

A COMPARATIVE STUDY OF FINANCIAL PERFORMANCE OF BULDHANA URBAN CREDIT CO-OPERATIVE SOCIETY LTD., BRANCH-MOUDA

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ABSTRACT

Financial Statement is indicator of overall accounting cycle followed regarding business transactions. Accounting cycle includes recording the transaction, classifying it and summarising in a systematic manner. The term 'Financial Analysis' means analysis and interpretation of financial statements. It includes knowing financial strengths and weakness of a firm, financial positions for a specific period of time. There are different tools are available to analyse financial statement and draw conclusions for decision making functions. Present research paper is financial analysis case of Buldana Urban Credit Co-Operative Society Ltd., Branch-Mouda, Nagpur studied for the years 2010-11 to 2019-20. Annual reports, websites were used as Secondary Data Collection sources for this paper.

Keywords: Financial performance, Financial Analysis, Buldhana Urban Credit Co-operative Society Ltd

Introduction

Co-operative Banks are major role players in Indian Financial System and overall economy development of nation. In India, Co-operative banks works in three tier. Structural form i.e. Primary Co-operative Banks, District Central Co-operative Banks, State Co-operative Banks are formed. A state co-operative bank works as apex bank for rural credit in any state. At present, Maharashtra State Co-operative Bank a network of 333 branches. For present study, Buldana Urban Credit Co-Op. Society, Branch-Mouda, Nagpur has been studied with its financial performance in 10 years 2010-11 to 2019-20.

Objectives of the study

- To know financial working of Buldana Urban Credit Co-Op. Society, Branch-Mouda, Nagpur.
- To evaluate the performance of the credit society by Comparative Statement Analysis, Trend Analysis for the year 2010-11 to 2019-20.
- To ascertain the solvency, liquidity and profitability position of the credit society using ratios.

Research Methodology

For present study, Annual reports of Buldana Urban Credit Co-op. Society, Branch-Mouda, Nagpur, websites were used as secondary data collection sources. Analytical tools for present study used are Common size Statement, Comparative Statement Analysis, Ratio

Analysis. Probability and management efficiency have also been used to analyse the overall financial and operational performance of these societies in the state.

Financial Highlights of the Society from 2010-11 to 2019-20

- It shows that capital of credit society has been increased by 39% in 2010-11, 25% in 2011-12, 35% in 2012-13, 31% in 2013-14, 21% in 2014-15, 16% in 2015-16, 6% in 2016-17, 4% in 2017-18, 13% in 2018-19, and 9% in 2019-20. It reveals that there are increasing trend in capital.
- Trend of reserve and surplus is increasing one. It reflects that Society has effectively used its reserve and surplus.
- In 2010-11 trend of Deposits was also increasing by 30%, in 2011-12 it fall by 16%, in 2012-13 it is increased by 28%, in 2013-14 increased by 41%, in 2014-15 it is increased by 24%, in 2015-16 deposits fall by 20%, in 2016-17 deposits fall by -5%, in 2017-18 it increased by 6%, in 2018-19 deposits increased by 31%, and in 2019-20 it increased by 20%. It indicates that bank has repaid its deposits as per maturity.
- Trend of borrowings is also showing increase in 2019-20 as bank has repaid its borrowings in this year and thereby reduced external debt.
- Trend of Investments is increasing one but with lower rates as compare to some previous years.

- Loans are also raised in 2010-11 by 55%, in 2011-12 by 10%, in 2012-13 by 24%, in 2013-14 by 21%, in 2014-15 by 24%, in 2015-16 by 10%, decreased in 2016-17 by 4%, increased in 2017-18 by 8% , in 2018-19 by 24% and finally decreased in 2019-20 by 8%.
- Fixed assets were consistently showing declining trend in the over years.
- Current Assets also indicate a huge and reveals that working capital is properly maintained

Financial analysis

A. Trend Analysis

Trend for some important items of credit society has been studied for 2010 to 2020. Figures for the year 2010 were assumed as common base values.

Table 1: Trend analysis for key financial parameters

Particulars	2010	2015	2020
Deposits	100	2272.5	4367.4
Loans and Advances	100	1752.4	2962.6
Investments	100	318.2	1166.5
Assets	100	74.22	296.8
Capital	100	55.59	30.35
Liabilities	100	172.4	177.2
Net Profit	100	157.3	34.75
Reserves	100	12.3	95.24

(Source: Banks Annual Reports and researchers calculations)

Above table depicts that Deposits and Loans and Advances are continuously increasing. Net Profit, Liabilities is fluctuating one in last 10 years. Capital is showing reducing trend due to re-imbursement.

B. Ratio Analysis

Figures for various financial parameters are in Rs.lakhs.

I. Current Ratio

It indicates relationship between current Asset and Current Liabilities. It shows capacity of company to make payment of its short-term Debts on demand.

Higher Current Ratio indicates that the company has more liquidity and strong in liquid position. Standard Current Ratio is 2:1.

Current Ratio = Current Assets / Current Liabilities

Table 2: Current ratio analysis

Year	Current Assets	Current Liabilities	Current Ratio
2010	52482.41	15183.91	3.46
2011	57499.54	10279.73	5.59
2012	79645.52	9768.78	8.15
2013	93583.58	16675.41	5.61
2014	136172.59	19276.96	7.06
2015	171345.39	23890.20	7.17
2016	226280.25	30004.65	7.54
2017	225038.05	37748.49	5.96
2018	219949.09	44040.73	4.99
2019	280704.45	49216.74	5.70
2020	358553.76	63920.64	5.61

(Source: Banks Annual Reports and researchers calculations)

Above table indicates that Current Ratio is more than 2 which means that Society has not maintained standard proportion which is not good indication because the safety margin is very high.

II. Debt Equity Ratio

It is used to know solvency position of company. It indicates relationship between Owners funds and debts. Lower this ratio indicates good Solvency level maintained. Standard Debt-Equity Ratio is 1:1.

Table 3: Debt-equity ratio analysis

Years	Total Outside Liability (Debt)	Tangible Net Worth (Equity)	Debt-Equity Ratio
2010-11	15183.91	60681.19	0.25
2011-12	10279.73	40222.65	0.26
2012-13	97687.82	69696.33	1.40
2013-14	16675.41	8973.16	1.86
2014-15	19276.96	106551.03	0.18
2015-16	23890.20	95430.29	0.25
2016-17	3004.65	22713.63	0.13
2017-18	37748.49	29570.60	1.28
2018-19	44040.73	170205.92	0.26
2019-20	49216.74	142197.60	0.35

(Source: Banks Annual Reports and researchers calculations)

Above table indicates ability of repaying capacity of society which varies every year.

III. Return On Asset Ratio

Table 4: Return on Asset ratio analysis

Year	Net Profits	Average Total Asset	Return on Asset Ratio
2010	15566.83	159041.31	0.10
2011	15282.55	220609.61	0.07
2012	26256.96	271061.54	0.10
2013	39924.10	325921.04	0.12
2014	50540.58	405535.03	0.12
2015	48971.68	503676.38	0.10
2016	47247.89	354037.05	0.13
2017	36180.32	663739.01	0.05
2018	38705.43	689881.14	0.06
2019	41572.07	789769.40	0.05
2020	25639.34	945971.17	0.03

(Source: Banks Annual Reports and researchers calculations)

Above table indicates that society utilize the asset for the generating profit. Here, Return on Asset Ratio indicates that societies should improve its performance in regards to utilizing the asset to generate higher income.

IV. Credit Deposit(C/D) Ratio

Credit Deposit Ratio indicates the relationship between credits/loans disbursed and deposits collected. Higher CD Ratio indicates overall good efficiency and vice-versa.

Credit Deposit Ratio = (Credit / Deposit) x 100

Table 5: C/D ratio analysis

Year	Credit /Loans	Deposits	Credit Deposit Ratio
2010	111649.12	134520.58	83
2011	172837.22	174853.78	99
2012	189874.03	202425.50	94
2013	235127.15	258260.43	91
2014	284665.64	363790.31	78
2015	352456.52	451407.72	78
2016	386313.35	542653.88	71
2017	403645.77	514088.09	79
2018	434920.94	543279.27	80
2019	538872.80	710324.16	76
2020	582707.48	849993.29	69

(Source: Banks Annual Reports and researchers calculations)

Above table shows that this Ratio was 83% in the year 2010 and again increased in 2011, 2012, 2013. In the year 2014, the Ratio was 78% and then started decreasing to 78%, 71%, 79%, 80%, 76%, 69% in the year 2015, 2016, 2017, 2018, 2019, and 2020 respectively.

Conclusion

It is concluded that during 10 years, overall performance of the society is good to some extent. Profitability of society is good. Share capital has increased around 50% in the last 10 years. Deposits have also increased. Above ratios shows that society has been using equity as compared to external funds for financing its operations. The society should adopt more professionalism in its management so that its financial performance reflect efficiency and effectiveness

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