

## Financial Performance of Co-operative Bank in Tamil Nadu

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**Abstract:** *In India face several problems of growth regarding financial institutions; it contributes 27 per cent of GDP in 2013 – 2014. The growth is determined by performance of financial institutions. In this article to perform the financial performance of Urban Co-operative banks in Tamil Nadu. It reflects that the Liquidity ratios measure the ability of the bank of meet its current obligations. They indicate whether the firm has sufficient liquid resources to meet its short-term obligations. A current ratio of 2:1 is considered ideal. That is for every one rupee of current liability there must be current assets of 2:1, if the ratio is less than two. It may be difficult for a bank to pay current liability.*

### Introduction

Co-operation is derived from the Latin word “co-operari”, “co” means with and ‘operari’ means to work. In other words, co-operation means working together with others for a common purpose.

Co-operation is self help as well as mutual help. It is a joint enterprises of those who are not financially strong and cannot stand on their own legs and therefore come together not with a view to getting profits but to overcome disability arising out of want of adequate financial resources’ and this better their economic conditions.

Montague says that “science points out the way to survival and happiness for all mankind through love and co-operation “according to E.R. Bowen, “Co-operation is the universal instrument of creation”. In Tamil Nadu the first co-operative act was in 1961 and replaced in 1983. In 1988, the co-operative rules came in to force.

### Objectives

- To analysis the operation performance of the urban co-operative bank limited during the period of (2003 to 2015),
- To measure the financial efficiency of urban co-operative bank limited during the analysis period, and
- To suggest that the remedial measures to improve the urban co-operative bank in Tamil Nadu.

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### Review of Literature

Giri D.K.,(2001) discusses about the theoretical issues on co-operative marketing its meaning, definition, membership operation relevance of co-operative marketing, genesis, growth, organizational structure, finance operations, processing storage, institutions and case studies on each of these government support is necessary for co-operative o flourish.

In India, the central co-operative banks are placed in a significance position in relation to co-operative at the district level. The central co-operative banks exist mainly for serving the primary agriculture co-operative banks. They also provides the block capital and working capital loans to various agro-based industries, sugar factories, spinning mills and the like which help to generate rural employment. As the provide finance to other functional societies like employees co-operative credit societies industrial co-operative societies, co-operative and the like.

Vaidyanathan committee report, “the financial package proposed is expected to fund the accumulated losses of about Rs.8,566 crores(including existing receivables from state governments) takes the system to the CRAR of a minimum of percent, provide for return of state government equity of about Rs.1,243 crore in credit co-operatives, and back the overall initiative with technical and technological support aggregating Rs.670 crore.

Ravivarma S, and others, conducted a study on the performance of a central co-operative bank in Himachal Pradesh. He found that the paid-up share capital, reserve fund, owned fund, deposits, borrowings and working capital of the selected co-operative bank has increased. The return on capital employed and return on share holder’s equity were not satisfactory.

### Methodology

The study has classified in to four, like I depicts that the introduction of co-operative bank, objectives, II review the earlier literature pertaining to subject knowledge, III explains that the tools of analysis and finally IV envisages that the table of analysis and conclusions. The study has based on secondary data, which is published by Government Tamil Nadu, an Economic Appraisal Reports on various publications.

### Return on Total Asset (ROTA)

The return on total asset is how much the profit earned by the bank per rupee of assets used. Some times the amount of financial charges (Interest etc) is added back to the net profit figures to relate the net operating profit the operating asset of the firm. The return on total asset level of asset at its disposal. The ROTA essentially relates the profits to the size of the bank increase its size but is unable to increase in profit proportionately.

$$\text{Return on total asset} = \frac{\text{Return}}{\text{Total Assets}} \times 100$$

### Return on Share Holders Fund (ROSF)

The return on equity examine profitability from the perspective of the equity investors by relating profits available for the equity share holders with the book value of the equity investments. The return from the point of view of equity share holders may be calculated by comparing net profit with total contribution in the bank. We are taking ROSF calculated to show the return on total share holders’ funds. The ROSF as follows

$$\text{ROSF} = \frac{\text{Net Profit}}{\text{Shareholder's Funds}} \times 100$$

**Return on Total Income (ROTI)**

Return is the main income of our bank. The firm basically is to meet run employees salary other expenses and earn income in profit. The SCUB's total income is of two parts

Total Income includes interest and discount, Other Receipts, commission exchange and brokerage. This ratio compares total income with net profit.

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**Table 1: Return on Total Assets 2003-2004 to 2014-2015 (Rs.000)**

Year	Net Profit	Total Assets	Ratio
2003-2004	176	240948.05	0.73
2004-2005	197	263070.45	0.75
2005-2006	837.2	278191.2	0.3
2006-2007	2714.5	300983	0.9
2007-2008	3658	285693	0.01
2008-2009	2374	280426.3	0.85
2009-2010	610.91	281224.05	0.22
20010-2011	470.97	31383.27	0.15
2011-2012	203	340144.05	0.6
2012-2013	1590.34	392268.82	0.4
2013-2014	710.87	445138.3	0.16
2014-2015	1220	472803.03	0.26
Mean			0.44
Correlation			0.13
Range			0.89
CGR			-8.24

**Source:** Annual Report of SCUB

Return = Net profit of the SCUB

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Total Assets = Fixed Assets + Current Assets + Other Assets+ Contra items

The above table 3.1 shows the return on total assets ratio it is showing decreasing trend from 0.01 percent to 0.90 percent during the year 2003 - 2004 to 2014 - 2015. The CGR is negative in SUCB. It is concluded that return on total assets is low during the period.

### Components

The component of net profit is treated as return. The total asset is to take in current assets, and fixed assets and contra item included in total assets.

**Table 2: Return on Share Holders Fund (2003 - 2004 to 2014-2015)**

Year	Net Profit	Shareholders Fund	Ratio
2003-2004	176	20487.35	0.86
2004-2005	197	21369	0.92
2005-2006	837.2	22175	3.77
2006-2007	2714.5	25716.52	10.55
2007-2008	3658.6	32705.97	11.2
2008-2009	2374	35546.74	6.68
2009-2010	610.91	33627.3	1.82
2010-2011	470.97	34629.05	1.4
2011-2012	203	32048.09	0.63
2012-2013	1590.34	35704.26	4.45
2013-2014	710.87	34202.22	2.08
2014-2015	1220	33517.1	3.64
Mean			4.29
Correlation			-0.28
Range			10.57
CGR			12.78

**Source:** Annual Report of SCUB

**Share holders' funds = Share Capital +RF &Other Reserves + Current Year Profit**

The above table 2 shows the return on share holder's fund. It is fluctuating from 0.63 percent to 11.20 percent during the year 2003 – 2004 to 2014 – 2015. The average return on shareholders' ratio is 4.29 in SCUB. The CGR is positive. It is concluded that the management is utilizing funds effectively. In this study the researcher take only net profit no appear tax in co-operative bank and share holder funds includes share capital and RF & other reserves to add in profit current year. The ratio is explaining in total profit in change in shareholders' funds.

**Table 3: Net Profit to Total Income (2003 – 2004 to 2014 – 2015)**

Year	Net Profit	Total Income	Ratio
2003-2004	176	31560	0.56
2004-2005	197	34479.25	0.57
2005-2006	837.2	34041.3	2.46
2006-2007	2714.5	37214.04	7.29
2007-2008	3658.6	35448.1	10.32
2008-2009	2374	27398.01	8.66
2009-2010	610.91	23645.23	2.6
2010-2011	470.97	26145.3	1.8
2011-2012	203	32724	6.2
2012-2013	1590.34	41746.25	3.81
2013-2014	710.87	42450.15	1.7
2014-2015	1220	46770.55	2.61
Mean			4.37
Correlation			0.17
Range			9.76
CGR			13.69

Source: Annual Report of SCUB

#### **Total Income = Interest and Discount + Other Receipts**

The above Table 3 shows the net profit to total income. It is fluctuating trend from 0.56 percent to 10.32 percent during the year 2003 - 2002 to 2014 – 2015. The average ratio indicates 4.37 in SCUB. The CGR is positive. It is concluded that net profit compared to total income is satisfactory.

**Table 4: Net Profit to Total Income (2003 - 04 to 2014 – 2015)**

Year	Net Profit	Total Income	Ratio
2003-2004	176	31233.16	0.56
2004-2005	197	34479.25	0.57
2005-2006	837.2	34041.3	2.46
2006-2007	2714.5	37062	7.32
2007-2008	3658.6	35448.1	10.32
2008-2009	2374	27398.01	8.66
2009-2010	610.91	23645.23	2.6
2010-2011	470.97	26145.3	1.8
2011-2012	203	30685	6.61

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2012-2013	1590.34	41746.25	3.81
2013-2014	710.87	42450.15	1.7
2014-2015	1220	44860	2.72
Mean			4.09
Correlation			0.20
Range			9.76
CGR			14.08

**Source: Annual Report of SCUB**

**Total Income = Interest discount + other Receipts + Release Reserve + Reserve NPA Reserve.**

In the above table 4 shows the net profit to total income. It is fluctuating trend from 0.56 percent to 10.32 percent during the year 2003 – 2004 to 2014 – 2015. The average ratio indicates 4.09 in SCUB. The CGR is positive. It is concluded that net profit compared to total income is satisfactory.

### **Conclusion**

The CGR is negative in SUCB. It is concluded that return on total assets is low during the period. The management is utilizing funds effectively. In this study the researcher take only net profit no appear tax in co-operative bank and share holder funds includes share capital and RF & other reserves to add in profit current year. The ratio is explaining in total profit in change in shareholders' funds. The average ratio indicates 4.37 in SCUB. The CGR is positive. It is concluded that net profit compared to total income is satisfactory. Liquidity ratios measure the ability of the bank of meet its current obligations. They indicate whether the firm has sufficient liquid resources to meet is short-term obligations. A current ratio of 2:1 in considered ideal. That is for every one rupee of current liability there must be current assets of 2:1. If the ratio in less than two, it may be difficult for a bank to pay current liability.

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