

3.1 Introduction :-

Financial management :-

The present study is a case study of 'The Ashta Co-operative Bank Ltd, Ashta.' The general back ground of Ashta People's Co-operative bank as to its establishment, social activities have been extensively deals with in chapter II. Co-operative bank is a successful co-operative banking organisation.

This study is mainly directed towards the financial management of the bank. so it is necessary to understand the concept of financial management in proper perspective.

3.2 Definition – Financial Management :-

Finance means money or the amount of funds. Financial management refers to the management of funds in the business. Finance is very important for any business. It is described as '**Life blood of business.**' The success or failure of any business depends upon adequate and timely supply of finance and its effective use in the business. The management of finance therefore occupies an important place in the overall management of any business. The Ashta people's co-operative bank is basically a co-operative banking organisation.

The management of fund in Ashta People's Co-operative Bank has also to be quite on the scientific line. The presented meaning of financial management is presented below with the help of following important definitions

3) Dividend Decision

Dividend Decision concerned with deciding dividend payout and about earning to be retained in the business. These decisions are important in co-operative organisation as well. In case of co-operative organisation payment of dividend and the earning to be retained are Governed by legal provisions of co-operative societies act of the concerned state.

The decisions in all these 3 areas constitute the financial decision. Financial decisions are directed towards minimization of cost of capital, effective utilisation of funds, maximization of return on capital.

3.4 Analysis Of Financial Management :-

To Analyse the financial Management of The Ashta People's Co-operative bank Ltd, Ashta with the help of ratio analysis.

Ratio - Analysis :

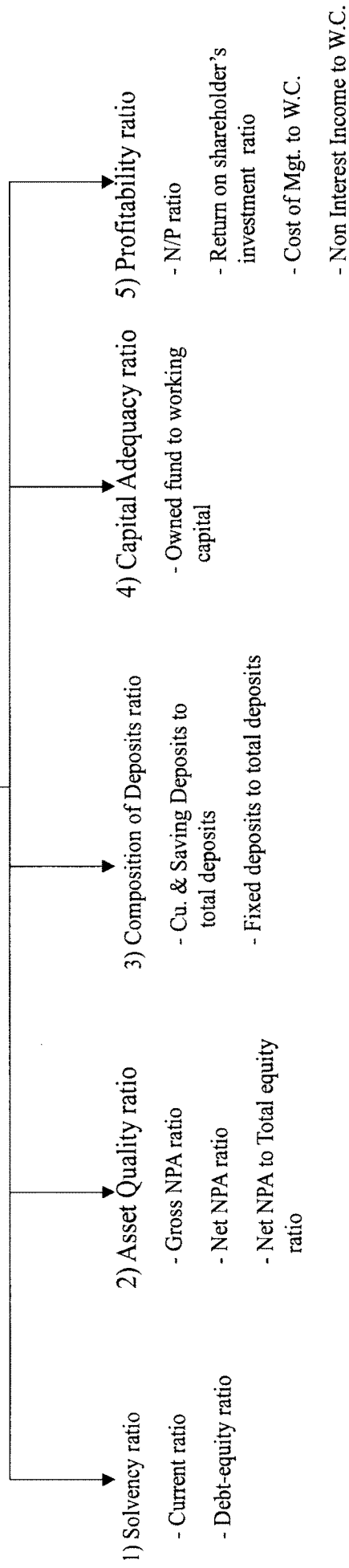
To Judge the financial Strength of "The Ashta People's Co-operative Bank Ltd, Ashta" The Technique of ratio analysis has been applied.

Ratio analysis means, the process of computing, determining and presenting relationships of items and groups of items in the financial statement. Ratios express the numerical or arithmetic relationship between two figures. Ratio analysis is the principal tool of analysis of financial statement.

The Management is not satisfied with only total figures recorded in the financial statement. It wants to know the financial strength of the business, the liquidity, profitability

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Classification of Ratios



Net Profit Ratio :

Net profit is that proportion of net sales which remains to the owners or the shareholders after all cost, charges and income tax.

This ratio is widely used as a measure of over-all profitability and is very useful to the Bank

$$\text{Net Profit ratio} = \frac{\text{Net Profit}}{\text{Net Sales}} \times 100$$

Return On Shareholder's Investment Ratio :

Shareholder's equity will include equity share capital, preference share capital and reserves and surplus. it is also termed as Net worth.

The ratio shows how well the bank has used the resources of the owners. This ratio is a measure of the profitableness of an enterprise. The realisation of a satisfactory net income is the major objective of a business and the ratio shows the extent to which this objective is being achieved.

$$\text{Return on shareholder Investment ratio} = \frac{\text{Net Profit}}{\text{Shareholder fund.}} \times 100$$



Other reserve includes building fund, dividend equilisation fund, reserve for bad & doubtful debts, charity fund, investment fluctuation fund, employees gratuity fund etc.

3) Deposits -

The success of the bank will largely depend on the amount of deposits which it is able to collect. Interest should be paid regularly, yearly, half yearly or at the rates fixed.

Deposits are sum obtained by the bank from members and non-members. mobilisation of deposits through different Novel scheme is the secret of the success of the bank. The Ashta People's Co-operative Bank Ltd, Ashta with its innovative scheme Not only stimulates to those who have the capacity to save but extract funds from those who do not have to do it.

4) Borrowings-

Loans & advances constitutes the important source in the total capital resource of the urban co-operative bank and most of the urban co-operative banks enjoy this facility. but fortunately this bank has not taken any loans and advances from any source during the period under study.

5) Other Liabilities -

Other liabilities includes loans, Branch adjustment a/c, provision of arrear interest, o/s interest and profit & loss a/c etc.

4) Fixed Assets -

Fixed Assets is the property which is owned by the bank and it is used for expansion purpose.

It also including plant & Machinery, Land & Building, Furniture & Fixture, Dead Stock etc.

5) Other Assets -

Other assets includes library catalary, computer machinery, Generator, Motor-cycle and telecom equipment and other income & Accrued interest etc.

b) Saving Bank a/c					
* Individual	265.76	325.00	330.35	382.72	416.62
* Society	0.02	0.02	0.03	0.03	0.06
Total (b)	265.78	325.02	330.38	382.75	416.68
c) Current Deposits					
* Individual	19.81	18.32	57.45	29.61	44.10
* Society	10.15	08.37	07.88	11.62	11.57
Total (c)	29.96	26.69	65.33	81.23	55.67
Total (a+b+c)	1602.54	1836.24	2152.19	2577.50	3286.54
4) Borrowing	-----	-----	-----	-----	-----
5) Bill for collection	2.30	2.74	5.18	5.31	5.48
Other Liabilities					
6) Br. Adj. A/C	0.08	-----	-----	2.86	-----
7) Provi. of Arrear Interest	28.41	29.00	18.66	21.28	27.68
8) O/S Interest	19.41	23.93	30.95	32.06	38.49
9) other Liability	16.94	24.30	20.87	20.16	30.46
10) Profit & Loss	15.24	33.58	51.13	36.31	40.38
Total (1 to 10)	1846.95	2134.49	2499.52	2965.46	3743.03

(Source – Annual Report of the Bank)



b) Saving Bank a/c					
* Individual	422.43	460.95	464.56	571.18	656.14
*Society	0.02	0.59	2.76	0.96	2.12
Total (b)	422.45	461.54	467.32	572.14	658.26
c) current Deposits					
* Individual	50.18	54.42	63.96	91.84	118.42
* Society	16.26	26.25	41.93	29.14	31.68
Total (c)	66.44	80.67	105.89	120.98	150.10
Total (a+b+c)					
4) Borrowing	-----	-----	-----	-----	-----
5) Bill for collection	7.55	10.76	12.67	16.60	2.86
Other Liabilities					
6) Br. Adj. A/C	9.67	15.53	24.08	3.80	5.66
7) Provi. of Arrear Interest	46.82	56.08	90.65	125.83	99.44
8) O/S Interest	50.23	48.21	59.08	53.66	48.61
9) other Liability	32.16	34.40	33.72	40.82	27.74
10) Profit & Loss	35.71	33.05	36.55	51.22	46.44
Total (1 to 10)	4717.72	4918.57	5632.40	6036.90	6485.85

(Source – Annual Report of the Bank)



(Remaining Part)
Balance – sheet (Asset side)
The Ashta People’s Co-operative Bank Ltd, Ashta
(In Lakhs)
(from 1996 to 2005)

Item	2001	2002	2003	2004	2005
1) Cash					
* In hand	283.00	257.00	340.04	263.16	276.08
* At Bank	30.29	48.58	51.59	39.86	48.41
Total	313.29	305.58	391.63	303.02	324.49
2) money at call & short notice	180.00	927.98	874.98	902.48	999.48
3) Investment	1359.99	616.14	907.18	1310.88	1572.66
4) Loans					
* short term	662.48	711.49	721.68	710.05	714.78
* medium term	1722.59	1749.55	1956.14	2045.68	1957.41
* Long term	134.87	333.10	450.06	434.40	633.73
Total	2519.94	2794.14	3127.88	3190.13	3305.93
5) other assets					
* o/s accrued int. Br.adj, other asset & income	267.32	192.52	246.00	248.70	221.27
6) fixed assets	69.63	71.45	72.06	65.10	59.15
7) Contra item					
* Accrued o/s interest	7.55	10.76	12.67	16.60	2.86
Total (1 to7)	4717.72	4918.57	5632.40	6036.90	6485.85

(Source – Annual Report of the Bank)



Table No. 3.3
Comparative Profit & Loss A/C (Expenses)
The Ashta People's Co-operative Bank Ltd, Ashta
(In Lakhs)
(from 1996 to 2005)

Expenditure	1996	1997	1998	1999	2000
* Int. on Deposits & Loans	150.59	187.80	213.35	256.50	326.01
* Salary, PF & Gratuity	40.88	47.18	51.58	58.70	72.39
* Allowance (member & Director)	0.46	0.63	0.64	0.61	0.57
* Rent, Ins, & Electricity	2.79	3.85	4.72	5.29	6.62
* Court Fees	-----	.04	----	-----	----
* Postage & telegram	0.55	0.70	0.71	0.94	0.98
* Audit Fees	0.83	0.77	0.93	1.42	1.53
* Depre & Repairs	3.78	5.73	7.17	8.11	10.58
* Printing & Stationary and Advt.	2.31	2.90	3.53	3.42	3.73
* Loss on sale of other assets	-----	-----	-----	----	-----
Total (a)	202.29	249.60	282.63	334.99	422.41
b) Other Expenses					
* Traveling Exp.	0.32	0.43	0.63	0.60	0.80
* General Exp.	1.14	1.67	1.93	2.37	2.41
* Meeting Exp.	0.13	0.05	0.65	0.51	0.87
* Saving fund commission	1.45	1.68	1.74	2.28	2.77
* Bonus	2.76	3.50	2.99	4.25	3.93
* Other Exp.	0.88	1.35	1.87	3.10	3.26
* Br. opening Exp.	0.46	-----	0.45	0.98	-----
* Visit & Donation	0.05	0.13	0.08	0.08	0.09

Table No. 3.4
Comparative Profit & Loss A/C (Income)
The Ashta Co-operative Bank Ltd, Ashta (In Lakhs)
(from 1996 to 2005)
1996 To 2000

Income	1996	1997	1998	1999	2000
Int. on Loans & Investment	238.00	293.29	343.23	384.37	484.77
Commission	0.52	0.72	0.76	0.90	1.14
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Profit on sale of other Assets	----	----	----	----	----
Int. on share	-----	---	----	-----	----
Total (a)	238.52	294.01	343.99	385.27	485.91
Other Income					
* Dividend	0.03	0.03	----	----	-----
* Other income	0.43	0.51	0.42	0.43	0.23
* Sale of application	0.10	0.12	0.12	0.15	0.18
* locker rent	0.25	0.27	0.28	0.29	0.29
* Bank guarantee charges	0.34	----	0.08	0.03	0.18
* Processing charges	0.67	0.80	0.97	1.07	1.45
* Fine Interest	2.74	2.89	2.95	----	----
Total (b)	4.56	4.62	4.82	1.97	2.33
Total (a+b)	243.08	298.63	348.81	387.24	488.24

(Source – Annual Report of the Bank)