness of the bank have been analyzed for a period of 10 years from 1999-2000 to 2008-2009.

The various financial ratios used for the analysis are described below.

1.2.I Solvency Ratio :-

These ratios indicate the ability of the bank to meet its medium as well as long term obligations and also provide the basis for measuring the leverage effect on the bank.

a) Total liabilities to owned fund Ratio :-

Total liabilities includes all liabilities including outside liabilities where as owned funds includes share capital, all reserves and surplus of the Sangli D.C.C Bank

$$\text{Ratio} = \frac{\text{Total liabilities}}{\text{Owned funds}} \times 100$$

b) Fixed Assets :- To owned funds ratio.

Fixed assets are considered at their book values (Cost less depreciation)

$$\frac{\text{Fixed Assets}}{\text{Owned Funds}} \times 100$$

1.3. II Liquidity Ratio :-

These ratios indicate the ability of the Bank to operate continuously.

a) Credit Deposit Ratio :-

This ratio is the difference between the total advances and total deposits.

$$\text{Ratio} = \frac{\text{Total Advances}}{\text{Total Deposits}} \times 100$$

b) Current Ratio :-

It is the difference between the current assets and current liabilities. Current assets includes Cash in hand, Cash at Bank, Bills Receivable, Income receivable etc. where as current liabilities includes bank overdraft. Bills payable creditors, outstanding expenses etc.

$$\text{Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} \times 100$$

1.4 III Inventory Ratio :-

The Inventory of the Bank consists like cash balances, balances with the other bank, interest receivables and bills receivables.

$$\text{Ratio} = \frac{\text{Inventory}}{\text{Net Working Capital}} \times 100$$

Test of Efficiency

This test provides a clear picture of financial efficiency of the Bank. It indicates the profits for every rupee spent. Gross incomes included interest and discounts. Commission, exchange and brokerage, subsidies and donations, income from non- banking assets and other receipts of the bank.

$$\text{Gross Ratio} = \frac{\text{Total Expenses}}{\text{Gross Income}} \times 100$$

1.5 IV Profitability Ratio :-

This ratio provides a fairly sound method of diagnosis of the financial status and overall efficiency of the Bank. It indicates the profitability of the investment and credit given by the bank.

a) Net Profit to Total Asset Ratio :-

The net profits include profits earned by the bank after appropriations.

$$\text{Ratio} = \frac{\text{Net Profits}}{\text{Total Assets}} \times 100$$

b) Net profits to Owned fund Ratio :-

This is the ratio of net profits to owned funds.

$$\text{Ratio} = \frac{\text{Net profit}}{\text{Owned funds}} \times 100$$

1.6 V Test of Strength :-

This test provides a basis to know the real worth of the Bank. The term net worth refers to the owned funds employed in the business.

a) Net Worth = Total Liabilities

b) Net Capital Ratio :-

Total assets and liabilities exclude profit and loss A/c balances and appropriations.

This ratio indicates the relationship between total assets and liabilities of the bank.

$$\text{Ratio} = \frac{\text{Total Assets}}{\text{Total Liabilities}}$$

Table 1.0

Financial Ratio Analysis

(Rs in Cores)

Year	Solvency		Liquidity		Efficiency	
	Total Lib to owned funds	Fixed Assets to Owned funds	Current Ratio	Inventory Ratio	Gross Ratio	Credit Deposit Ratio
1999-00	8.18	4.91	1.77	5.03	94.91	92.96
2000-01	8.31	3.96	1.73	4.94	91.81	104.74
2001-02	7.97	8.82	1.61	4.86	92.39	113.61
2002-03	8.55	5.12	1.69	4.30	94.47	111.15
2003-04	9.88	3.78	1.69	5.27	95.67	101.41
2004-05	10.41	5.25	0.99	4.37	94.75	85.46
2005-06	10.65	3.87	1.14	3.86	92.22	84.75
2006-07	11.71	3.08	1.09	3.88	94.24	97.84
2007-08	12.39	2.30	0.92	4.62	91.35	80.69
2008-09	12.49	2.24	0.67	8.47	90.64	65.48
Average	**10.05**	**4.33**	**1.33**	**4.96**	**93.24**	**101.23**

Table 1.1

Financial Ratio Analysis

(Rs in Cores)

Year	Profitability		Strengthen	
	Net Profit to Total Assets	Net Profit to owned Funds	Net Worth	Net Capital Ratio
1999-2000	0.56	3.65	1221.15	0.40
2000-2001	1.37	9.82	1202.85	0.33
2001-2002	1.34	9.86	1254.79	0.70
2002-2003	1.24	7.64	1168.92	0.44
2003-2004	0.15	0.74	1011.90	0.37
2004-2005	-3.65	-10.12	960.40	0.55
2005-2006	-0.77	-3.00	939.12	0.41
2006-2007	0.64	-2.57	853.84	0.36
2007-2008	0.12	0.42	807.34	0.28
2008-2009	-1.33	-3.30	800.39	0.28
Average	**-0.33**	**1.31**	**1022.07**	**0.412**

Finding and conclusions

7. Solvency Ration :-

1.7.1 Total Liabilities to Owned Funds Ratio :

This ratio indicates the extent of debts (in rupees) per rupee of owned funds. This ratio moved from 8.18 in 1999-2000 to 12.49 in 2008-09. thus, the average ratio for the study of Sangli DCC Bank was 10.05 which indicates that the bank heavy depend on the external funds. The prescribed form is 3:1, but even the average ratio for the Bank (10.05) was not within the prescribed norm. This shows that the Banks inability to cover it's medium and long term obligations.

1.7.2 Fixed Assets to Owned Funds Ratio :-

This ratio varied between 4.91 in 1999-2000 to 2.24 in 2008-09. Thus,the average being 4.33 % during the study period. This indicates that the bank better fixed Assets position on account of construction of building for branches, purchasing land, vehicles and furniture for them. A higher ratio is associated with the problems of liquidation because the claim of the owner has to be met by the sale of fixed assets which are in non liquid form.

1.8 Liquidity Ratio :-

These ratios measure the ability of the bank to cover its short term obligations out of its own short term resources.

1.8.1 Credit Deposit Ratio :-

The credit deposit ratio of Sangli DCC bank during study period moved from 92.96 in 1999-2000 to 65.48 in 2008-2009 which was declined by 27.48 during the same period. Thus, the average beings 101.23% .It reaches its high in 2001-2002 (113.61) where as low 65.48 in 2008-09. This credit deposit ratio indicated that the DCC Bank had not taken carious steps for mobilizing deposits.

1.8.2 Current Ratio :-

This ratio was greater than unity in all the years of study. The standard norm is 2:1. The ratio fluctuated throughout the research period and it moved from 1.77 in 1999-2000 to 0.67 in 2008-09. Thus, the average being 1.33 %. As this ratio actually shows a very low trend it could be concluded that the bank had not maintain a reasonable level of the liquidity position.

1.8.3 Inventory Ratio :-

It measures the extent to which the net working capital finances the current assets. This ratio was not more than unity during the study period. It varied between 3.86 and 8.47 and the average for the study period was 4.96. It indicated that the net working capital of the Sangli DCC bank was not tied up in inventory.

1.4. Test of Efficiency :-

1.4.1 Gross Ratio :-

The gross ratio of Sangli DCC Bank was fluctuated in the study period. It varied between 90.64 to 95.67. This ratio moved from 94.91 in 1999-2000 to 90.64 in 2008-2009. Thus the average working out to 93.24. it indicated that the expenses were less than the gross income of Rs. 100 for all the years during study period.

1.5. Profitability Ratio :-

The profitability ratios are used to study the overall efficiency of any business organization. Profit is measure of efficiency and is key to survival and expansion of an organization.

1.5.1 Net Profit to Total Assets :-

The ratio of net profit to total assets was in negative in 2004-05, 2005-06 and 2008-09 due to this DCC Bank suffered by losses during this period. This moved form 0.56 in 1999-2000 to-1.33 in 2008-09. Thus, the average turned in out to be negative (-0.33) for the study period as a whole. This indicated that the profit level was very low relation to total assets of the bank.

1.5.2 Net Profit to Owned Funds :-

This ratio was also negative in 2004-05, 2005-06, 2006-07 and 2008-09 of Sangli DCC Bank. It was a very much fluctuating for the entire period and was very lowing the last four year. The highest ratio 9.86 in 2001-2002 which indicated a return of 10 % on owned funds. The average worked out to 1.31. It indicated that the overall performance was low for the program of the Bank.

1.5 Test of Strength :-

The long term liquidity of the Bank is reflected by net capital ratio and net worth.

1.5.1 Net Worth :-

The net worth position of the bank worsened year after year through out the study period and was not sufficient to meet out the total liabilities in the study period. It varied between 800.39 to 1254.79 and the average worked out to 1022-07 crores. It indicated that the owned funds of the Bank were not sufficient to meet the liabilities.

1.5.2 Net Capital Ratio :-

This ratio was less than unity during the study period. It moved form 0.40 in 1999-2000 to 0.28 in 2008-09. The overall average for the research study was 0.412. On an average the bank had assets worth Rs. 0.42 for each rupee of the liabilities. It's indicated that the assets of the bank were not sufficient to cover its liabilities.

1.7 Conclusion :-

The Sangli DDC bank Ltd. had not been maintained a reasonable level of solvency position and was unable to cover it medium and short term obligations. The financial position of this bank analyzed by ratio analysis techniques and it is found that the position solvency, liquidity and profitability are not satisfactory due to these ratios not up to the standard level. The credit deposits ratio was not satisfactory indicating a lower deposit mobilization, current ratio of Sangli DCC bank indicating less and unsystematic utilization of deposits meant for not current operations.

The networking Capital of Sangli DCC Bank was not found tide up in the inventory. The gross ratio percentage for study period was 93.24 which indicated a medium level of the expenditure over the gross income. Profitability of the bank was very low due to the heavy over dues and low rate of recovery. The Sangli DCC bank also suffered by losses last five years during the study period. The net worth of Sangli DCC Bank was decreased year after year and net capital ratio was more less than unity indicating the assets of the bank were not sufficient to cover its all liabilities. It is also mentioned that if effective steps will not be taken by Sangli DCC bank within the limit of time to recover these heavy over dues it might to be lead the virtual collapse of the Co-operative movement in a Sangli district.

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