A STUDY ON FINANCIAL PERFORMANCE OF ARANATTUKARA ORIENTAL CO-OPERATIVE BANK (AOCB) LTD NO. 171

By

RONY T VALAPPAT

(2006-05-127)

PROJECT REPORT

Submitted in partial fulfillment of the

requirement for the degree of

Bachelor of Science in Co-operation & Banking

Faculty of Agriculture

COLLEGE OF CO-OPERATION, BANKING & MANAGEMENT

KERALA AGRICULTURAL UNIVERSITY

VELLANIKKARA, THRISSUR- 680 007

KERALA, INDIA

2010

Declaration

DECLARATION

I here declare that this project report entitled **A STUDY ON FINANCIAL PERFORMANCE OF ARANATTUKARA ORIENTAL CO-OPERATIVE BANK (AOCB) LTD NO. 171** is a bonafide record of research work done by me during the course of project work and that it has not previously formed the basis for the award to me for any degree / diploma, associateship, fellowship or other similar title of any other University or Society.

Vellanikkara
25-09-2010

Rony T Valapatt
(2006-05-127)

Certificate

CERTIFICATE

Certified that this project report entitled **A STUDY ON FINANCIAL PERFORMANCE OF ARANATTUKARA ORIENTAL CO-OPERATIVE BANK (AOCB) LTD NO. 171** is a record of research work done independently by **Mr. RONY T VALAPATT, (2006-05-127)** under my guidance and supervision and that it has not previously formed the basis for the award of any degree, fellowship or associateship to him.

Sri. JACOB THOMAS M.
Assistant Professor (Sel. Grd.)
College of Co-operation Banking and Management
Kerala Agricultural University
Vellanikkara

Vellanikkara
25-09-2010

CERTIFICATE

We, undersigned members of the Board of examination of **Mr. RONY T VALAPATT, (2006-05-127)** a candidate for the degree of **B.Sc (Co-operation and Banking)** agrees that the project report entitled **A STUDY ON FINANCIAL PERFORMANCE OF ARANATTUKARA ORIENTAL CO-OPERATIVE BANK (AOCB) LTD NO. 171** may be submitted in partial fulfilment of the requirement for the degree.

Smt. K. A. Sunanda

Asst Professor (Sel.Grd.)
Department of Development Economics
College of Co-operation Banking and Management
Vellanikkara

(Chairman)

Sri. JACOB THOMAS M

Asst Professor (Sel.Grd.)
College of Co-operation Banking
and Management, Vellanikkara

(Guide)

Smt. E. V. K. Padmini

Asst Professor (Sel.Grd.)
Dept of Rural Banking and
Financial Management
College of Co-operation Banking
and Management, Vellanikkara

(Examiner)

College of Co-operation Banking and Management
Vellanikkara
KAU P.O.
THRISSUR-680 656
Date..............
Kerala Agricultural University

DEDICATED TO

MY BELOVED "PARENTS"

&

MY LOVING BROTHER

Acknowledgement

ACKNOWLEDGEMENT

I humbly bow my head with infinite gratitude before the Almighty God for all his blessings, all through my life and above all for the help extended to me through various known and unknown hands during the course of my project work.

I considerate as a moment of great delight to express my gratitude to all those who have lended me a helping hand, directly or indirectly in the completion of this work. I have no hesitation to declare that the out come of the present project is the culmination of the collective wisdom and encouragement of a group of elites to whom I owe its credibility. However, I will be failing in my duty if I do not endorse a few.

With great respect, I place on record my gratitude to ***Sri.Jacob Thomas,*** *Assistant professor, my esteemed guide, for his valuable guidance, tremendous support and tireless patience and incomparable concern during the course of my project work, even in the midst of his busy schedules. Though words cannot express my utmost gratefulness to him, I feel heaven to place my boundless gratitude unreserved for him always.*

I reckon with inner heart, my deep sense of gratitude and solemn indebtedness to my advisor, ***Dr.K.N. Ushadevi,*** *Associate Professor, Department of Rural Marketing Management, for her timely advices, encouragement and support showered upon me through out my academic pursuit.*

I express my heartfelt thanks to ***Smt.K.A.Sunanda****, Chairman and* ***Smt.E.V.K.Padmini****, Examiner of the viva-voce Board whose constructive criticism and insightful comments made my work more logical.*

I would like to place on record of my heart felt thanks to ***Dr. V. Ramachandran****, Associate Dean, for all the advices, guidance and co-operation given by him as the head of the institution.*

I remember with much respect and gratitude, the good advices and help of ***Dr. Molly Joseph****, Placement Officer, throughout my academic pursuit.*

I owe a deep intellectual debt ***to Dr. R. Sendilkumar****, Assistant Professor, Department of Co-operative Management, for his leadership and constant efforts to conduct the work experience programme in the most efficient manner.*

I wish to express my heartfelt gratitude towards ***all the teachers and staff of CCBM*** *for providing me great help, support, motivation and inspiration throughout my academic career.*

My deep sense of gratitude to ***Mr. K. P Sathyan, Librarian, and other library staff of CCBM*** *for all the help extended to me during my college days.*

I am also thankful to all the ***Office staff of CCBM****, for all the help they extended during my CCBM days.*

I also express my sincere thanks to Management, staff and non staff of AOCB for their valuable help during my training period.

Good friend is a companion for life and I am glad that I got good friends like ***Kukku, Jitha, Sajna and Christy****. I am also thankful to our Superb Boys of Pranavam 06,* ***Christy, Dipin, Sanyal*** *and* ***Jijesh****. I express my heartful gratitude to all my batch mates of Pranavam 06.*

I wish to express my thanks to all seniors and juniors of CCBM family especially ***Ani, Ganu, Hashirikka, Ajasikka, Kochappi, Cillen, Renjini chechi, Sandhya chechi, Vineetha chichi, Rakesh, Lintappan, Sanu, Priya liz, Food, Tightu, Yooni mon, Sagar ,Shyam, Uma, Shamily, Parvathy, Hilda, Paru, Neethu and Manju***

Words cannot enunciate the virtuous support and love given by ***my parents and brother****, their long last belief, constant support, prayers and blessings which helped me to reach where I am today.*

Finally but above all I bow before Almighty for giving me the best parents, committed teachers, devoted friends, great opportunities and nice experiences.

A word of apology to all those I have not mentioned in person and note of thanks to each and everyone who have blessed me with prayers.

Needless to say, I solely am responsible for any errors, which may remain............

RONY .T. VALAPATT

(2006-05-127)

Contents

CONTENTS

CHAPTER	TITLE	PAGE
1	Design of the study	1-15
2	ARANATTUKARA ORINTAL CO-OPERATIVE BANK – A Profile	16-28
3	Financial Analysis of Aranattukara Oriental Co-operative Bank	29-62
4	Summary of Findings and Conclusions	63-66
	References	
	Abstract	
	Appendix	

List of Tables

LIST OF TABLES

Table No.	Title	Page No.
1.1	Ratios Used for the study	9
2.1	Detailed Data of AOCB Profile for last 15 years	17
3.1	Borrowed fund to Working capital ratio of AOCB from 1990-1991 to 2004-2005	30
3.2	Owned fund to Borrowed fund ratio of AOCB from 1990-1991 to 2004-2005	32
3.3	Deposits to Working capital ratio of AOCB from 1990-1991 to 2004-2005	34
3.4	Credit to Deposits ratio of AOCB from 1990-1991 to 2004-2005	37
3.5	Credit to Working capital ratio of AOCB from 1990-1991 to 2004-2005	39
3.6	Credit to Owned fund ratio of AOCB from 1990-1991 to 2004-2005	41
3.7	Interest paid to Borrowed fund ratio of AOCB from 1990-1991 to 2004-2005	44
3.8	Net profit to Working capital ratio of AOCB from 1990-1991 to 2004-2005	46
3.9	Interest paid to Interest received ratio of AOCB from 1990-1991 to 2004-2005	48
3.10	Interest paid to Deposits ratio of AOCB from 1990-1991 to 2004-2005	50
3.11	Interest received to Loans and advances ratio of AOCB from 1990-1991 to 2004-2005	52
3.12	Spread ratio of AOCB from 1990-1991 to 2004-2005	54
3.13	Burden ratio of AOCB from 1990-1991 to 2004-2005	56
3.14	Profitability ratio of AOCB from 1990-1991 to 2004-2005	58

List of Figures

LIST OF FIGURES

FIGURE No.	Title	Page No.
2.1	Members of AOCB for 15 years	18
2.2	Share Capital of AOCB for 15 years	19
2.3	Deposits of AOCB for 15 years	20
2.4	Loans and Advances of AOCB for 15 years	21
2.5	Net profit of AOCB for 15 years	23
2.6	Reserves of AOCB for 15 years	24
2.7	Borrowings of AOCB for 15 years	25
3.1	Borrowed fund to working capital ratio	31
3.2	Owned fund to Borrowed fund ratio	33
3.3	Deposit to Working Capital ratio	35
3.4	Credit to Deposit ratio	38
3.5	Credit to working capital ratio	40
3.6	Credit to owned fund ratio	42
3.7	Interest paid to Borrowed fund ratio	45
3.8	Net profit to working capital ratio	47
3.9	Interest paid to interest received ratio	49

FIGURE No.	Title	Page No.
3.10	Interest paid to Deposits ratio	51
3.11	Interest received to loans and advances ratio	53
3.12	Spread ratio	55
3.13	Burden ratio	57
3.14	Profitability ratio	59

Design of the study

CHAPTER I

Design of Study

1. Introduction

Co-operative movement has to play a very vital role in eradicating poverty and ensuring social justice to the downtrodden section of the community. It improves the standard of living of the people by providing them proper education and training, by inculcating among them a sprit for co-operation.

A co-operative institution is a voluntary association consisting of independent economic units, organized, capitalized and run by, and for its members, providing or marketing goods and services to its members. A co-operative society is an enterprise formed and directed by an association of users, applying by it the rule of democracy and directly intended to serve both its members and the community as a whole. The co-operative credit structure in Kerala comprises of two segments mainly (i) short term and medium term credit structure and (ii) long term credit structure. For co-ordinating and assisting the activities of Primary Agricultural Credit Societies (PACS) there are District Co-operative Banks (DCB) at District level and State Co-operative Banks (SCB) at State level. Primary Agricultural Credit Societies were established in India after the enactment of Co-operative Societies Act in 1904.

2. Statement of the problem

The Aranattukara Oriental Co-operative Bank (AOCB) Ltd No. 171 was registered as a co-operative society in 1927. Area of operation of the society is in Aranattukara. The AOCB has a branch at Westfort and an extension counter at Olarikkara. The bank has limited liability. According to this financial year 2007-2008 there has been a tremendous increase of 10.19 percent in the share capital. In the same year the membership increased from 6.30 percent (2007) to 6.51 percentage (2008).

AOCB raises its funds from three sources (i) Share capital (ii) Deposits and (iii) Reserves. The funds are deployed by the bank mainly in the form of loans and advances. The AOCB provides facilities such as thrift and savings habit among its members. The main motto of the bank is service rather than attaining profit.

Though there is a commercial bank in the area of operation; AOCB does not feel any competition as interest rate on deposit is high and low lending rates. Major problem in lending is the period of loan is short which results in high installment amount. The profit and loss statements from the year 2005 onwards show a decline in growth. Therefore, bank have to plan their activity, plan their funds efficiently and effectively, utilize their work force to the maximum in order to get a reasonable profit and to survive in the present competitive world. Hence, it will be appropriate to analyze the financial performance to streamline the banking activities.

3. Objective of the study

The objective of the study is to examine the financial performance of Aranattukara Oriental Co-operative Bank.

4. Observations to be made

- Share capital
- Deposits
- Borrowings
- Reserves
- Investment in fixed asset
- Loans and advances
- Loans outstanding
- Net profit
- Interest received
- Interest paid
- Non interest income
- Non interest expenses

5. Methodology

The study is based on secondary data and the data required for the study were collected from the audited annual reports, balance sheet, receipts and disbursement statements of the bank. The data were collected for a period of 15 years 1990-1991 to 2004-2005. The performance analysis has been done with the help of different following ratios showing efficiency in mobilization, deployment and operation.

- Efficiency in Mobilization

1. Borrowed fund to working capital ratio

$$\left(\frac{\text{Borrowed fund}}{\text{Working capital}}\right) \text{X } 100$$

Borrowed fund includes deposits and borrowings.

Working capital = (Share capital + Reserves + Deposits + Borrowings - Investment in fixed assets)

2. Owned fund to Borrowed fund ratio

$$\left(\frac{\text{Owned fund}}{\text{Borrowed fund}}\right) \text{X } 100$$

Owned fund = (Share capital + Reserves)

Borrowed fund includes deposits and borrowings.

3. Deposit to Working Capital ratio

$$\left(\frac{\text{Deposits}}{\text{Working capital}}\right) \text{X } 100$$

Deposits are deposits received by the bank.

Working capital = (Share capital + Reserves + Deposit + Borrowings - Investment in fixed assets)

- Efficiency in Deployment

4. Credit to Deposit ratio

$$\left(\frac{\text{Credit}}{\text{Deposits}}\right) \text{X } 100$$

Credits are the loans and advances given by the bank.

Deposits are the deposits received by the bank.

5. Credit to owned fund ratio

$$\left(\frac{\text{Credit}}{\text{Owned fund}}\right) \text{X } 100$$

Credits are the loans and advances given by the bank

Owned fund = (share capital + Reserves)

6. Credit to working capital ratio

$$\left(\frac{\text{Credit}}{\text{Working capital}}\right) \text{X } 100$$

Credits are the loans and advances given by the bank.

Working capital = (share capital + reserves + deposits + borrowings – investment in fixed assets)

- EFFICIENCY IN OPERATION

7. Interest paid to Borrowed Fund ratio

$$\left(\frac{\text{Interest paid}}{\text{Borrowed Fund}}\right) \text{X } 100$$

Interest paid is the amount paid as interest on deposits

Borrowed fund include deposits and borrowings

8. Net profit to Working capital ratio

$$\left(\frac{\text{Net profit}}{\text{Working capital}}\right) \text{X } 100$$

Net profit is the profit of the bank.

Working capital = (share capital + reserves + deposits + borrowings – investment in fixed assets)

9. Interest paid to Interest received ratio

$$\left(\frac{\text{Interest paid}}{\text{Interest received}}\right) \text{X } 100$$

Interest paid is the amount paid as interest on deposits.

Interest received is the amount received as interest on lending.

10. Interest paid to Deposit ratio

$$\left(\frac{\text{Interest paid}}{\text{Deposits}}\right) \text{X } 100$$

Interest is the amount paid as interest on deposits.

Deposits are the deposits received by the bank.

11. Interest received to Loans and Advances ratio

$$\left(\frac{\text{Interest Received}}{\text{Loans and advances}}\right) \text{X } 100$$

Loans and advances are the amount given by the bank.

Interest received is the amount received as interest on deposits.

12. Spread ratio

$$\left(\frac{\text{Interest received} - \text{interest paid}}{\text{Total fund}} \right) \text{X } 100$$

Interest received is the amount received as interest on lending.

Interest paid is the amount paid as interest on deposits.

Total fund is the total of owned fund and borrowed fund.

13. Burden ratio

$$\left(\frac{\text{Non interest expenses} - \text{Non interest income}}{\text{Total fund}} \right) \text{X } 100$$

Non interest expenses include manpower expenses, administrative expenses, provisions and other expenses.

Non interest income includes commission and miscellaneous income.

Total fund is the total of owned fund and borrowed fund.

14. Profitability ratio

(Spread ratio – Burden ratio)

6. Scope of the study

Aranattukara Oriental Co-operative Bank was selected in order to evaluate and analyze the working of a co-operative bank. The study also evaluates the financial performance of bank for fifteen years from 1992-93 to 2006-07, which will enable the society to know its strength and weakness.

7. Limitations of the study

As the study covers a Co-operative bank only, there are chances of at least some local factors influencing the performance, which can not be generalized. The study is confined to only one bank. So comparison with other bank is not possible. Due to time constraint, the study has to be limited to a period of fifteen years from 1992-93 to 2006-07.

8. Scheme of the study

The study is presented in four chapters. The first chapter presents the design of the study. Second chapter gives the organizational profile of the bank. The third chapter examines the financial performance of the bank. The last chapter highlights the summary of findings and conclusions of the study.

Table 1 Ratios used for the study

Sl.No.	Ratios	Formula
1.	**Efficiency in Mobilization**	
a.	Borrowed fund to Working capital ratio	$\frac{Borrowed\ Funds}{Working\ Capital} \times 100$
b.	Owned fund to Borrowed fund ratio	$\frac{Owned\ Funds}{Borrowed\ Funds} \times 100$
c.	Deposit to Working capital ratio	$\frac{Deposits}{Working\ Capital} \times 100$
2.	**Efficiency in Deployment**	
a.	Credit to Deposit ratio	$\frac{Credit}{Deposits} \times 100$
b.	Credit to owned fund ratio	$\frac{Credit}{Working\ Capital} \times 100$
c.	Credit to Working capital ratio	$\frac{Credit}{Owned\ Fund} \times 100$
3.	**Efficiency in Operation**	
a.	Interest paid to Borrowed fund ratio	$\frac{Interest\ paid}{Borrowed\ fund}\ x\ 100$
b.	Net profit to Working capital ratio	$\frac{Net\ Profit}{Working\ Capital} \times 100$
c.	Interest paid to interest received ratio	$\frac{Interest\ Paid}{Interest\ Received} \times 100$
d.	Interest paid to Deposit ratio	$\frac{Interest\ Paid}{Deposit} \times 100$
e.	Interest received to Loans and Advances ratio	$\frac{Interest\ Received}{Loans\ and\ Advances} \times 100$
f.	Spread ratio	$\frac{(Interest\ Received - Interest\ Paid)}{Total\ Fund} \times 100$
g.	Burden Ratio	$\frac{(Non\ Interest\ Expenses - NonInterest\ Income)}{TotalFund} \times 100$
h.	Profitability ratio	$(Spread\ Ratio - Burden\ Ratio)$

REVIEW OF LITERATURE

Ananthakrishnan (1990) opined that the banks can improve their CD ratio by augmenting the lendable resources of the bank and making concerted efforts to set up the credit portfolio. The branch managers should know the finer points of fund management as to enable the banks to derive the maximum utilization of lendable resources without violating the CRR and SLR requirements. He also pointed out that the banks have to reduce the idle cash held in hand to the barest minimum level.

Sukumaran and Shaheena (1991) in their study on spread, burden and profitability remarked that lack of effective management of spread and burden led to unfavorable trends in profitability. It was found that the increase in burden ratio could be contributed to the increase in the non-interested expenditure ratio.

Kavinde (1991) in the effort to study the strategic issues and profitability of the bank opined that the major factor responsible for declining profitability of the bank was increase proportion of fund locked up in CRR and SLR.

Shanavas (1991) conducted a study in a selected service co-operative bank and concluded that the declining profitability of the bank is a combined result of increasing interest paid ratio, low interest in interest earned ratio, insufficient non interest income, necessity of maintaining increased amount of reserves due to mounting overdue arising out of banks inability collected the principal and interest in time etc.

Patil (1993) in his study stated that the co-operative system is very well settled in India. He further remarked that effectiveness of agricultural co-operative credit system depends up on the performance of the grass root level organizations. The destiny of Primary Agriculture Credit Societies depends on their ability to provide better services at cheaper cost to the farmers than their competitors.

Krishna Rao (1994) in his study 'Role of co-operative banks in financing Agricultural credits' found that capital was one of the factors of constraining development in developing countries. Agricultural credit was considered as an economic ladder helping in the upliftment of the poor peasantry.

Khalid Mustafa (1995) in his study states that through co-operatives are undertaking many, credit is one which has come to be regarded as an essential function. In most of the developing countries, credit is usually necessary for farmers' especially low income farmers, to attend innovations that can lead to increased profitability.

Kumar and Singh (1995) in their study revealed that even though there is no alternative to democratic management of co-operative banks, democratic leaders of the co-operative banks are required to be trained in banking practices, human relations and management principles for smooth functioning of the co-operative banks.

Garg (1996) in his study on improving productivity and profitability in the bank stated that productivity and profitability were interrelated. By way of increasing deposits and advances at a pace higher than that of the number of employees and by increasing income or decreasing expenditure, productivity, productivity and profitability could be improved. He suggested reducing costs, increasing the revenue and productivity and profitability.

Babu (1997) evaluated resource management efficiency of three urban co-operative banks in Thrissur district with regard to their liquidity and profitability performance. Using the various ratios relating to profitability, liquidity and business efficiency, he proved that one the banks were superior to the other two as it had higher spread ratio, higher credit – deposit ratio and borrowed fund ratio as compared to the other two.

Nanjunda (1997) observed that profitability and capital adequacy were closely linked and higher profitability normally accompanied higher risk weighted asset build up. The extensive risk build up would bring down the viability also.

Kulvant Singh (1998) in his study in a selected state co-operative bank conclude that in the context of globalization and liberalization of the economy, co-operative banks should ensure their business on health lines by having professional manpower and infuse some competition and check the amount directed for any unproductive purpose.

Reddy and Ravivarma (1999) in their efforts to study about "Management of funds in PACS" pointed out the proportion of share capital in the working capital of PACS was very low and the PACS were mainly depending on borrowings from external agencies. The study highlighted the need for improving the share capital base of banks. It also argued that the lending rate of the banks for short term and medium term and long term should be commensurate with the borrowings rates of the banks.

Triuttani (2000) indicated a number of strategies to increase spread in banks. These include time recovery of interest and installment on loan and advances, recovery of interest on subtended, doubtful and loss assets, acceleration of the flow of credit to high yielding advances of good quality cost, sensuousness while mobilizing high cost certificate of deposit and term deposits. According to him a problem of burden in banks could be tackled by to using attention on loss making branches to turn into profit making ones, improving the clientele base in commercial pockets and improving staff productivity.

Suresh and Gresappa (2001) conducted a study on "Fund Management". In this study it was observed that profit was a great motivating factor and in a favorable market, such is the power generated by "greed" for profits that fund managers needed minimum organizational backing to put into play their natural instincts of permit of profits.

Debashish (2002) viewed that performances of a bank can be measured by a number of indicators. Profitability is the most important and reliable indicator as it gives a broad indication of the bank to increase its earnings. The study focused on identifying the most critical profitability ratios using a multivariate analysis and identified five variables i.e., priority sector advances to net advances, interest income to total assets, non interest income to total assets and wages bills total expenses among the 13 variables as the significant discriminations of bank profitability.

Raikar (2003) stated that deposits comprise an important component of the banks working fund and profitability of the latter depends on the cost effective mobilization of deposit. In fact, profitability of bank in significantly correlated to the efficient deployment of funds.

James, O .Gill and Miora Chatton (2004) financial analysis provides easy to apply tools to help anyone learn how to understand widely used financial statements, evaluate capital investments and read an annual report. With interactive exercises, formulas, and examples, one can learn not only how to understand financial statements, but also how to use them to analyze income, manage assets, calculate ratios and better financial planning and which results an effective job.

Sadare (2004) in his study revealed that lower is the ratio of operating cost to total asset, better is the efficiency. These are many banks which are having higher ratio in terms of operating expenses to total assets. If an attempt is made to reduce such ratios the same will help these banks to show better performance in terms of efficiency as well as profitability.

Suriyan (2005) in their study that profit is an apt measure for assessing the actual performance of any business undertaking. The most important function o profit is its significant impact on the overall viability of the banking operations and to provide adequate stability to the business undertaking. The profitability performance of the bank has been assessed by considering the pattern and trends of income and expenditure. The profitability ratio has been derived by relating various components of income statement to a common denominator, namely volume of business.

Zakir Hussain (2006) made a comparative study on the performance indicators of Service Co-operative Banks (SCBs) in Kerala with that of all India status shows that the reason for failure is not only due to overdue, but mainly due to idle funds or surplus funds.

Ramesh (2006) in his study states that a vibrant and effective credit flow in rural India depends on the strength of co-operative credit societies in different tires. The study reveals the financing mechanism in this vital sector is lopsided and infested with a number of problems. The restructuring of the institutional financing of agriculture will lead to productive use of bank credit.

Vinayagamooorthy (2006) viewed that in a developing country like India with huge deficits in terms of quality and quantity, the state has to shoulder he primary responsibility of providing co-operative credit. The need of the hour for the co-operative sector in the era of liberalized environment is to seize every opportunity available to it. Thus the future vision of co-operative movement would have to be based on efficiency parameters relating to promotion of excellence, improvement of operational efficiency and strengthening of financial resource base.

Ramu (2007) studied performance and challenges of Urban Co-operative Bank in India. The study revealed that it is important for Urban Co-operative Bank's to adopt and bring about changes to face the challenges of the growing competitive market and also strengthen its operations. The 100 years of existence of Urban Co-operative Bank in India have clearly shown that the resource base of the bank financially independent. But at same time, Urban Co-operative Bank's are facing different problems like organizational, managerial, financial and operational issues.

Natarajan (2007) opined that there is a situational need for the service co-operative banks to go in for modern banking practices which are experiencing tough competition with commercial banks and new generation banks. Profit may not be a motive of co-operative, but for giving quality and continued service, the co-operatives have to get a reasonable profit. It is high time that the service co-operative banks in Kerala to analyze their profitability of each of their activity, plan their funds efficiently and effectively.

Nanda (2007) highlighted some issues relating to credit co-operative. The first and foremost issue bothering the credit co-operatives is its resources. According to him the percentage of recoveries to demand at the State Co-operative Bank or

District Credit Co-operative Bank or Primary Agricultural Credit Societies are not sustainable and the co-operatives also face interference in recovery of their dues. The other issues identified are absence of professionalism, various operational constraints, absence of democratic management etc.

Mohan (2008) in his study concluded that the success of banks, by and large depends upon the management of funds. The fund management in co-operative banks requires new orientation for achieving higher productivity and profitability. Cost reduction in mobilizing resources and yield increase in deployment of funds are to be ensured. The banks have to keep a constant watch on the movement of funds to make sure not only they are used to the best advantage, but also that no financial difficulty arises in due course.

A Profile

CHAPTER 2

Organizational Profile of Aranattukara Oriental Co-operative Bank

Genesis

The Aranattukara Oriental Co-operative Bank, which was established in the year 1927, as a primary agricultural credit society which meets the credit needs of the members. The Aranattukara Oriental Co-operative Bank was registered on 3.10.1927 and it commenced business on 18.12.1927. The bank operates its head office at Aranattukara and an extension counter at Olarikkara. The area of operation of the bank covers only in Aranattukara.

Objectives

1. To encourage thrift, self help and co-operation among members.
2. To provide short term and medium term loans.
3. To provide loans for agricultural purpose and for purchasing cattle and vehicles.
4. To provide technical and financial assistance to develop small scale industries.
5. To provide housing loans for construction and purchases of new houses, repairs and renovation of existing houses.
6. The bank introduced agencies for consumer stores, depots under of the Government.
7. To acquire fixed or tangible assets for the efficient and smooth functioning of the bank.
8. To conduct and commence monthly deposit.
9. To provide loan on the security of gold.
10. To mobilize deposits for the performance of aforesaid objectives.

Table 2.1 Detailed Data of AOCB Profile for the past 15 years

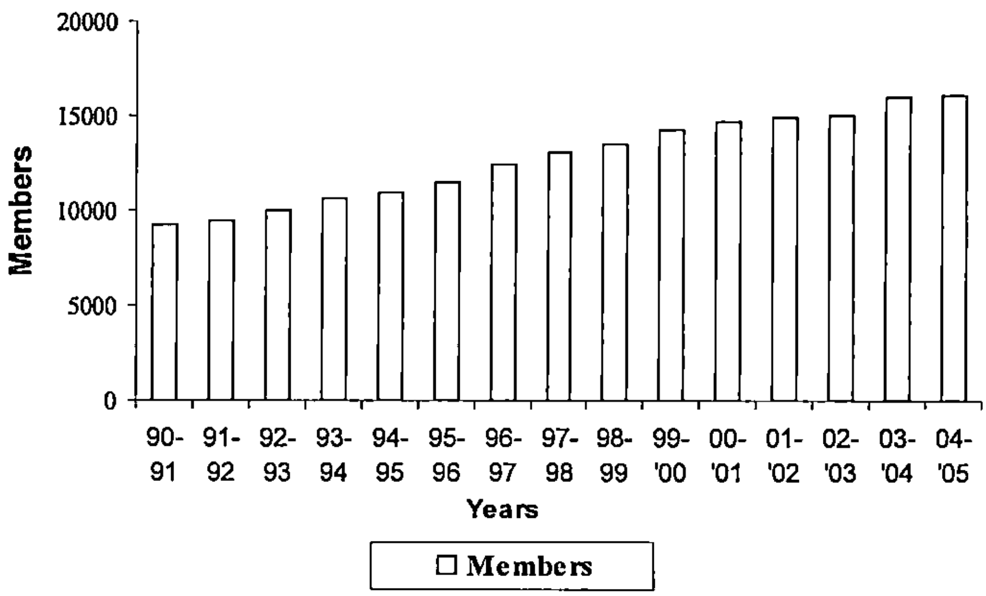
Years	Members	Share capital (in Rs Lakhs)	Deposits (in Rs Lakhs)	Loans and Advances (in Rs Lakhs)	Investment (in Rs Lakhs)	Borrowings (in Rs Lakhs)	Net profit (in Rs Lakhs)	Reserve (in Rs Lakhs)
90-91	9233	10.83	151.40	145.21	5.7	14.56	1.29	0.23
91-92	9499	14.93	180.81	187.88	5.2	11.12	3.39	0.23
92-93	10052	17.58	200.12	207.11	4.2	13.92	3.59	0.23
93-94	10667	19.13	246.27	227.09	4.22	4.45	0.47	0.64
94-95	10912	19.69	294.54	240.59	3.72	-	-1.9	0.77
95-96	11465	19.75	319.31	284.85	3.72	-	3.6	0.77
96-97	12394	20.11	372.38	363.94	3.72	24.75	-12.91	1.11
97-98	13050	20.67	374.63	396.57	3.72	58.75	6.28	1.11
98-99	13478	20.94	492.92	552.26	4.72	18.41	11.96	1.37
99-00	14214	22.18	509.52	537.69	3.72	35.25	6.81	1.11
00-01	14648	22.18	512.41	560.74	3.72	48.4	3.11	1.15
01-02	14884	23.31	523.18	581.51	3.72	44.67	4.21	1.81
02-03	15013	22.04	527.23	608.33	3.72	44.11	5.34	1.38
03-04	15972	20.37	529.38	615.96	3.72	45.89	3.21	1.91
04-05	16073	21.54	530.49	615.02	3.72	50.12	3.64	1.55

Source: Audited annual reports of the AOCB for 15 years

Membership

A person who has attained 18 years of age, a resident or having land property with in the jurisdiction of the bank and having a sound mind is eligible for the membership of the bank. Members constitute the general body and it is the supreme authority. The bank has 3 types of members A Class, B Class, and C class. A Class members are the real shareholders of the bank. They alone have right to vote and they elect the board of directors. From general body and right to vote and they elect the Board of Directors from the general body and Board of Directors elect the president. B Class members are nominal members. Monthly deposit scheme subscribers and persons taking gold loans could be included as B Class members. The Government takes C Class shares. The B Class and C Class shares did not have voting right.

Fig 2.1 Members of AOCB for 15 years



Tables 2.1 shows the membership of the bank for a period of fifteen years from 1990-1991 to 2004-2005. The membership of the bank is increasing. During the year 1990-1991 the membership of the bank was 9233 and in the year 2004-2005 the membership was 16073.

Share Capital

The share capital of the bank is the major constituent of owned fund of the bank. All the members of the bank contribute to the share capital. The authorized share capital of the bank is Rs 1000000, which consists of 850000 A class shares of Rs 10 each, 50000 B class shares of Rs 5 each, and 100000 C class shares of Rs 100 each.

Fig 2.2 Share Capital of AOCB for 15 years

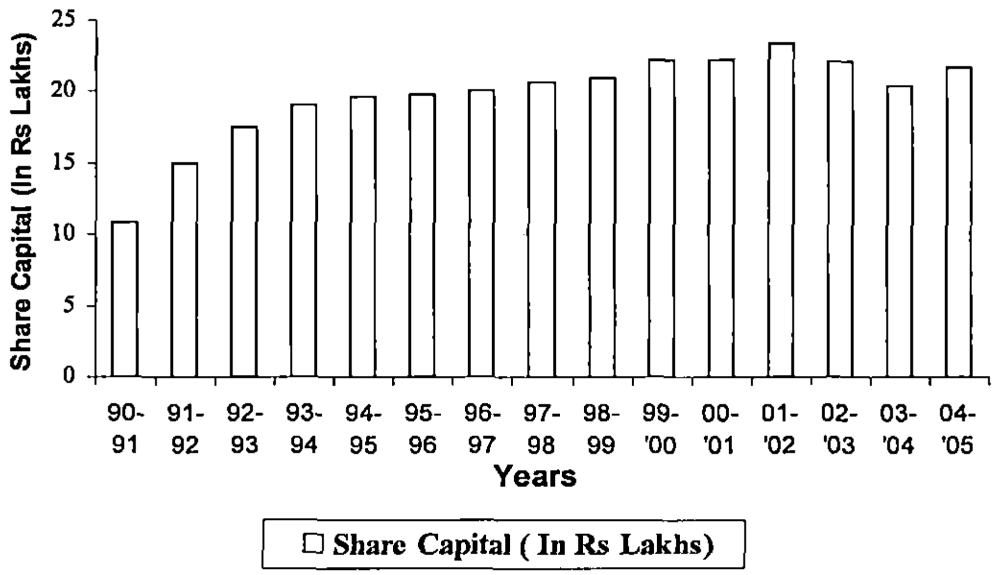


Table 2.1 shows the membership of the bank for a period of fifteen years from 1990-1991 to 2004-2005. The highest amount of share capital was during the year 2001-2002 which was Rs 23.31 lakhs and lowest was during the year 1990-1991 which was Rs 10.80 lakhs. The trend shows a fluctuating trend but it is increasing.

Deposits

The bank fixes the interest rate for the deposits according to the Reserve Bank of India Instructions, the decisions taken in the Board and also by Co-operative Societies Act and Rules. The various kinds of deposits accepted by the bank are:

- Fixed deposits

Fixed deposit is one form of deposits in which a fixed amount is deposited for a period of time.

Rate of interest

Period of Deposit	Rate of Interest (in %)
15 days to 45 days	6.25
46 days to 90 days	7.25
91 days to 179 days	8.25
180 days to 364 days	9.25
12 months to 23 months	11
24 months to 35months	10.75
36 months to53months	10.25
Above 60 months	10.25

- Saving deposits

The saving bank accounts can be opened with a sum of Rs.500. The co-operative bank gives 4.5 percent interest on savings deposits.

- Compulsory deposits

When a loan is issued to the customer, the bank insists on him to deposit a certain percentage of loan amounts as compulsory deposit. The bank will repay the amount after 3 years with interest.

- Badhratha deposits

Under this scheme a fixed amount deposited today will become twice with in 120 months. Such an account can be opened by members as well as non-members with a minimum amount of Rs.100.

- Kshemanidhi deposits

Under this scheme a fixed amount is deposited for a period of 72 months, 120 months, 240 months etc. The minimum amount that can be deposited is Rs.100. If a customer deposits Rs.7200 in the scheme he will get Rs.10000 after completion of 72 months. That is, he will get interest of Rs.2800.

- Swayam vardhini

It is just like Kshemanidhi deposit. The customer can deposit amount for 72 months and he will get amount after 72 months with interest.

Fig 2.3 Deposits of AOCB for 15 years

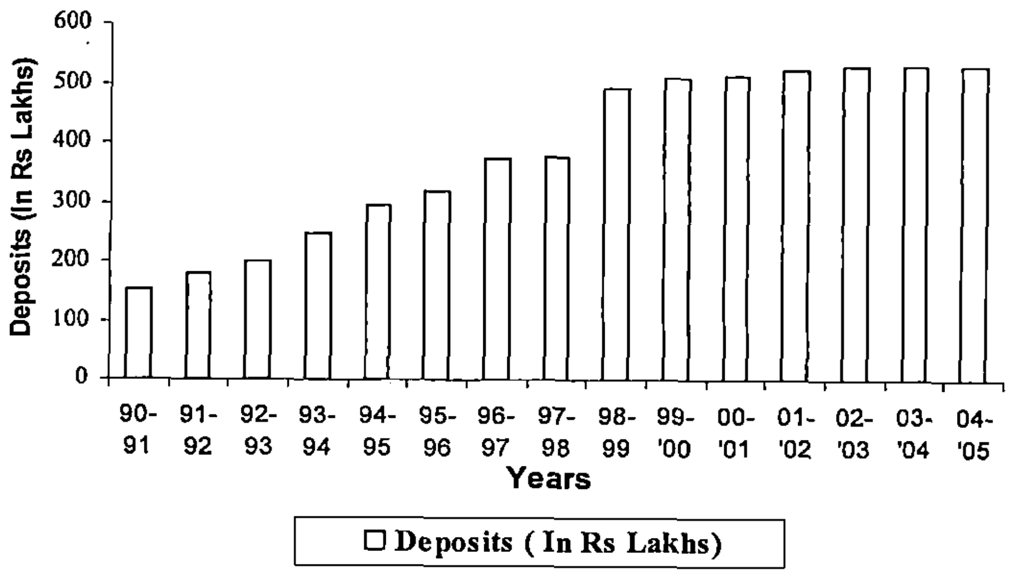


Table 2.1 shows the deposits received by the bank during the study period, 1990-1991 to 2004-2005. The highest amount of deposit was received during the year 2004-2005 which was Rs 530.49 Lakhs and lowest was during the year 1990-1991 which was Rs 151.40 Lakhs. The deposit of the bank is increasing.

Loans and Advances

Loans are given for a fixed period and repayable in suitable installments. The loans may be Short term, Medium term and Long term depending upon the purpose for which loan is provided. Loans which have duration of less than three years are known as Short term loans. Duration of Medium term loan is between three and five years and the loans above fifteen years are Long term loans.

The bank gives loans and advances on the instructions of Reserve bank of India of various securities or on securities which have been sanctioned by the Board of Directors. The securities can be:

a) Self-security or on third party guarantee
b) Loans are given on the collateral security of fixed deposits
c) Securities can be given on pledging Government securities, authorized companies shares, debentures, banks fixed deposits and insurance policies.
d) By pledging gold
e) Loans and advances given or other tangible securities

Types of Loans are:

1. Simple loan
2. Recovery loan
3. Mortgage loan
4. Housing loan
5. Gold loan
6. Equipment loan
7. Deposit loan
8. Agricultural loan

Fig 2.4 Loans and Advances of AOCB for 15 years

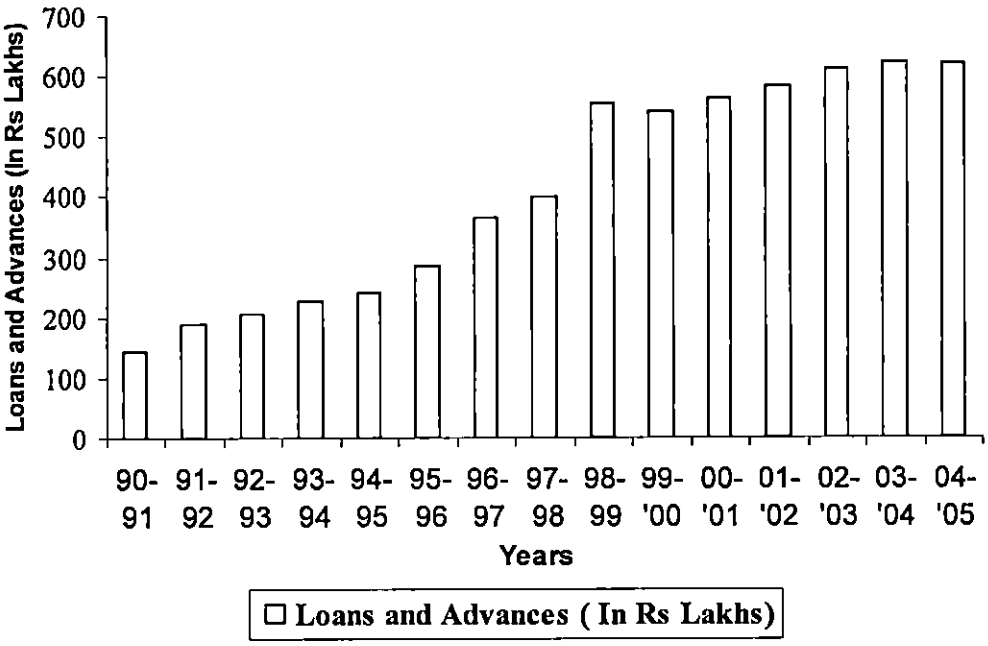


Table 2.1 shows the loans and advances disbursed by the bank during the study period, 1990-1991 to 2004-2005. The highest amount of loans and advances was disbursed during the year 2003- 2004 which was Rs 615.96 lakhs and lowest was during the year 1990-1991 which was Rs 145.21 lakhs. The loans and advances disbursed by the bank are increasing, which shows that bank is satisfying the need of customers through deployment of funds.

Net Profit / Loss

Net profit is the difference between total income and total expenditure. It is an indication of efficiency and profitability of an organization. The financial stability of the institution will be measured with reference to the operational results. A positive operational result of the bank is an evidence for its success.

The net profit of the bank will be distributed on the following basis:

1. Reserve fund: Not less than 15 % of the net profit will be transferred to reserve fund
2. Co-operative Education fund: 5% of the net profit will be transferred to co-operative education fund.

3. Rest of the amount will be distributed as follows:

- Bad debts fund
- Bonus fund
- Death fund
- Building fund
- Dividend fund
- Or in any reserve as recommended by Reserve Bank of India

Fig 2.5 Net profit of AOCB for 15 years

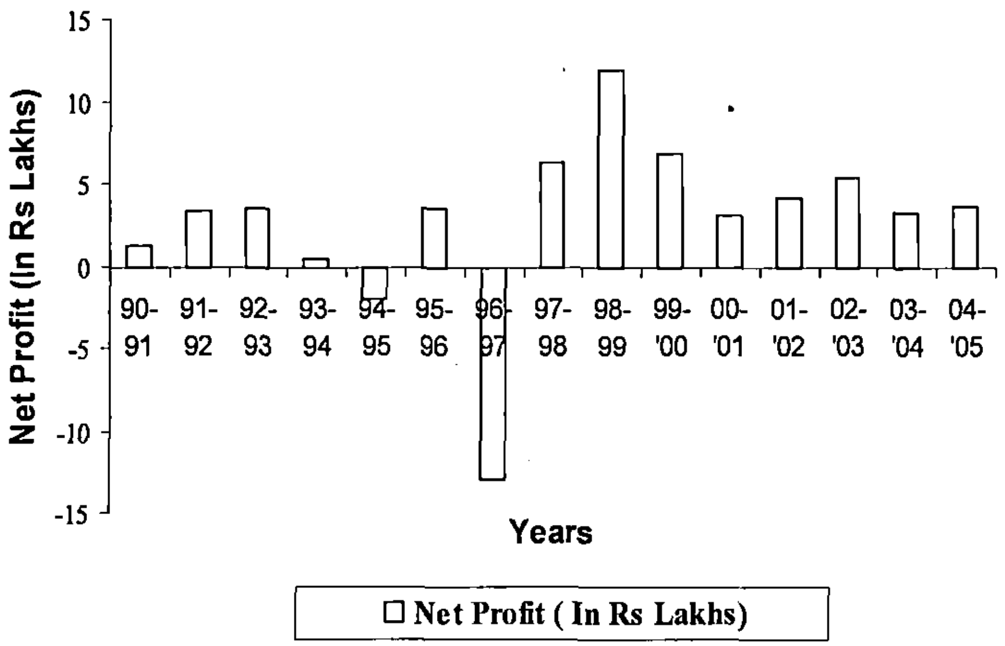


Table 2.1 shows the net profit of the bank during 1990-1991 to 2004-2005. The net profit was at maximum during the year 1998-1999 which was Rs 11.96 lakhs and lowest was in the year 1996-1997 which was Rs -12.91 lakhs. In 1994-95 and 1996-97 shows negative result, which indicates the bank was loss in those years it is because of the availability of excess fund during that period i.e. threhank cannot able to disburse the loan according to the availability of fund. . The net profits of the bank show a fluctuating trend

Reserves

Reserve fund is an internal source of fund for the bank and constitutes an important part of the working capital. Every year not less than 15 percent of net profit of the bank is carried to reserve fund.

Fig 2.6 Reserves of AOCB for 15 years

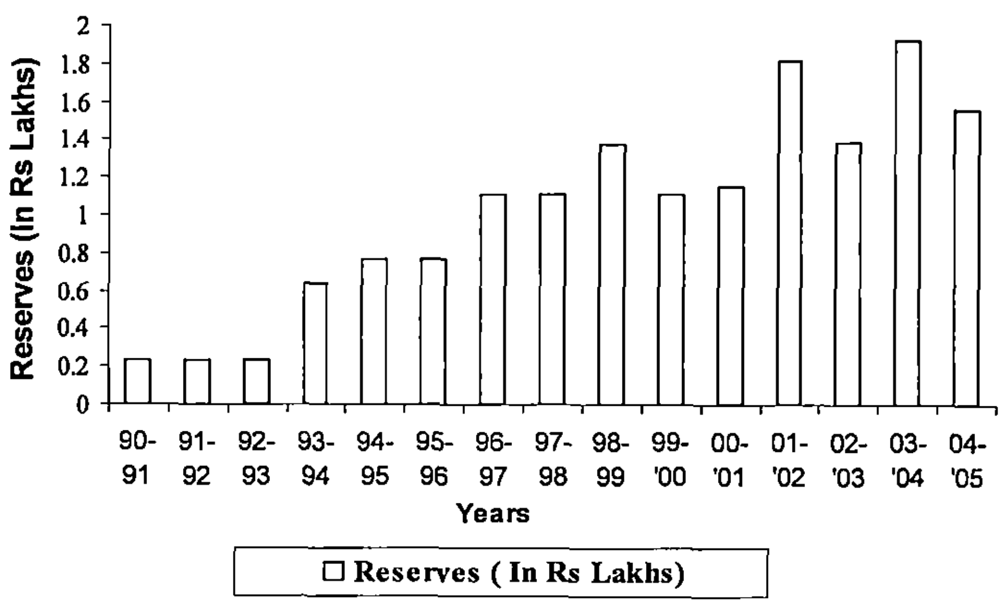


Table 2.1 shows the reserves of the bank during the study period, 1990-1991 to 2004-2005. The highest amount of reserves was during the year 2003-2004 which was Rs 1.91 lakhs and lowest was during the years 1990-1993 which was Rs 0.23 lakhs.

Borrowings

The Board of Directors of the bank can borrow funds with the prior approval of the Registrar and the financing bank, either from members or from non-members or from other institutions or from the Government. The bank borrowed from District Co-operative Bank, State Co-operative Bank and NCDC (National Co-operative Development Corporation). Borrowings are mainly in the form of overdraft.

Fig 2.7 Borrowings of AOCB for 15 years

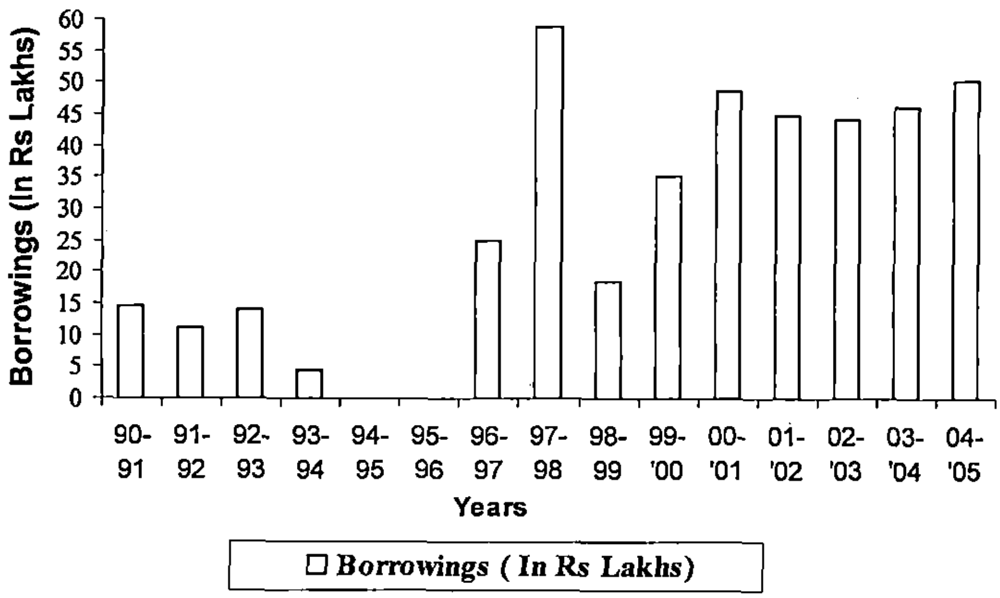
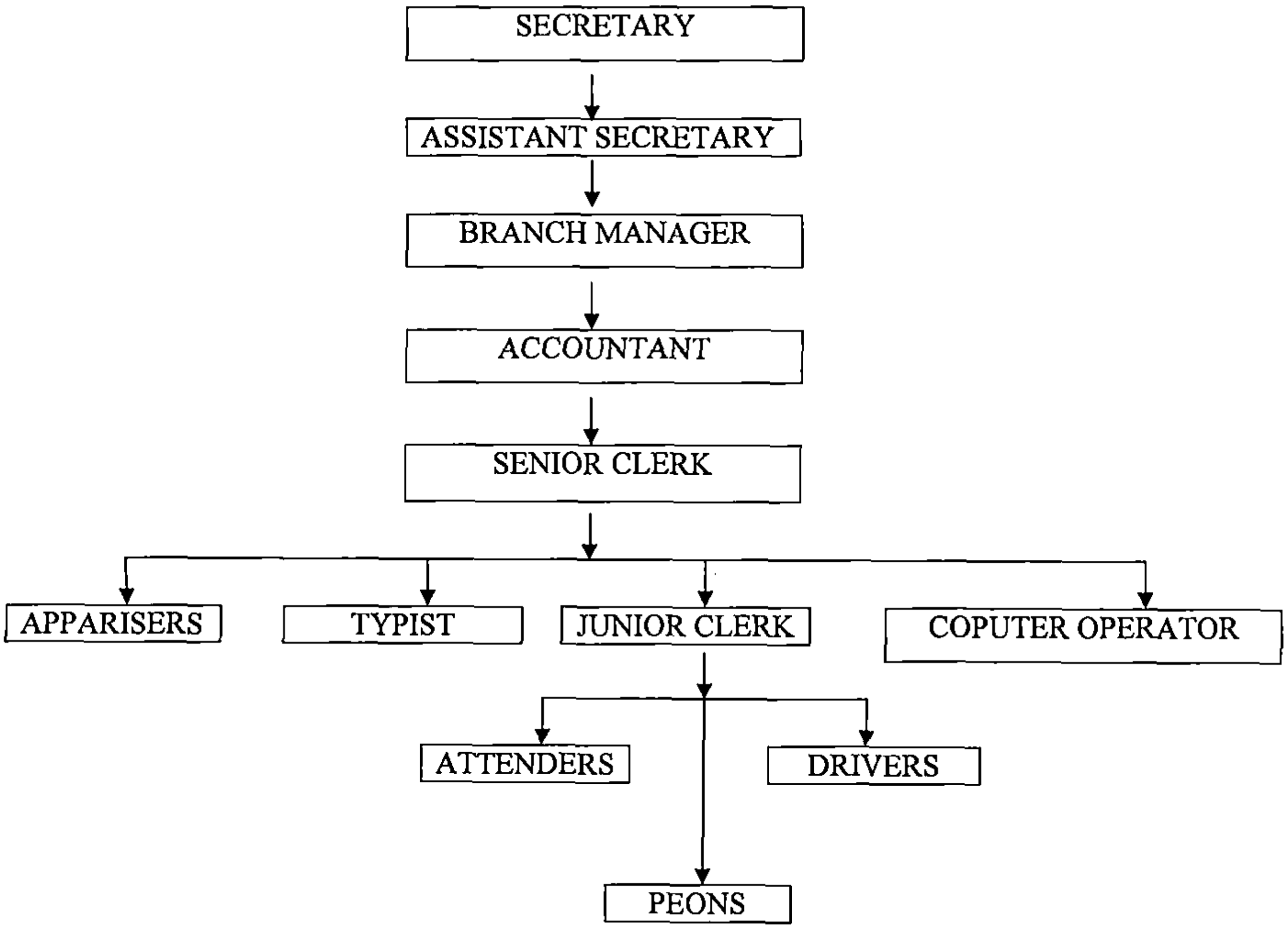


Table 2.1 shows the borrowings of the bank during the study period. In the year 1994-1995 and 1995-1996 the bank did not borrow. But from the year 1996-1997 onwards the bank borrowed heavily. In the year 1997-1998, borrowings of the bank were very high that is Rs. 58.75.

ORGANIZATIONAL STRUCTURE OF THE BANK

Chart 1: Organizational Structure of the Bank



Conclusion

Aranattukara Oriental Co-operative bank is acting as a financial intermediary, mobilizes savings of the bank and supplements their resources through borrowings for providing credit to the needy sectors. Efficient management, viability of the bank and sound banking practices do a lot to get public confidence. Through the process of taking deposits, making loans and responding to interest rates signals, this banking system helps to channel funds from savers to borrowers in an efficient manner.

CHAPTER 3

Financial Analysis of Aranattukara Oriental Co-operative Bank

Financial performance analysis is the process of evaluating the relationship between different types of financial statement to obtain a better understanding of firm's position. This not only helps the management in decision making and control but also serve as a useful tool for all concerned to the firm.

A financial statement is an organized collection of data according to logical and consistent accounting procedures. Its purpose is to convey an understanding of some financial aspects of a business firm. It is a process of identifying the financial strength and weakness of the firm by properly establishing relationship between the items of the balance sheets and profit and loss accounts.

In this study, an attempt has been made to evaluate the financial performance of Aranattukara Oriental Co-operative Bank, by using ratio analysis.

Ratio analysis 'is one of the most powerful tools of financial analysis. Accounting ratios are relationships expressed in mathematical terms between figures which are connected with each other in some manner. Ratio analysis is a technique of analysis and interpretation of financial statements.

The operational efficiency of the bank is administered through the following headings:

- Efficiency in mobilization
- Efficiency in deployment
- Efficiency in operation

3.1) Efficiency in mobilization

Efficiency in mobilization is of great important because mobilization of funds has a vital role in building a sound financial structure. The following ratios are used to analysis the efficiency of AOCB in the mobilization of funds:

- Borrowed fund to working capital ratio
- Owned fund to borrowed fund ratio
- Deposits to working capital ratio

3.1.1) Borrowed fund to working capital ratio

The ratio highlights the share of borrowed fund in working capital. A higher ratio is an indicative of higher share of borrowed funds in the working capital and smaller ratio indicates the dominance of owned fund in the working capital. The borrowed fund would affect cost and unless the bank ensures profitable deployment of such funds, the bank may have to suffer losses.

Borrowed fund to working capital ratio

$$\left[\frac{\textit{Borrowed Fund}}{\textit{Working Capital}}\right] \text{X } 100$$

Borrowed fund include deposits and borrowings.

Working capital

= [Share capital + Reserves + Deposits + Borrowings - Investment in fixed assets]

Table 3.1 Borrowed funds to working capital ratio of AOCB from 1990-1991 to 2004-2005

Year	Borrowed fund (In Rs Lakhs)	Working capital (In Rs Lakhs)	Borrowed to Working Capital Ratio
1990-1991	165.97	171.32	96.87
1991-1992	191.93	201.89	95.06
1992-1993	214.05	227.65	94.02
1993-1994	250.72	266.27	94.16
1994-1995	294.54	311.28	94.62
1995-1996	319.31	336.11	95.00
1996-1997	397.13	414.63	95.77
1997-1998	433.39	451.44	96.00
1998-1999	511.33	528.92	96.67
1999-2000	544.77	564.34	96.53
2000-2001	560.81	580.42	96.62
2001-2002	567.85	589.25	96.36
2002-2003	571.34	591.04	96.66
2003-2004	575.27	593.83	96.87
2004-2005	580.52	599.98	96.75

Source: Audited annual reports of the AOCB

Fig 3.1 Borrowed fund to Working capital ratio

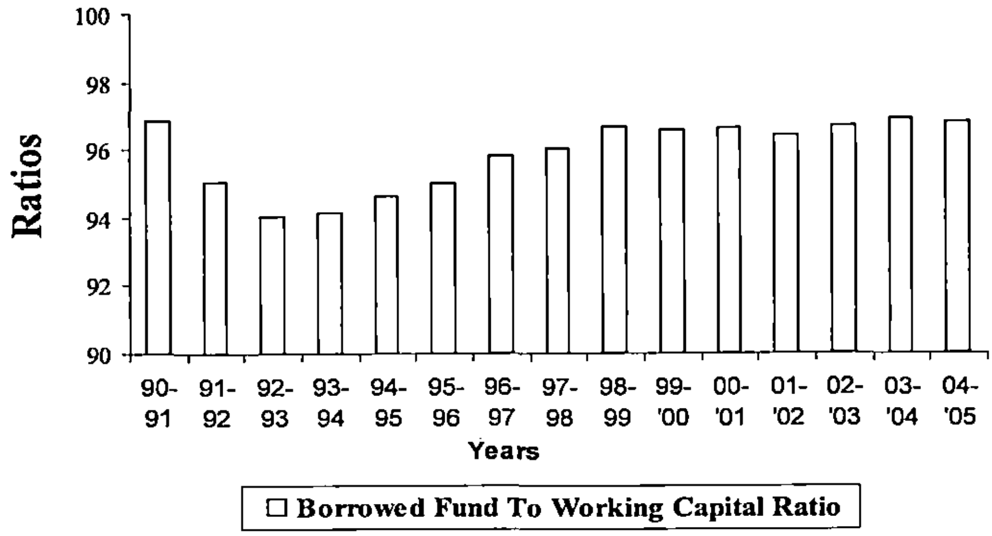


Table 3.1 gives the ratio of borrowed fund to working capital ratio of the bank for a period of fifteen years from 1990-1991 to 2004-2005. Above table showed an increasing trend during the period of fifteen years. The ratio shows that borrowed fund constitute a major share of the working capital of the bank. As the share of borrowed fund increase in the working capital, the interest expense of the bank will also increase. So a lesser ratio is always good for the bank. At the same time a very lower ratio indicates the inability of the bank to mobilize deposits also.

3.1.2) Owned fund to Borrowed fund ratio:

This ratio show whether the bank depends more on owned fund or borrowed funds. Higher ratios indicate the increased share of owned funds in the functioning of the bank. Owned fund includes share capital and reserves. Borrowed fund includes deposits and borrowings.

Owned fund to borrowed fund ratio

$$\left[\frac{\textit{Owned Fund)}}{\textit{Borrowed Fund}}\right] \text{X } 100$$

Table 3.2 Owned fund to borrowed fund ratio of AOCB from 1990-1991 to 2004-2005

Year	Owned fund (In Rs Lakhs)	Borrowed fund (In Rs Lakhs)	Owned Fund To Borrowed Fund Ratio
1990-1991	11.03	165.97	6.64
1991-1992	15.16	191.93	7.89
1992-1993	17.81	214.05	8.32
1993-1994	19.78	250.72	7.88
1994-1995	20.46	294.54	6.94
1995-1996	20.52	319.31	6.42
1996-1997	21.23	397.13	5.34
1997-1998	21.47	433.39	4.95
1998-1999	25.04	511.33	4.89
1999-2000	22.05	544.77	4.04
2000-2001	22.33	560.81	3.98
2001-2002	25.12	567.85	4.42
2002-2003	23.42	571.34	4.09
2003-2004	22.28	575.27	3.87
2004-2005	23.09	580.52	3.97

Source: Audited annual reports of the AOCB

Fig 3.2 Owned fund to borrowed fund ratio

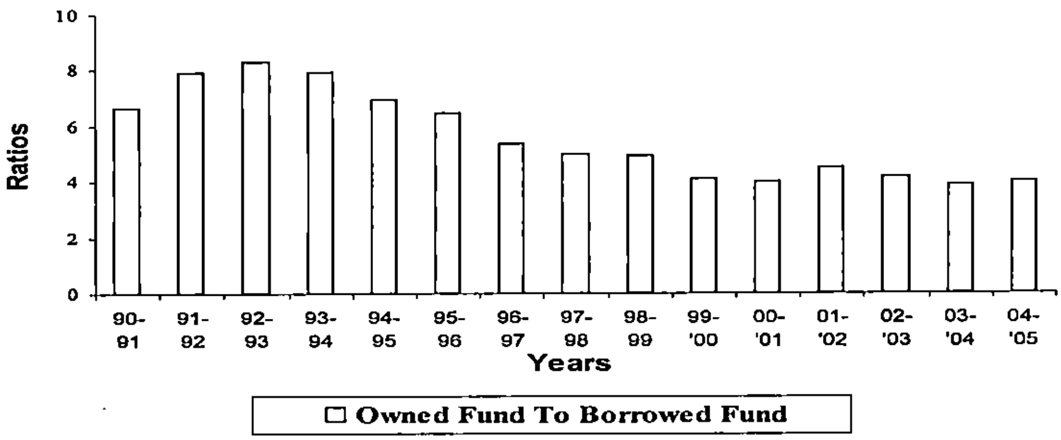


Table 3.2 gives the ratio of owned fund to Borrowed fund of the bank for a period of fifteen years from 1990-1991 to 2004 -2005.As per the table the ratios show a decreasing trend over the years. The ratio had declined from 6.6 percent in 1990-1991 to 3.7 percent in 2004-2005. In the year 1992-1993 the ratio was highest that is 8.3, percent. The decline in the ratio was because of the lower rate of growth of owned fund. This may not be concern for the banking institutions which was efficient in deployment of funds.

3.1.3) Deposits to working capital ratio:

A higher ratio is the indication of higher share of borrowed funds in working capital since deposits are the only component of borrowed funds. A smaller fund indicates the dominance of owned fund in working capital. The ratio also implies the efficiency of the bank in the deposit mobilization and at the same time imposes certain additional responsibility on the bank to ensure deployment of funds in profitable channels otherwise the bank may have to suffer the loss.

Deposits to working capital ratio:

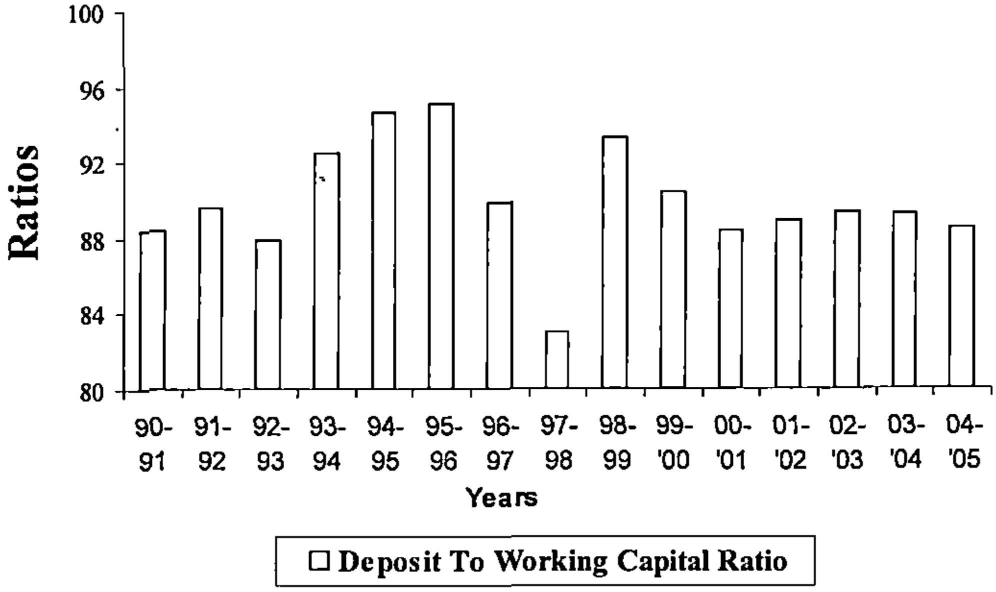
$$\left[\frac{\textit{Deposits}}{\textit{Working Capital}} \right] \text{X } 100$$

Table 3.3 Deposits to working capital ratio of AOCB from 1990-1991 to 2004-2005

Year	Deposits (In Rs Lakhs)	Working capital (In Rs Lakhs)	Deposits To Working Capital Ratio
1990-1991	151.40	171.32	88.37
1991-1992	180.81	201.89	89.55
1992-1993	200.12	227.65	87.90
1993-1994	246.27	266.27	92.48
1994-1995	294.54	311.28	94.62
1995-1996	319.31	336.11	95.00
1996-1997	372.38	414.63	89.81
1997-1998	374.63	451.44	82.98
1998-1999	492.92	528.92	93.19
1999-2000	509.52	564.34	90.28
2000-2001	512.41	580.42	88.28
2001-2002	523.18	589.25	88.78
2002-2003	527.23	591.04	89.20
2003-2004	529.38	593.83	89.14
2004-2005	530.49	599.98	88.41

Source: Audited annual reports of the AOCB

Fig 3.3 Deposits to working capital ratio



Deposits are the deposits received by the bank. Working capital includes share capital, reserves, deposits, borrowings and investment in fixed assets.

Table 3.3 gives the ratio of deposits to working capital of the bank for a period of fifteen years from 1990-1991 to 2004-2005. The percentage of ratio of deposits to working capital is very high during the study period. The ratio increased from 88.37 percent in the year 1990-1991 to 88.41 percent in the year 2004-2005. A higher deposit to working capital ratio indicates higher share of deposits in working capital. It also implies the efficiency of the bank in deposit mobilization and at the same time imposes certain additional responsibility on the bank to ensure deployment of funds in profitable channels.

3.2) Efficiency in Deployment of funds

Fund deployment is an important function as far as co-operatives are concerned. Efficiency in deployment is as equally important as efficiency in mobilization. The long term existence of any co-operative depends upon the effective deployment of funds mobilized. The following ratios are considered for analyzing the efficiency in deployment:

- Credit to Deposit ratio
- Credit to working capital ratio
- Credit to Owned fund ratio

3.2.1) Credit to Deposit ratio

Since deposits are mobilized for the purpose of giving credit, the relationship with this two is very much relevant. The relationship shows the efficiency of the bank in successfully getting rid of the high cost source. The ratio is an important measure of banks efficiency in converting the funds available with it into loans and advances. A high ratio indicates greater efficiency in the deployment of funds.

Credit to deposit ratio:

$$\left[\frac{\textit{Credit}}{\textit{Deposits}} \right] \text{X } 100$$

Credits are the loans and advances given by the bank

Deposits are the deposits received by the bank.

Table 3.4 Credit to Deposits ratio of AOCB from 1990-1991 to 2004-2005

Year	Credit (In Rs Lakhs)	Deposits (In Rs Lakhs)	Credit To Deposits Ratios
1990-1991	145.21	151.4	95.91
1991-1992	187.88	180.81	103.91
1992-1993	207.11	200.12	103.49
1993-1994	227.09	246.27	92.211
1994-1995	240.59	294.54	81.68
1995-1996	284.85	319.31	89.20
1996-1997	363.94	372.38	97.73
1997-1998	396.57	374.63	105.85
1998-1999	552.26	492.92	112.03
1999-2000	537.69	509.52	105.52
2000-2001	560.74	512.41	109.43
2001-2002	581.51	523.18	111.14
2002-2003	608.33	527.23	115.38
2003-2004	615.96	529.38	116.18
2004-2005	615.02	530.49	121.14

Source: Audited annual reports of the AOCB

Fig 3.4 Credit to Deposits ratio

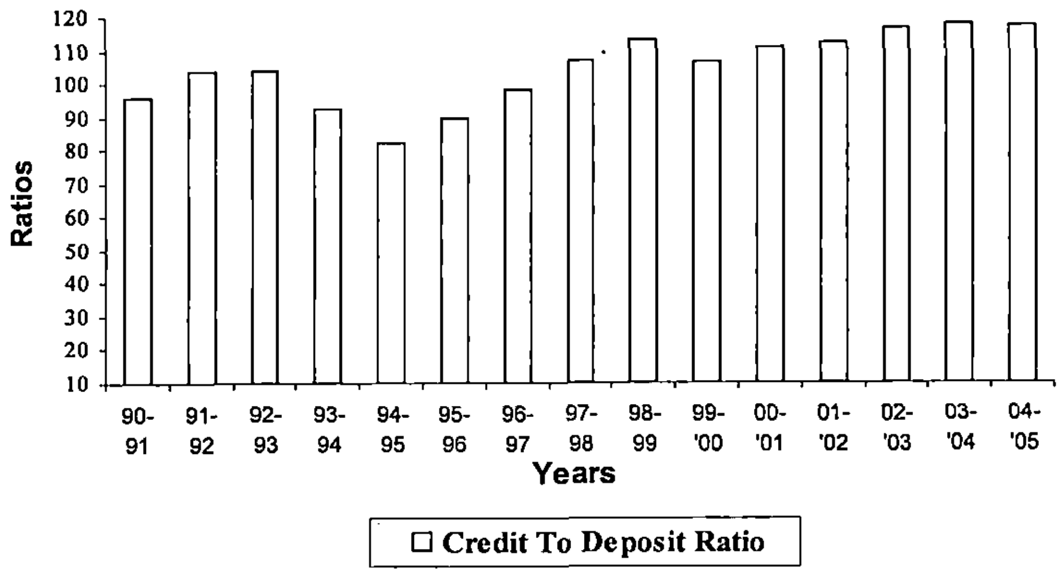


Table 3.4 gives the ratio of Credit to deposits of the bank for a period of fifteen years from 1990-1991 to 2004-2005. The highest ratio was116.35 percent in the year 2003-2004 and lowest ratio was 81.68 percent in the year 1994-1995. A declining trend in the Credit deposit ratio is not a good sign. So the bank should take care to fix the target for deployment in proportion to the deposits mobilization targets.

3.2.2) Credit to working capital ratio

The credit to working capital is comprehensive indicator to study the efficiency in fund management of the bank. The ratio shows the relationship between the deployment in loans and advances and the available funds. This ratio reveals the quantum of credit given from hundred rupees available. Higher the ratio higher will be the efficiency in managing the funds.

Credit to working capital ratio:

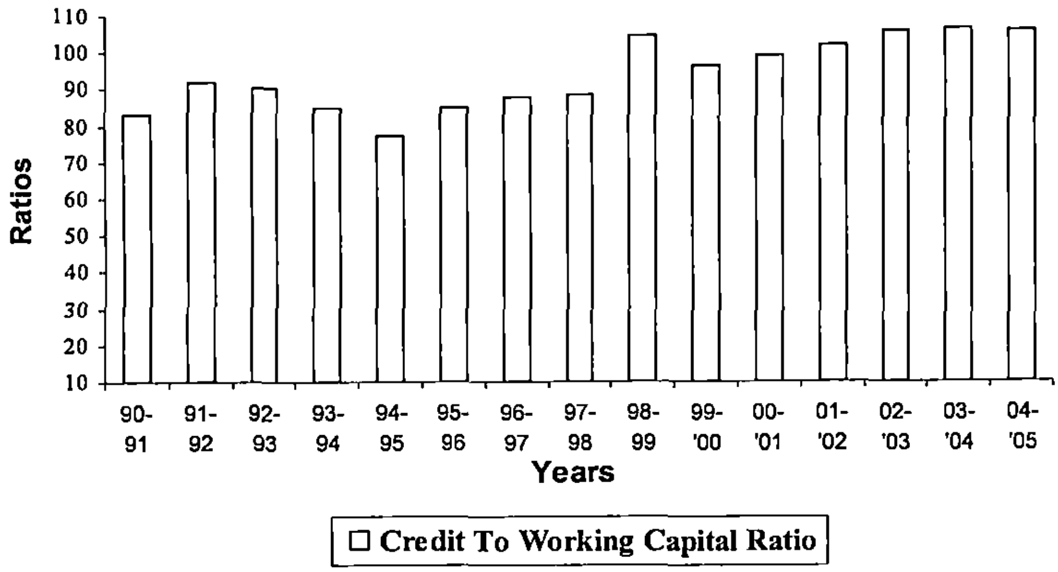
$$\left[\frac{\textit{Credit}}{\textit{Working Capital}}\right] \text{X } 100$$

Table 3.5 Credit to working capital ratio of AOCB from 1990-1991 to 2004-2005

Year	Credit (In Rs Lakhs)	Working capital (In Rs Lakhs)	Credit To Working Capital Ratios
1990-1991	145.21	171.32	84.75
1991-1992	187.88	201.89	93.06
1992-1993	207.11	227.65	90.97
1993-1994	227.09	266.27	85.28
1994-1995	240.59	311.28	77.29
1995-1996	284.85	336.11	84.74
1996-1997	363.94	414.63	87.77
1997-1998	396.57	451.44	87.84
1998-1999	552.26	528.92	104.41
1999-2000	537.69	564.34	95.27
2000-2001	560.74	580.42	96.60
2001-2002	581.51	589.25	98.68
2002-2003	608.33	591.04	102.92
2003-2004	615.96	593.83	103.72
2004-2005	615.02	599.98	102.50

Source: Audited annual reports of the AOCB

Fig 3.5 Credit to working capital ratio



Credits are the loans and advances given by the bank. Working capital includes share capital, reserves, deposits, borrowings and investment in fixed assets

Table 3.5 gives the ratio of Credit to working capital of the bank for a period of fifteen years from 1990-1991 to 2004-2005. In the year 1998-1999 ratios are highest i.e. 104.41 percent and in the year 1994-1995, shows the lowest at 77.29 percent. If deployment of credit is lagging, naturally affect the interest earning capacity of the bank. So, the bank has to increase the amount of loan disbursed to increase the interest income.

3.2.3) Credit to owned fund ratio

Credit to owned fund ratio measures the capacity of the bank to convert owned fund to credit. A higher ratio is a positive indication to the efficiency in deployment of funds.

Credit to owned fund ratio:

$$\left[\frac{Credit}{Owned\ Fund}\right] \mathbf{X\ 100}$$

Table 3.6 Credit to owned fund ratio of AOCB from 1990-1991 to 2004-2005

Year	Credit (In Rs Lakhs)	Owned fund (In Rs Lakhs)	Credit To Owned Fund Ratios
1990-1991	145.21	11.03	1316.50
1991-1992	187.88	15.16	1239.31
1992-1993	207.11	17.81	1162.88
1993-1994	227.09	19.78	1148.07
1994-1995	240.59	20.46	1175.90
1995-1996	284.85	20.52	1388.15
1996-1997	363.94	21.23	1714.27
1997-1998	396.57	21.47	1847.08
1998-1999	552.26	25.04	2205.51
1999-2000	537.69	22.05	2438.50
2000-2001	560.74	22.33	2511.15
2001-2002	581.51	25.12	2314.92
2002-2003	608.33	23.42	2597.48
2003-2004	615.96	22.28	2760.68
2004-2005	615.02	23.09	2783.32

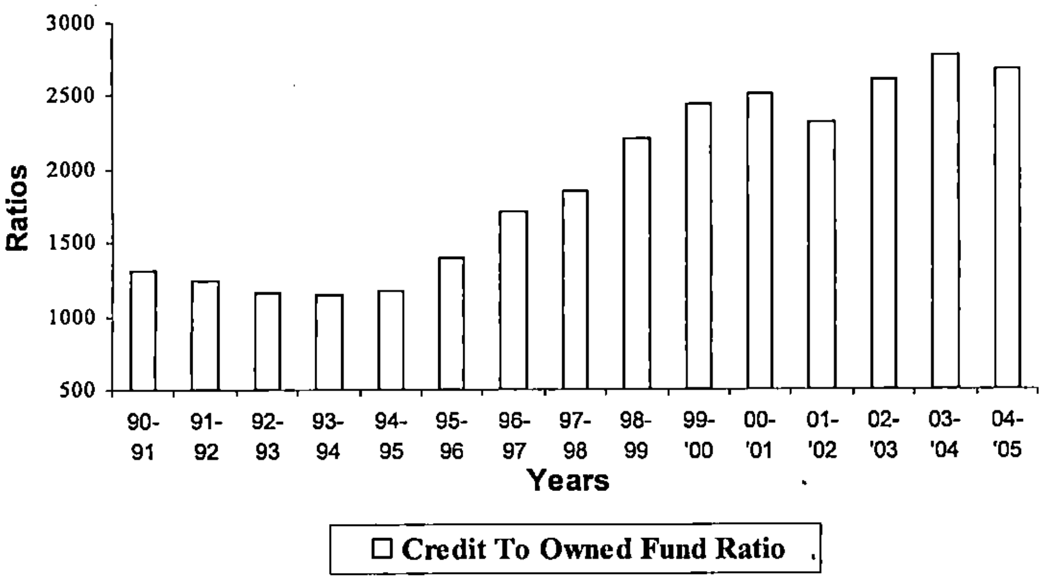
Source: Audited annual reports of the AOCB

Table 3.6 Credit to owned fund ratio of AOCB
from 1990-1991 to 2004-2005

Year	Credit (In Rs Lakhs)	Owned fund (In Rs Lakhs)	Credit To Owned Fund Ratios
1990-1991	145.21	11.03	1316.50
1991-1992	187.88	15.16	1239.31
1992-1993	207.11	17.81	1162.88
1993-1994	227.09	19.78	1148.07
1994-1995	240.59	20.46	1175.90
1995-1996	284.85	20.52	1388.15
1996-1997	363.94	21.23	1714.27
1997-1998	396.57	21.47	1847.08
1998-1999	552.26	25.04	2205.51
1999-2000	537.69	22.05	2438.50
2000-2001	560.74	22.33	2511.15
2001-2002	581.51	25.12	2314.92
2002-2003	608.33	23.42	2597.48
2003-2004	615.96	22.28	2760.68
2004-2005	615.02	23.09	2783.32

Source: Audited annual reports of the AOCB

Fig 3.6 Credit To Owned Fund Ratios



Credits are the loans and advances given by the bank

Owned fund = Share capital + Reserves

Table 3.6 exhibit the ratio of Credit to owned fund of the bank for a period of fifteen years from 1990-1991 to 2004-2005. It was at fluctuating trend. The highest ratio was 2764.63 percent during the year 2003-2004 and lowest ratio was 1148.07 percent during the year 1993-1994. Increasing efficiency of the bank to create credit from owned fund.

3.3) Efficiency in operation

The operational efficiency of any firm depends to a large extent on its capacity to manage the fund as well as the deployment of such funds. Even though Co-operative is driven by service motive, profit is also needed for their existence and growth. Hence an analysis of the profitability of the bank is equally important as mobilization and deployment. The various ratios used are:

- Interest paid to borrowed fund ratio
- Net profit to working capital ratio
- Interest paid to interest received ratio
- Interest paid to deposit ratio
- Interest received to total loans and advances ratio
- Spread ratio
- Burden ratio
- Profitability ratio

3.3.1) Interest paid to Borrowed fund ratio

The term interest paid includes interest paid and payable. One of the main expenditure of the bank is the interest paid on deposits and borrowings. There is an inverse relation between interest paid and profitability. i.e. , when interest paid increases, profitability decrease and vice verse. But to attract depositors the bank has to pay a reasonable rate of interest on deposits. This ratio shows the ability of the bank to control its cost of funds.

Interest paid to borrowed fund ratio:

$$\left[\frac{\textit{Interest Paid}}{\textit{Borrowed Fund}} \right] \quad \text{X } 100$$

Interest paid is the amount paid as interest on deposits

Borrowed fund include deposits and borrowings

Table 3.7 Interest paid to borrowed fund ratio of AOCB from 1990-1991to 2004-2005

Year	Interest paid (In Rs Lakhs)	Borrowed fund (In Rs Lakhs)	Interest Received To Borrowed Fund Ratios
1990-1991	17.44	165.97	10.50
1991-1992	21.41	191.93	11.15
1992-1993	23.27	214.05	10.87
1993-1994	26.37	250.72	10.51
1994-1995	28.67	294.54	9.73
1995-1996	25.84	319.31	8.09
1996-1997	28.89	397.13	7.27
1997-1998	27.57	433.39	6.36
1998-1999	30.3	511.33	5.92
1999-2000	36.4	544.77	6.68
2000-2001	40.01	560.81	7.13
2001-2002	48.27	567.85	8.50
2002-2003	51.33	571.34	8.98
2003-2004	49.48	575.27	8.60
2004-2005	50.17	580.52	8.64

Source: Audited annual reports of the AOCB

Fig 3.7 Interest paid to borrowed fund ratio

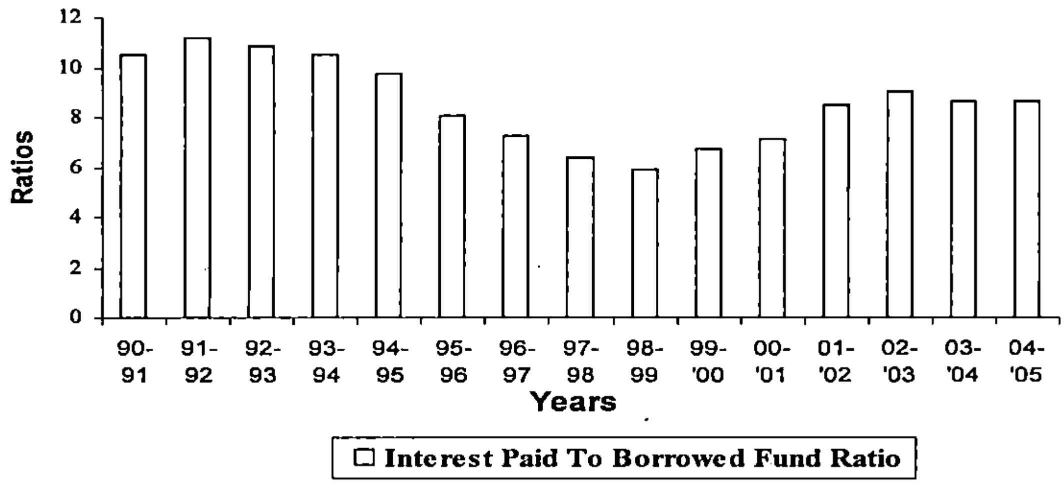


Table 3.7 reveals that interest paid to borrowed fund ratio for a period of fifteen years from 1990-1991 to 2004-2005. The highest ratio was in the year 1991-1992i.e. 11.15 percent. During that year the bank paid a huge amount as interest towards its deposits and borrowings and after this year ratio decreased steadily till the last year of reference. The lowest ratio is recorded in the year 1998-1999 i.e. 5.92 percent. A high ratio will affect the profitability of the bank adversely. Therefore lower ratio is good for the bank.

3.3.2) Net profit to working capital ratio

Overall profit is the sum of the profits of banking and non-banking activities. It will give a total picture of the profit of the bank. Profit can be generally classified into gross profit and net profit. Gross profit refers to the profit from any activity after meeting its direct expenses. Net profit refers to the net income from any activity after meeting all its expenses, i.e., direct as well as indirect expenses.

Ratio indicates the efficiency of a bank to deploy its total working funds so as to maximize its profits. The net profit should be adequate enough to provide optimum returns on the working capital which is the soul of any organization. Hence bank has to maintain a reasonable profit and manage working capital in an effective manner. Net profit is the profit of the bank. Working capital include share capital, reserves, deposits, borrowings and investment in fixed assets.

Net profit to working capital ratio:

$$\left[\frac{\textit{Net Profit}}{\textit{Working Capital}} \right] \text{X } 100$$

Table 3.8 Net profit to working capital ratio of AOCB from 1990– 1991 to 2004-2005

Year	Net profit (In Rs Lakhs)	Working capital (In Rs Lakhs)	Net Profit To Working Capital Ratios
1990-1991	1.29	171.32	0.752976885
1991-1992	3.39	201.89	1.67
1992-1993	3.59	227.65	1.57
1993-1994	0.47	266.27	0.17
1994-1995	-1.9	311.28	-0.61
1995-1996	3.6	336.11	1.07
1996-1997	-12.91	414.63	-3.11
1997-1998	6.28	451.44	1.39
1998-1999	11.96	528.92	2.26
1999-2000	6.81	564.34	1.20
2000-2001	3.11	580.42	0.53
2001-2002	4.21	589.25	0.71
2002-2003	5.34	591.04	0.90
2003-2004	3.21	593.83	0.54
2004-2005	3.64	599.98	0.60

Source: Audited annual reports of the AOCB

Fig 3.8 Net profit to working capital ratio

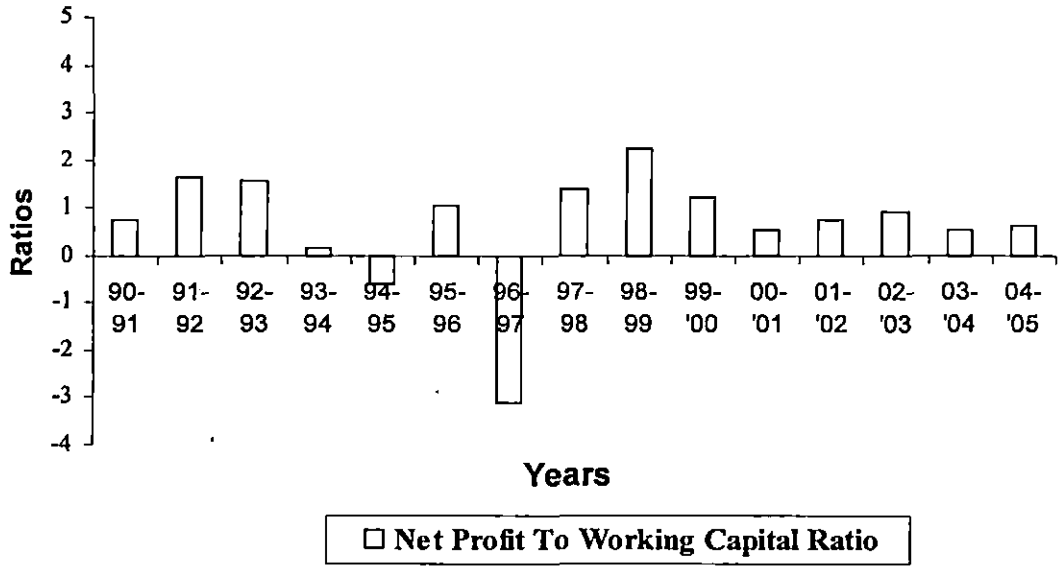


Table 3.8 exhibit the ratio of Net profit to working capital of the bank for a period of fifteen years from 1990-1991 to 2004-2005.The ratio was at decreasing trend. The highest ratio is during the year 1998-1999 that was 2.26 percent and the lowest ratio was during the year 1996-1997 with -3.11 percent. The low ratio is not a sign of healthy banking operation.

3.3.3) Interest paid to interest received ratio

This show the extent of income from the operations of the bank. The bank makes profit mainly on account of the differences in interest paid on deposits and that charged on loans and advances: An increased ratio indicates decrease in profitability.

Interest paid to interest received ratio

$$\left[\frac{\textit{Interest Paid}}{\textit{Interest Received}}\right] \times 100$$

Interest paid is the amount paid as interest on deposits

Interest received is the amount received as interest on lending

Table 3.9 Interest paid to interest received ratio of AOCB from 1990-1990to 2004-2005

Year	Interest paid (In Rs Lakhs)	Interest received (In Rs Lakhs)	Interest Paid To Interest Received Ratios
1990-1991	17.44	25.43	68.58
1991-1992	21.41	29.33	72.99
1992-1993	23.27	34.11	68.22
1993-1994	26.37	37.17	70.94
1994-1995	28.67	35.87	79.92
1995-1996	25.84	40.19	64.29
1996-1997	28.89	43.15	66.95
1997-1998	27.57	46.9	58.78
1998-1999	30.3	56.62	53.51
1999-2000	36.4	59.01	61.68
2000-2001	40.01	63.12	63.38
2001-2002	48.27	66.35	72.75
2002-2003	51.33	70.81	72.48
2003-2004	49.48	76.03	65.07
2004-2005	50.17	80.41	62.39

Source: Audited annual reports of the AOCB

Fig 3.9 Interest paid to interest received ratio

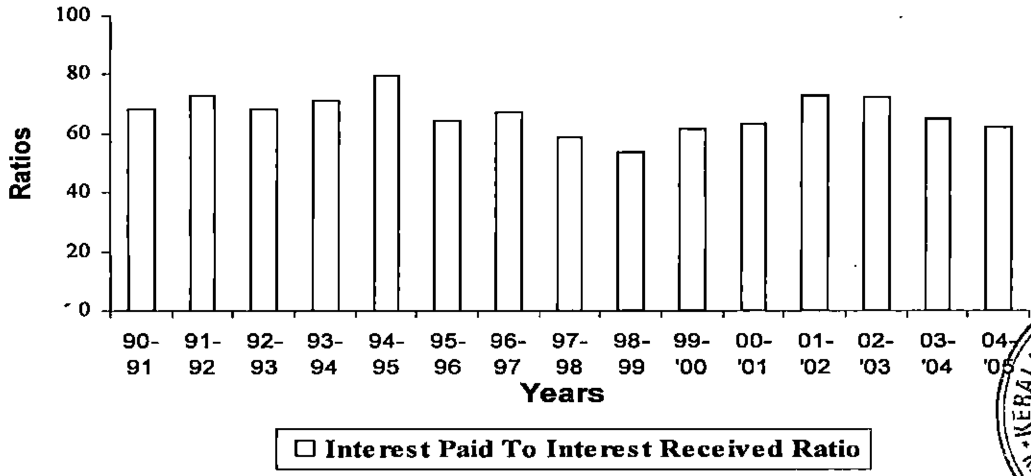


Table 3.9 exhibits the ratio of Interest paid to interest received by the bank for a period of fifteen years from 1990-1991 to 2004-2005. The ratio shows an increasing trend till the year 1994-1995, but decreased from the next year onwards. The highest ratio was during the year 1994-1995 that is 79.92 percent and lowest ratio is during the year 1998-1999 that is 53.51 percent. High ratio leads to decrease in profitability.

3.3.4) Interest paid to Deposits ratio

The term interest paid includes interest paid and payable. One of the main expenditure of the bank is the interest paid on deposits. There is an inverse relationship between interest paid and profitability that is when interest paid increases, profitability decreases and vice versa. But to attract depositors the bank has to pay a reasonable rate of interest on deposits.

Interest paid to Deposits ratio

$$\left[\frac{\textbf{\textit{Interest Paid}}}{\textbf{\textit{Deposits}}}\right] \mathbf{X\ 100}$$

Interest paid is the amount paid as interest on deposits.

Deposits include all types of deposits received by the bank.

Table 3.10 Interest paid to deposits ratio of AOCB from 1990-1991 to 2004 -2005

Year	Interest paid (In Rs Lakhs)	Deposits (In Rs Lakhs)	Interest Paid To Deposits Ratios
1990-1991	17.44	151.4	11.51
1991-1992	21.41	180.81	11.84
1992-1993	23.27	200.12	11.62
1993-1994	26.37	246.27	10.70
1994-1995	28.67	294.54	9.73
1995-1996	25.84	319.31	8.09
1996-1997	28.89	372.38	7.75
1997-1998	27.57	374.63	7.3
1998-1999	30.3	492.92	6.14
1999-2000	36.4	509.52	7.14
2000-2001	40.01	512.41	7.80
2001-2002	48.27	523.18	9.22
2002-2003	51.33	527.23	9.73
2003-2004	49.48	529.38	9.34
2004-2005	50.17	530.49	9.45

Source: Audited annual reports of the AOCB

Fig3.10. Interest paid to deposits ratio

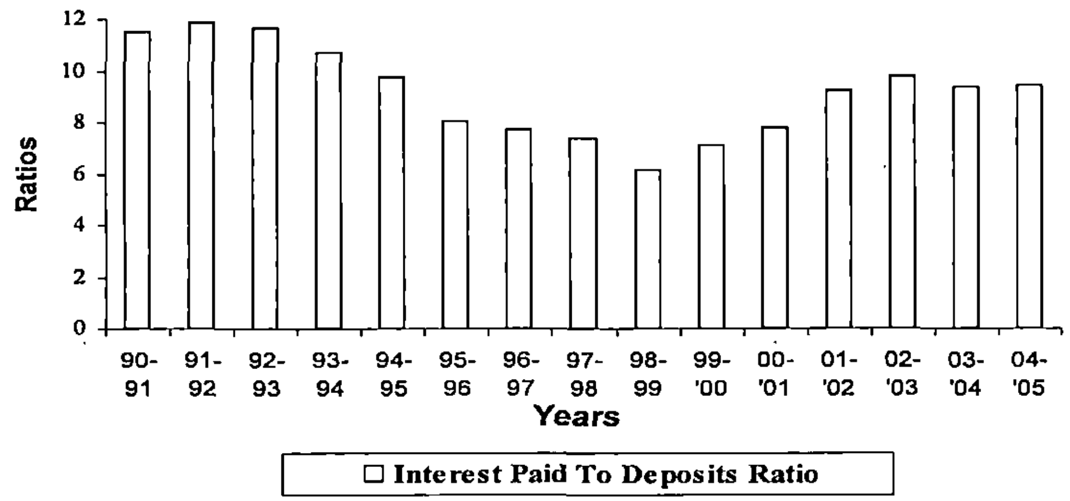


Table 3.10 exhibit the ratio of Interest paid to Deposits of the bank for a period of fifteen years from 1990-1991 to 2004-2005. The ratio shows fluctuating trend. The highest ratio was during the year 1991-1992 that is 11.84 percent and lowest ratio was during the year 1998-1999 that is 6.14 percent. A high ratio will affect the profitability of the bank adversely. Therefore lower ratio is good for the bank.

3.3.5) Interest received to loans and advances ratio

The term interests received include interest received and accrued. One of the main incomes of the bank is the interest received on loans and advances. There is a direct relationship between interest received and profitability that is when interest received increases, profitability of the bank increases and vice versa.

Interest received to loans and advances ratio

$$\left[\frac{\textit{Interest Received}}{\textit{Loans and Advances}} \right] \text{X } 100$$

Interest received is the amount received as interest on lending.

Loans and advances include all types of loans granted.

Table 3.11 Interest received to loans and advances ratio of AOCB from 1990-1991 to 2004-2005

Year	Interest received (In Rs Lakhs)	Loans and advances (In Rs Lakhs)	Interest Received To Loans and Advances Ratio
1990-1991	25.43	145.21	17.51
1991-1992	29.33	187.88	15.61
1992-1993	34.11	207.11	16.46
1993-1994	37.17	227.09	16.36
1994-1995	35.87	240.59	14.90
1995-1996	40.19	284.85	14.10
1996-1997	43.15	363.94	11.85
1997-1998	46.9	396.57	11.82
1998-1999	56.62	552.26	10.25
1999-2000	59.01	537.69	10.97
2000-2001	63.12	560.74	11.25
2001-2002	66.35	581.51	11.40
2002-2003	70.81	608.33	11.64
2003-2004	76.03	615.08	12.36
2004-2005	80.41	642.67	12.51

Source: Audited annual reports of the AOCB

Fig 3.11 Interest received to loans and advances ratio

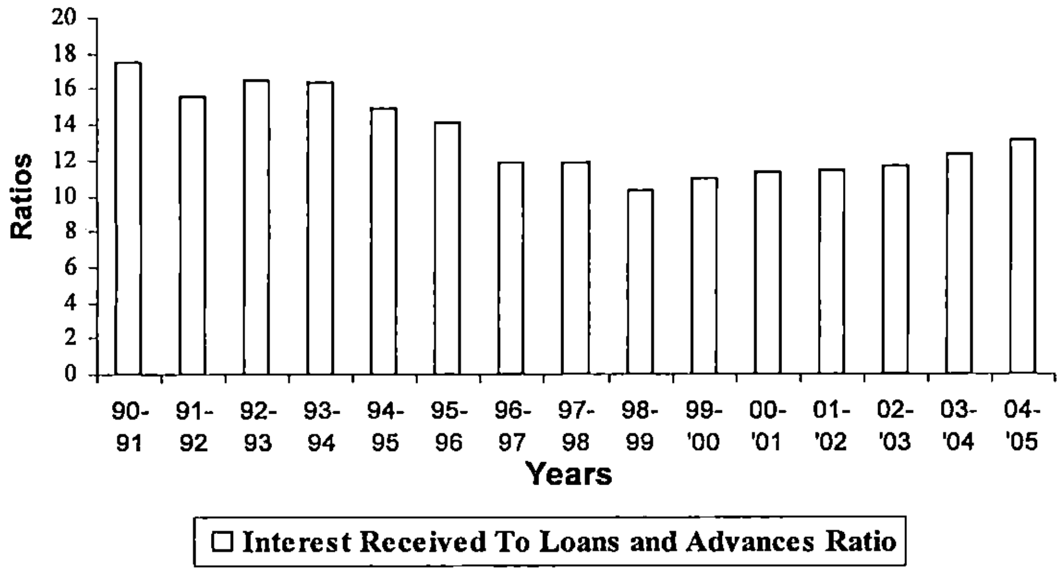


Table 3.11 exhibits the ratio of Interest received to loans and advances of the bank for a period of fifteen years from 1990-1991 to 2004-2005. The ratio showed a fluctuating trend. The highest ratio was during the year 1990-1991 that is 17.51 percent and lowest ratio was during the year 1998-1999 that is 10.25 percent.

3.3.6) Spread ratio

Spread is the difference between interest received and interest paid and which is used by the bank for its operational expenses. Higher spread ratio indicates higher profit and vice versa. Major source of interest income are interest earned from loans and advances. Interest paid is the expenses paid by the bank on the deposits and borrowings. It is actually the cost of funds. Interest received is the amount received and receivable as interest on lending. Interest paid is the amount paid and payable as interest on borrowings. Total fund is the total of owned fund and borrowed fund.

Spread ratio

$$\left[\frac{\textit{Interest Received} - \textit{Interest Paid}}{\textit{Total Fund}}\right] \mathbf{X\ 100}$$

Table 3.12 Spread ratio of AOCB from 1990-1991 to 2004-2005

Year	Interest received (In Rs Lakhs)	Interest paid (In Rs Lakhs)	Total funds (In Rs Lakhs).	Spread Ratios
1990-1991	25.43	17.44	177	4.514124294
1991-1992	29.33	21.41	207.09	3.82
1992-1993	34.11	23.27	231.86	4.67
1993-1994	37.17	26.37	270.5	3.99
1994-1995	35.87	28.67	315	2.28
1995-1996	40.19	25.84	339.83	4.22
1996-1997	43.15	28.89	418.36	3.40
1997-1998	46.9	27.57	454.86	4.24
1998-1999	56.62	30.3	536.37	4.90
1999-2000	59.01	36.4	566.82	3.98
2000-2001	63.12	40.01	583.14	3.96
2001-2002	66.35	48.27	592.97	3.04
2002-2003	70.81	51.33	594.76	3.27
2003-2004	76.03	49.48	597.55	4.44
2004-2005	80.41	50.17	603.61	5.00

Source: Audited annual reports of the AOCB

Fig .3.12 Spread ratio

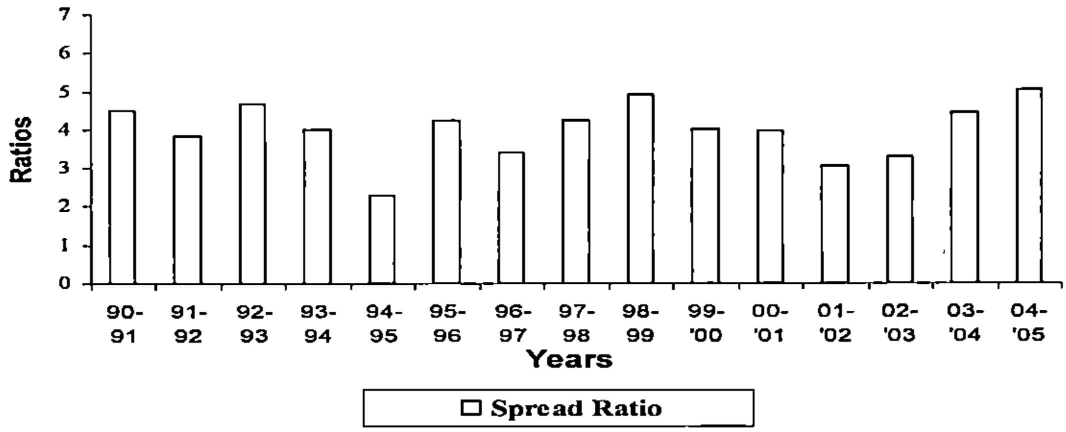


Table 3.12 exhibits the spread ratio for a period from 1990-1991 to 2004--2005. The declining trend in the credit deposit ratio is the main reason for low spread ratio. The low spread ratio is due to low level of net interest income obtained by the bank. The decrease in the spread ratio is unfavorable as far as profitability is concerned. So, the bank should increase its net interest income thereby boosting the spread level.

3.3.7) Burden ratio

Burden ratio is the proportion of burden to total fund of the bank. Although the banks constantly try to increase their non interest income and reduce its non interest expenses, the latter usually exceeds the former such that the difference is labeled as banks burden. Reducing burden will improve the profitability of the bank. Non interest expenses include manpower expenses, administrative expenses, provisions and other expenses. Non interest income includes commission and miscellaneous income.

Burden ratio

$$\left[\frac{\textit{Non Interest Expenses} - \textit{Non Interest Income}}{\textit{Total Fund}}\right] \times 100$$

Table 3.13 Burden ratio of AOCB from 1990-1991 to 2004-2005

Year	Non Interest expenses (In Rs Lakhs)	Non interest income (In Rs Lakhs)	Total funds (In Rs Lakhs)	Burden Ratio
1990-1991	30.55	23.85	177	3.7853107
1991-1992	32.01	27.48	207.09	2.18
1992-1993	34.92	27.67	231.86	3.12
1993-1994	39.2	28.87	270.5	3.81
1994-1995	46.42	37.32	315	2.88
1995-1996	55.96	45.21	339.83	3.16
1996-1997	79.33	52.16	418.36	6.49
1997-1998	86.37	73.32	454.86	2.86
1998-1999	95.01	80.65	536.37	2.67
1999-2000	104.51	88.72	566.82	2.78
2000-2001	108.6	92.33	583.14	2.79
2001-2002	112.47	98.16	592.97	2.41
2002-2003	118.52	103.13	594.76	2.58
2003-2004	122.22	111.9	597.55	1.72
2004-2005	125.81	113.39	603.61	2.05

Source: Audited annual reports of the AOCB

Fig 3.13 Burden Ratio

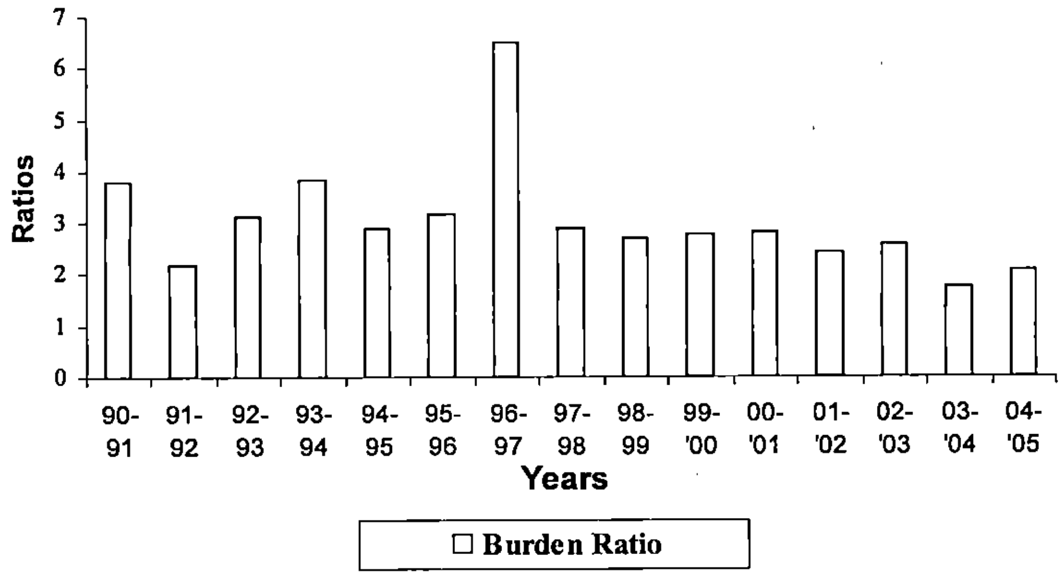


Table 3.13 exhibits the Burden ratio for a period of fifteen years from 1990-1991 to 2004-2005. The ratio is declined from 3.78 percent in the year 1990-1991 to 2.05 percent in the year 2004-2005. A lower ratio is always favorable for the bank. Maintaining a lower burden by the bank is good for increasing the efficiency in its operations.

3.3.8) Profitability ratio

Profitability ratio expressed in absolute terms indicates whether the banks operations are satisfactory or not. It is the final figures of analysis. It is necessary to relate profit and working funds for analyzing operational efficiency and there by profitability of the bank.

Profitability ratio = ***(Spread Ratio – Burden Ratio)***

Table 3.14 Profitability ratio of AOCB from 1990-1991 to 2004-2005

Year	Spread Ratio	Burden ratio	Profitability
1990-1991	4.514124294	3.7853107	0.72
1991-1992	3.824424163	2.1874547	1.63
1992-1993	4.675235056	3.1268869	1.54
1993-1994	3.992606285	3.818854	0.17
1994-1995	2.285714286	2.8888889	-0.60
1995-1996	4.222699585	3.1633464	1.05
1996-1997	3.408547662	6.4944067	-3.08
1997-1998	4.249659236	2.8690146	1.38
1998-1999	4.907060425	2.6772564	2.22
1999-2000	3.988920645	2.7857168	1.20
2000-2001	3.963027746	2.7900676	1.17
2001-2002	3.049058131	2.4132755	0.63
2002-2003	3.275270697	2.5875984	0.68
2003-2004	4.443142833	1.7270521	2.71
2004-2005	5.009857358	2.05762	2.95

Source: Audited annual reports of the AOCB

Fig 3.14 Profitability Ratios

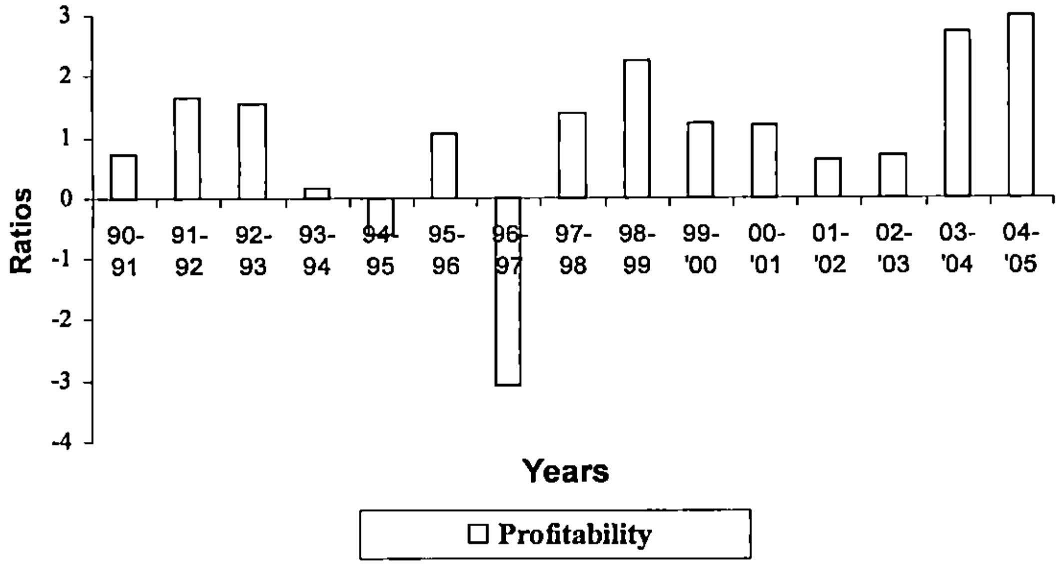


Table 3.14 exhibit the Profitability ratio for a period of fifteen years from 1990-1991 to 2004-2005. The profitability ratio was found negative in two years out of fifteen years of reference. In those years the bank suffered loss. The higher spread ratio results in high profitability ratio. The bank should try to maximize its spread ratio over burden ratio. It can be seen that Aranattukara Oriental Co-operative Bank is making only a very thin margin even in the years of profit.

Fig 3.14 Profitability Ratios

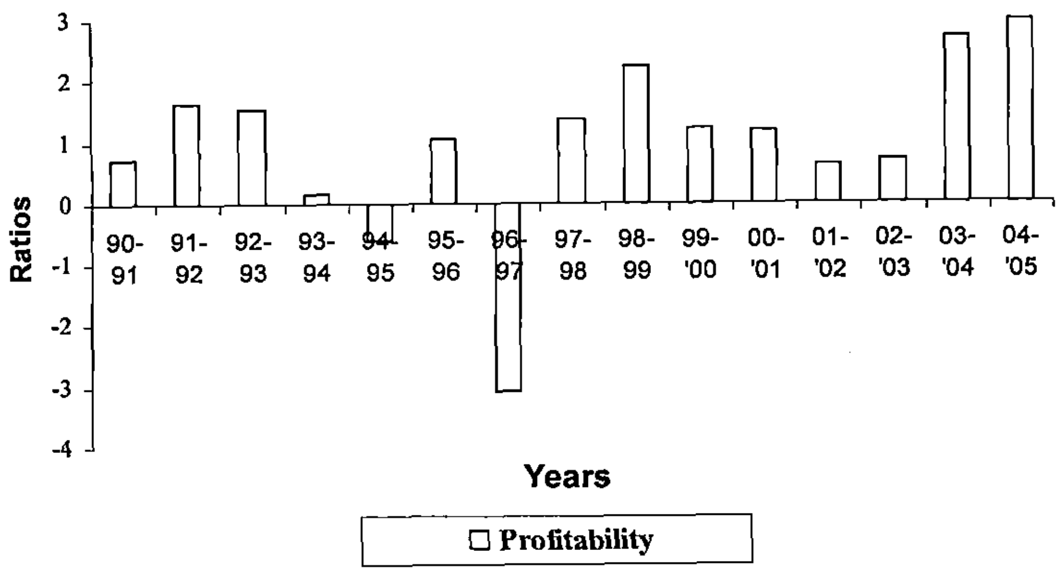


Table 3.14 exhibit the Profitability ratio for a period of fifteen years from 1990-1991 to 2004-2005. The profitability ratio was found negative in two years out of fifteen years of reference. In those years the bank suffered loss. The higher spread ratio results in high profitability ratio. The bank should try to maximize its spread ratio over burden ratio. It can be seen that Aranattukara Oriental Co-operative Bank is making only a very thin margin even in the years of profit.

Conclusion

The analysis of the financial performance of Aranattukara Oriental Co-operative Bank reveals that the efficiency shown by the Bank in deposit mobilization, deployment of funds and in operations is appreciable. The study revealed that borrowed fund is greater than owned fund of the bank. This shows that the bank is mainly depending on borrowed funds, has to pay high interest on borrowings, which leads to decrease in profit. Higher deposit to working capital ratio shown by the bank implies the efficiency of the bank in deposit mobilization. Fixed deposit and saving deposit for the period of fifteen years shows increasing trend while other deposits shows decreasing trend. They should try to increase the spread ratio over burden ratio and there by increase the profitability.

Summary of Findings & Conclusion

CHAPTER 4

Summary of Findings and Conclusions

The study entitled "Financial performance of Aranattukara Oriental Co-operative Bank Ltd No. 171" was taken up with the objective to examine the financial performance of Aranattukara Oriental Co-operative Bank for the period of fifteen years from 1990-1991 to 2004-2005. For the purpose of analysis, secondary data were collected. In this study, the financial performance of the bank is examined in three chapters. The first chapter gives the design discussing the relevance and importance of analyzing the financial performance of the Primary Agricultural Credit Societies.

The study on the financial performance of AOCB was undertaken with the objective of analyzing its financial performance. For the purpose of analysis, the secondary data were collected. The performance analysis has been done with the help of different ratios showing efficiency in mobilization, efficiency in deployment and efficiency in operations.

4.1 Findings of the study

- The membership of the bank is increasing over last fifteen years. During the year 1990-1991 the membership was 9233 and in the year 2004-2005 the membership was 16073.
- The share capital of the bank shows an increasing trend in the last fifteen years especially during last some years.
- The deposits of the bank show an increasing trend. During the year 1990-1991 the deposits were Rs 151.40 lakhs and in the year 2004-2005 the deposits were Rs 530.49 lakhs.

- The credit provided by the bank also shows an increasing trend.
- The borrowings of the bank increased from Rs 14.56 lakhs in the year 1990-1991 to Rs 50.12 lakhs in the year 2004-2005.
- The reserve fund of the bank hasn't increased well over the years. In many years, the reserve fund remains constant.
- Out of fifteen years, the bank showed net profit thirteen years and the rest net loss.

Efficiency in Mobilization

Throughout the study we can see that the bank has efficiently managed to mobilize its funds.

- Borrowed fund to Working capital ratio and Deposit to Working capital ratio shows a slight fluctuations but it is at increasing trend.
- There has been decline in Owned fund to Borrowed fund ratio because of lower rate of growth of owned.

Efficiency in Deployment

The study shows that the bank has properly deployed its funds to the members and the society.

- In some years Credit to Deposit ratio shows high ratio it revealed that the bank was able to convert its deposits to credit satisfactory.
- Credit to Working capital shows an increasing trend during the reference period.

- The credit to Owned fund ratio increased during the study period. This pinpoints to the efficiency of the bank to create credit from owned funds.

Efficiency in Operations

- Interest paid to Borrowed fund ratio shows an fluctuating trend over the fifteen years.
- Net profit to Working capital ratio showed fluctuations during the study. Out of fifteen years, in two years the ratio gave negative results.
- Interest paid to Interest received ratio shows a decreasing as well as fluctuating one.
- Interest paid to Deposit ratio shows a decreasing as well as fluctuating one.
- Interest received to Loans and Advances ratio shows a fluctuating trend over the fifteen years.
- Spread ratio of the bank shows an excellent mark of banks efficiency; the banks spread ratio is fluctuating.
- The Burden ratio was above one in all years. This is an unfavorable trend because the high burden ratio is not a good sign of profitability. The bank should try to reduce its non-interest expenses.
- The Profitability ratio shows negative values in two years. This is because of high burden ratio and low spread ratio.

4.2 Conclusion

To conclude, bank's performance analyzed during the study period revealed that membership position and share capital of the bank has increased. The bank maintains higher efficiency in resource mobilization as the share capital, deposits of the bank has increased during the reference period. The bank should try to increase its owned fund because now it is very low compared with the borrowed fund. The bank is also efficient in deployment of funds as credit disbursement of the bank has increased during the reference period. In many years, Credit deposit ratio showing a satisfactory level. But the bank is not showing an efficient performance in operation as the spread ratio is showing decreasing result due to low level of net interest income obtained by the bank which affects the profitability of the bank. The profitability ratio is not showing a good result as the margin is very low. The bank should deploy its lendable resources in a more rational way.

References

REFERENCES

Ananthakrishanan, E. P. (1990). Management of liquidity and CD ratio in Banks, *The Banker*. **37** (9): 22

Babu, C. V. (1997). Liquidity, Profitability and Business strength analysis of urban co-operative banks, *Indian Co-operative Review*. **35** (1): 56-70

Bhagavan Reddy, B. and Ravivarma, S. (1999). Management of Funds in PACS, *Banking Finance*, **12** (2): 3

Debashish, S.S (2002). Prime discriminators of profitability in the Indian Commercial Bank, Prajnan, 31 (4): 300

Garg, I. K. (1996). Improving Productivity or Profitability in the bank, *SBI monthly review*, **34** (12): 642-652

James. O. Gill, Miora Chatton (2004). *Financial Analysis, Revised Edition* pp144
http. //books. Google. co. in /books? Id=5 73 SH wlk 30C & dq= financial + analysis.

Kavinde, D. J. (1991). Diversification: strategic issues and profitability, *SBI Monthly review*, **30** (2): 59

Khalid Mustafa. (1995). Co-operative Dilemma: A comparative perspective, *Indian Co-operative Review*, **32** (1): 1-5

Krishna Rao, P. (1994). Role of Co-operative Banks in Financing Agricultural Credit, **32**(3): 2-3

Kulwant Singh. (1998). Performance of Himachal Pradesh State Co-operative Bank, *Indian Co-operative Review*, **36**: 17-18.

Kumar Priya , Ranjan and Singh RKP,(1995). A Study on the managerial dynamics of Nalanda Central Co-operative Bank –A case study, *Indian Co-operative Review*, **32** (3) : 20

Mohan, S. (2008). Fund Management in Central Co-operative Banks, *Co-operative Perspective*, **43** (1): 110-116

Nanda, Y. C. (2007). Credit Co-operatives - Some issues, *The Co-operator*, **45** (4): 137

Nanjunda, M. K. (1997): Profitability, Capital Adequacy and Risk Management in banks, *IBA Bulletin*, **19** (2): 18-20

Natarajan, P. (2007). PACS in Kerala - In search of profitability, *Co-operative perspective*, **44** (3): 28-29

Patil, M. B. (1993). Who can save PACS, *Co-operative perspective*, **28** (1): 21-30

Raikar, A. V. (2003). Growth, Profitability and cost efficiency of urban co-operative banks in India, A comparative analysis, *Indian Co-operative Review*, **42** (4): 236-242

Ramu, N. (2007) Performance and challenges of UCBs in India: An appraisal, Bank quest, *the journal of Indian Institute of Banking and Finance*, **78** (2): 63-71

Sadare, A. M. (2004). Mantra for efficiency Management in Banks, *Banking Finance*, **17** (10): 22-24

Shanavas, K. (1991). Profitability of primary agricultural credit societies – A case study of Malappuram Service Co-operative Bank Ltd No. F 1829, *KAU Project work.* 79p

Suresh, and Ravindra Gersappa (2001). Fund Management, *Banking Finance*, 4 - 6

Sukumaran, A. and Shaheena, P. (1991). Management of Spread, Burden and Profitability-A case study of Palakkad District Co-opelrative Bank, *India Co-op Rev*, **29** (1): 82-86

Tiruttaini, M. (2000). Bank balance sheet management, *IBA Bulletin*, **2** (445):12-21.

Uthaya Suriyan, K and Veluraj, R (2005) profitability analysis of Pondicherry state co-operative bank, *Banking finance*, **18** (2): 27-28

Vinayakamoorthy, A. A. (2006). Globalization and co-operative sector in India, *Co-operative perspective*, **41** (Annual issue): 21-25

Zakir Hussain, A.k. (2006), Relative performance of service co-operative banks in Kerala, *Co-operative Perspective*, **41**(Annual issue): 28-32

A STUDY ON FINANCIAL PERFORMANCE OF ARANATTUKARA ORIENTAL CO-OPERATIVE BANK (AOCB) LTD NO. 171

By

RONY T VALAPPAT

(2006-05-127)

ABSTRACT OF PROJECT REPORT

Submitted in partial fulfillment of the

requirement for the degree of

Bachelor of Science in Co-operation & Banking

Faculty of Agriculture

COLLEGE OF CO-OPERATION, BANKING & MANAGEMENT

KERALA AGRICULTURAL UNIVERSITY

VELLANIKKARA, THRISSUR- 680 007

KERALA, INDIA

2010

ABSTRACT

The study entitled "Financial Performance of Aranattukara Oriental Co-operative Bank Ltd. No. 171" was undertaken to examine the financial strength and weakness of Aranattukara Oriental Co-operative Bank. For the purpose of the study secondary data were collected from annual reports of the bank. The data were collected for a period of 15 years i.e. from 1990-91 to 2004-05. The financial performance was studied from detailed observation of financial ratios. From the above discussion and analysis the study revealed that the bank was able to attract more deposits every year but this should match with equally efficient deployment of funds. The bank should take care to fix the target for deployment of funds in proportion to the deposit mobilization targets. Otherwise it will affect the interest earning capacity of the bank and hence the profits. By reducing the cost of production and other direct expenses the bank can achieve the gross profit. The bank can start any other trading activities for improving its profitable position.

Appendix

Appendix 1								Rs.in lakhs
year	Share capital	Reserves	Deposits	Investment in fixed assets	Borrowings	Borrowed fund	Owned fund	Total fund
90-91	10.83	0.23	151.4	5.7	14.56	165.97	11.03	177
91-92	14.93	0.23	180.81	5.2	11.12	191.93	15.16	207.09
92-93	17.58	0.23	200.12	4.2	13.92	214.05	17.81	231.86
93-94	19.13	0.64	246.27	4.22	4.45	250.72	19.78	270.5
94-95	19.69	0.77	294.54	3.72		294.54	20.46	315
95-96	19.75	0.77	319.31	3.72		319.31	20.52	339.83
96-97	20.11	1.11	372.38	3.72	24.75	397.13	21.23	418.36
97-98	20.67	1.11	374.63	3.72	58.75	433.39	21.47	454.86
98-99	20.94	1.37	492.92	4.72	18.41	511.33	25.04	536.37
99-'00	22.18	1.11	509.52	3.72	35.25	544.77	22.05	566.82
00-'01	22.18	1.15	512.41	3.72	48.4	560.81	22.33	583.14
01-'02	23.31	1.81	523.18	3.72	44.67	567.85	25.12	592.97
02-'03	22.04	1.38	527.23	3.72	44.11	571.34	23.42	594.76
03-'04	20.37	1.91	529.38	3.72	45.89	575.27	22.28	597.55
04-'05	21.54	1.55	530.49	3.72	50.12	580.52	23.09	603.61

NOTE:

Owned fund = Share capital + Reserves
Working capital = Share capital + Reserves + Deposits + Borrowings – Investment in fixed assets
Total fund = Owned fund + Borrowed fund