

Financial Analysis of Maharashtra State Co-operative Bank

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Abstract

In India, the short-term credit structure is organized in three tiers and two tiers system in 16 and 12 states respectively. However, Andhra Pradesh has a mixed structure. The short co-operative credit structure is based on a three-tier structure, except the States in the northeast region. At the lowest tier are the primary credit cooperative societies. These are organized at the local organizational level. At the second tier are the District Central Co-operative Banks (DCCBs) organized at the district level. At the third and uppermost tier is the State Co-operative Banks (SCB) organized at the state level. This paper is an attempt to examine the financial performance of Maharashtra state cooperative bank(MSC Bank). The data analyzing the trends of the various parameters i.e No. of Branches, No. of Members, Share Capital, Owned fund ,Deposit, Borrowing Outstanding ,Working Capital, Investment ,Loans, Overdues ,Dividend and profit or loss etc.It was found that there was an increase in almost all parameters.

KEYWORDS: Owned fund, Membership, Working Capital, Reserve fund, Deposits, Borrowing Outstanding, Overdues

Introduction:

Co-operative credit in has its origin in the early period of the 19th century. Maharashtra is considered as the prominent state for of the co-operative credit movement. The co-operative credit movement in Maharashtra has played a significant role in the social and economic development of the state. The first co-operative act was passed in 1904 in India i.e. Agricultural Credit Co-operative societies Act. In 1906, the first primary Agriculture society was formed at Bodhwad of Jalgaon district in Maharashtra. Thereafter, other agricultural credit societies at village level, co-operative Banks at Taluka and district level were started. "Cosmos" is the first Urban Co-operative Bank which was formed in 1906 at Pune.

The Maharashtra state co-operative Bank was established in 1911. After the decentralization of co-operative sector, The Maharashtra State Co-operative Societies Act, 1960 was enforced considering the Co-operative credits and movement in Maharashtra. The state has well spread banking network. There are 6.2 public sector bank branches per lakhs population. 38 commercial Banks, 8 Regional Rural Bank; One state Co-operative Bank and 31 affiliated District Central Co-operative Banks with 5484 rural and 1654 semi urban branches, 21184 primary agricultural credit societies and 7211 Employees' credit Co-operative societies are functioning in state as on 31st March, 2007 has been providing banking facility in the state.

Objective and Research Methodology:

The basic objective of this study is to understand financial analysis of MSC Bank. In order to fulfill such objective secondary method is adopted. The secondary data was

collected through financial statement of Maharashtra State Cooperative Bank Ltd published in their annual reports for a period of five years, viz. 2002-03 to 2006-07 and their books of accounts and records. Thus a five year span was chosen for the study.

Origin and Nature of MSC Bank:

The MSC Bank Acts as a watchdog of the co-operative banking structure in the state. The MSC Bank operates through its head office In Mumbai, Administrative office in Vashi. The MSC Bank has four regional and eight divisional offices in the state. Besides, the bank has developed a network of 53 Branches. Dr.R.D.Bedi has rightly pointed out that apex bank is a mouthpiece of the movement and affects a liaison between the co-operative movement and the money market.

The MSC Bank was formed in 1911, which has become the biggest co-operative Bank in India. The MSC Bank is the principal co-operative society in the state having the primary objective to finance co-operative societies in the state.

The Maharashtra State Co-operative Bank is the federation of District Central Co-operative Bank in the state that is also known as apex Bank. The term "Apex" appeared for the first time in report of the Maclegan Committee issued in 1915.

With the establishment of Central Bank, It was found that certain banks were not able to secure a sufficient capital from the money market to fulfill the needs of their constituent societies, more ever, the central bank also required to be supervised by some head institution. The Maclegan Committee (1914) strongly advised for such apex institution in each major province. The opinion of Maclegan Committee that apex Bank will coordinate and control the working of Central Bank, forecast and arrange for the provincial requirement as a whole, and be the financial co-operative center of the Province.

It is federal and apex body for the District Co-operative banks and Urban Co-operative Banks and acts as a balancing center for the co-operative institutions in the Maharashtra. It also undertakes Banking Companies Act, 1949 and extends the financial and managerial assistance to the District Co-operative Banks and Urban Co-operative Banks. The MSC Bank operates through its head office in Vashi, (Navi Mumbai) four regional and eight divisional offices in the state. The functions and objectives of MSC Bank are as follows 7:

Functions of MSC Bank:

- 1) It acts as banker's bank to the central bank in district.
- 2) It forms the connecting link between the money market and co-operative movement.
- 3) It ensures coordination of banking policy as between the different co-operative banks.
- 4) It formulates and executes uniform credit policies for the co-operative movement in Maharashtra.
- 5) It controls and guides the activities of central bank through regular inspection.
- 6) It participates in equity capital of district Co-operative Bank. Urban co-operative Bank and others co-operative societies.
- 7) It performs all banking business to their members and public.

Financial Position of Maharashtra State Co-operative Bank :

| Sr. No. | Particulars | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | Gross Average | Change in % |
|---------|--|---------|---------|---------|---------|---------|---------------|-------------|
| 1 | No. of Branches | 53 | 53 | 53 | 53 | 53 | 53.00 | 0.00 |
| 2 | No. of Members (,000) | 40 | 41 | 47 | 55 | 61 | 48.80 | 52.50 |
| 3 | Share Capital (Government) | 18691 | 20725 | 21461 | 22480 | 26535 | 21978.40 | 41.97 |
| 4 | Owned fund | 117028 | 155423 | 204478 | 231702 | 279279 | 197582.00 | 138.64 |
| 5 | Deposit | 1019747 | 1123823 | 1340403 | 1363542 | 1407391 | 1250981.20 | 38.01 |
| 6 | Borrowing Outstanding | 130876 | 125924 | 140000 | 156330 | 403715 | 191369.00 | 208.47 |
| 7 | Working Capital | 1399905 | 1520719 | 1808245 | 1874191 | 2108179 | 1742247.80 | 50.59 |
| 8 | Investment | 350248 | 450908 | 777303 | 812108 | 678564 | 613826.20 | 93.74 |
| 9 | Loans Overdues | 99746 | 127799 | 137280 | 147165 | 124341 | 127266.20 | 24.66 |
| 10 | Percentage of Overdues outstanding to | 11.3 | 14.3 | 17.96 | 19.28 | 12.42 | 15.05 | 9.91 |
| 11 | Dividend (%) | N.A | 7 | 5 | 0 | 0 | | |
| 12 | Amount of Profit | 1068 | 27190 | 2397 | 150 | 2145 | 6590 | 100.84 |

Source:- Economic survey of Maharashtra 2003-2007

Notes -: 1) All figures in amount columns are for the financial Year ending on 31st March.

2) Growth percentage are calculated over previous figure.

Financial analysis of MSC Bank:

1. The above reveals that during the year 2002-03 the number of branches of the MSC Bank was 53, which remained constant during the study period. The total membership of the MSC Bank was 40000, which increased to 61,000 in the year 2006-07. During the study period 21,000 members were enrolled. The Membership was increased by 52.50 %. The performance of any organization depends upon the strength of its membership. If the membership is larger, then better will be its share capital, working capital, profit etc.

2. The share capital of MSC Bank during the year 2002-03 was Rs.18691 lakhs, which was increased to Rs.26535lakhs in the year 2006-07. The average share capital for the period under study remained to be Rs. 21978.40 lakhs. The share capital was increased by 41.97% during the study period. It seems that though the membership increased (52.30%), the share capital did not increase (41.91%) that much as the number of members increased.
3. The total of share capital, reserve and surplus is known as the internal equities of the MSC Bank .It shows the financial soundness of the capital structure of the MSC Bank. The owned fund of MSC Bank was Rs. 117028 lakhs in the year 2002-03 and was increased to Rs 279279 lakhs in the year 2006-07. The average internal equities for the period under study remained to be Rs. 197582.00 lakhs. The owned fund was increased by 138.34 % during the study period. The owned fund had been continuously increasing during the period under study.
4. The MSC Bank accepts the deposits from the members as well as the public. The deposit of MSC Bank was Rs. 1019747 lakhs in the year 2002-03 and it was increased to Rs. 1407391 lakhs in the year 2006-07. The average deposit for the period under study was Rs. 1250981.20 lakhs. The deposit of MSC Bank was increased by 38.01 % during the study period.
5. The total borrowing of MSC Bank during the year 2002-03 was Rs. 130876 lakhs, which was increased to Rs. 403715 lakhs in the year 2006-07. The average loan outstanding for the study period was Rs. 191369.00 lakhs. The outstanding loan was increased by 208.47% during the study period.
6. The total investment of MSC Bank during the year 2002-03 was Rs.49792 lakhs, which was increased to Rs.92629 lakhs in the year 2006-07. The investment was increased by 86.03% during the study period. The average investment for the study period was Rs.83427 lakhs.
7. The working capital of the MSC Bank during the year 2002-03 was Rs. 1399905 lakhs, which was increased to Rs. 2108179 lakhs in the year 2006-07.The working capital was increased by 50.59% as compared to the year 2002-03. The average working capital for the study period was recorded as Rs. 1742247.80 lakhs.
8. The loan overdue of MSC Bank was Rs. 99746 lakhs (11.30%) in the year 2002-03 and which was increased to Rs. 124341 lakhs (12.42%) in the year 2006-07. The loan overdue was increased by 24.66 % during the study period. The average overdue during the study period was Rs. 127266.20 lakhs (15.05 %). It indicates that the recovery of the loan was not good.
9. The excess of income over expenditure is known as the net profit. The net profit of the MSC Bank was Rs. 1068 lakhs in the year 2002-03 and which was decreased to Rs. 2145 lakhs in the year 2006-07.The net profit was increased by 100.84 % during the study period. The average net profit during the study period was Rs 6590 lakhs. The dividend declared by the MSC, Bank was 7 % in the year 2003-04 and 5 % in the year 2004-05 during study period except the remaining years.

Conclusion:

This research paper has attempted to analyze the financial analysis of MSC Bank. From this observation of MSC Bank for the period under study it becomes clear that the performance of these MSC was satisfactory. The MSC Bank shows a sign of continuous

progress and development in the study period. The above analysis shows that there was a growth in membership, share capital, reserve fund, investment, deposit, working capital and net profit. There was also an increase in the loan overdue that indicates a bad recovery of the loan. That was against the development of the MSC Bank.

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