CHAPTER - III

THEORITICAL BACKGROUND OF THE STUDY

3.1 BUSINESS OF CO-OPERATIVE BANKING

3.2 CO-OPERATIVE BANK

3.3 DISTRICT CENTRAL CO-OPERATIVE BANK

3.4 WORKING CAPITAL

3.5 WORKING CAPITAL IN DISTRICT CENTRAL CO-OPERATIVE BANK

CHAPTER - III

THEORITICAL BACKGROUND OF THE STUDY

3.1 BUSINESS OF CO-OPERATIVE BANKING :-

Although a number of status and decisions both in England and India have described the function of a Banker, none of them has precisely defined of "Banking and Banking Company" in section (5) (1) (b) and (5) (1) (c) of the Banking Regulation Act 1949 which reads as under:

Section (5) (1) (b) - Banking means the accepting for the purpose of lending or investment of deposits of money from the public, repayable on demand or otherwise, and withdraw able by cheque, draft order or otherwise".

Section (5) (1) (c) - "Banking company means any company which transacts the business of banking in India.

3.2 CO-OPERATIVE BANK :-

The meaning of co-operation has been explained by socialists, economists and reformist in their own way.

Indian Co-operative Societies Act : " A co-operative society which has its objective, the promotion of economic interest of its members in accordance with the co-operative principles."

Thus A Co-operative bank is a mutual society formed, composed and governed by working people themselves for encouraging regular savings and granting small loans on easy terms of interest and repayment.

3.3 DISTRICT CENTRAL CO-OPERATIVE BANK :-

The DCC Bank is the federation of primary societies. All the primaries societies are the member of DCCB.The DCC Bank act as a intermediate between the state co-operative bank and primary societies.

3.3.1 Membership of DCC Banks -

DCC Bank was started with the mixed pattern of members consisting of individuals as well as primary co-operatives. After the recommendation of All India Rural Credit Survey Committee 1954, bank stopped the individual membership. At present there are only primary societies as a member.

3.3.2 Area of Operation:

Generally the area of operation of DCC Bank limited to district. The DCC Bank is the leader of co-operative movement in the district.

3.3.3 Management of DCC Bank:

The management of DCC Bank consist of General Body, Board of Directors and Managerial or Executive group. A general body consist of all members which is supreme body. Its authority is limited to matters specified in the by-laws and is subject to the provision of the co-operative law of the state. The routine management of DCC Bank generally vests in the hands of board of director, consisting elected and nominated members form the primary societies. The board of director elected the chairman. The bank shall also have a full time paid Chief Executive Officer who looks the general management and administration of the bank with the help of the other staff of the bank.

3.3.4 Business of DCC Bank:

DCCB generally extended financial support to members, i.e. primary societies through advancing medium and short term loans. DCC Bank accepting deposits of members as well as non members from rural and urban areas. The rate of interest on loans is 3% to 4% above the rate at which borrowed funds or deposits which earns income for the bank for the purpose of meeting its administration and general expenses. DCC Bank, under law, is expected to pay dividend on the share capital and to build up the reserve funds.

3.3.5 Maintenance of SLR and CRR:

As per the Banking Regulation Act 1949 applicable to co-operative societies. DCC Banks were expected to maintained up to a maximum 3% of Cash Reserve Ratio (CRR) with RBI and 25% in the form of Statutory Liquidity Ratio (SLR). Generally banks are expected to maintain the 25% ratio mostly in Government securities and higher tier institutions.

3.3.6 Sources of Working Capital for DCC Bank:

The sources of working capital of DCC Bank consists of the following. Share capital, Reserves and other funds, Deposit (deposit form member and non member including Government deposits), Borrowing from state co-operative bank, RBI/NABARD, State Government.

3.4 WORKING CAPITAL :-

The concept of working capital is much confusing in the business circles. There is much disagreement among financers, accountants, businessman and economists as to exact meaning of the term working capital.

According to few, working capital means current assets, for some others, it is an excess of current assets over current liabilities.

It is true that there is much disagreement as to the exact meaning of the term but both the concepts are useful in business. The concept of working capital is very important in every business because the term is commonly used for the capital required for day to day working.

3.4.1 Significance of Working Capital -

Working capital is just like a heart of business. Adequacy of working capital is life blood and controlling nerve center of a business. Adequate working capital helps for smooth running of the business. It is said that inadequate working capital is disastrous. Where as redundant working capital may result in economic waste.

1) Adequate working capital create a sense of security, confidence and loyalty not only within the business but also the outside the business.

2) Adequate working capital helps for maintaining solvency and continuity of the business.

3) Adequate working capital create sound goodwill and strengths the borrowing capacity of the business.

4) Working capital is sufficient, ample dividend can be declared and distributed. It increases the market value of the shares.

5) In case of adequate working capital in a concern good business opportunities can be pointed out.

Thus the need for maintaining adequate working capital in an enterprise cannot be questioned because of its importance for the business but it is not also a prudent policy to maintain huge amount of working capital in excess of what is actually required. Although excess of working capital is a very serious problem, yet it is a sign of poor grade management and my result in economic waste.

3.4.2 Sources of Working Capital -

Following are the important sources of working capital for the business.

Long Term Sources : Share capital, Reserves and funds, Sale of fixed assets, Security from employees and customers, Borrowings etc.

Short Term Sources : Depreciation funds, Provision for taxation, Accrued expenses and Government assistance etc.

3.4.3 Application of Working Capital:

This working capital amount is utilized for maintaining various current assets. Such as cash, bank balance, investment and inventory.

3.4.4 Working Capital Management:

The process of planning and controlling both the level and mix of the firms current assets and current liabilities is called working capital management.

Working capital management refers to the administration of all aspects of current assets, namely cash, marketable securities, debtors, inventories and current liabilities. There are many aspects of working capital management, which make it an important function of the business.

1) Working capital management is time consuming process.
2) Working capital represents a large portion of the total investment in assets.
3) The need of working capital is directly related to the business growth.
4) In business role of working capital management is significance. The success and the growth of the business is mainly depend on working capital management.

The management of working capital involves the following process.

a) Forecasting of funds requirements.
b) Acquiring funds.
c) Monitoring levels of current assets and current liabilities
d) To decide percentage of funds in current assets.
e) To decide and recording time spent in managing current assets.

f) To Identify excess or shortage of working capital.

g) Effective management of current assets and current liabilities.

3.4.5 Analysis of Working Capital:

The analysis of working capital can be made with the help Ratio Analysis, Fund Flow Analysis and Budgetary Analysis.

Ratio Analysis :

To evaluate the financial position and performance of the firm the finance executives needs certain yardstick. The yardstick frequently is used ratio analysis. The construction of ratio is a measure analytical tool in the hand of the finance executives. Mostly financial statements are expressed in absolute rupee figures. The use of ratio aids the management and other analyst in pointing to the relative importance of various items appearing in the financial statements. Each measure items in terms of ratio by using ratio comparison of firms financial performance can be made over a period of time.

Ratios are simply a means of highlighting in arithmetical terms the relationship between figures. When the ratios are calculated from the figures drawn from financial statements, they may show relationship between the various financial data expressed in the financial statements. Thus ratio is an expression of quantitative relationship between figures drawn from the financial statements.

Steps in Ratio Analysis:

It involves three steps, first the finance executives or any interested party selects from the statements those data which are relevant to his objective or analysis and calculates appropriate ratios for the firm.

The second step, calls for a comparison either with the industry standards or with the ratio of the same firm relating to earlier accounting period.

Third step after the comparison, conclusions are drawn and presented in the shape of reports.

Importance of Ratios :

a) **Aid in financial forecasting and planning** - Ratio analysis is very useful tool in financial forecasting and planning. Hence ratio relating to past turnover, profits and financial position are the base for the future trend.

b) **Aid in comparison** - With the help of ratio analysis ideal ratio can be computed and they can be used for comparison of a particular firms progress and performance.

c) **Aid in cost control** - Ratios are very useful for measuring the performance and in cost control. Ratio analysis throws light on the degree of efficiency in management and utilization of its assets.

d) **Communication value** - Different financial ratios communicate the strength and financial standing of the firm to the internal and external parties.

e) **Inter-firm comparison** - Ratio analysis not only throws light on the financial measures. But this made possible due to inter firm comparison with industry average.

f) **Trend analysis** - Ratio analysis enables firms to take the time dimension into account. It indicates whether the financial position of a firm is improving or deteriorating over the years.

g) **Simplifies financial statements** - Ratio analysis simplifies the comprehension of financial statements, ratio tells the whole story of changes in the financial condition of the business.

h) **Other uses** - Financial ratios are very useful in the diagnosis of financial health of a firm. They highlight the liquidity, solvency, profitability and capital gearing position of the firm. They are useful tool of analysis of overall financial performance.

Limitations of Ratio Analysis:

Though ratios are simple to calculate and easy to understand, they must be used very carefully, if due care is not taken they might confuse rather than clarify the situation.

a) **Limited use of single ratio** - Ratio can be used for only when they are computed in a sufficient large number. At the same time if too many ratios are calculated, they are likely to confuse instead of revealing any meaningful conclusion.

b) **Lack of qualitative analysis of the problem** - Ratio analysis gives only a good basis for quantitative analysis of general problems. Hence it suffers from qualitative aspects.

c) **Effect of inherent limitations of accounting** - Because ratios are computed from historical accounting records, therefore they posses those limitations and weaknesses as accounting records posses.

d) **Lack of proper standards** - While making comparisons it is always a challenging job to find out an adequate standard. It is not possible to calculate exact and well accepted absolute standard. Therefore, a quality range is used for this purpose. If actual performance is within this range it may be regarded as satisfactory.

e) **Arithmetical window dressing** - In ratio analysis arithmetical window dressing is possible and firms may be successful in concealing the real position.

f) **Past is not indicator of future** - It is not always possible to make future estimates on the basis of the past as always does not come true.

g) **Background is over looked** - When an inter firm comparison is made on the basis of ratio analysis and they differ, substantially in a size, age and nature of products, ratio analysis cannot give satisfactory results as these factors are not considered here.

h) **No allowance for change in price level** - While making comparisons of ratios no allowance for change in general price level is made. A change in price level can seriously affect the validity of comparisons ratios computed for different periods.

i) **Difference in definitions** - Comparisons are also made difficult due to difference in definitions and will accepted procedure for their computation.

j) **Limited uses** - Ratio analysis is not a substitute for sound judgment rather is a helpful tool to aid in applying judgment to otherwise complex situations. Therefore, conclusions drawn with the help of ratios should be verified with other techniques too.

k) **Effect of personal ability and basis of the analyst** - Ratios are only means of financial analysis not an end in themselves. They can be affected with the personal ability and bias of the analyst.

Different Types of Ratios:

Several, ratios can be calculated from the accounting data contained in the financial statements. The ratio of analysis of working capital helps the management in checking upon the efficiency with which the working capital being used in the business. Following are the few important ratios.

a) Turnover of working capital ratio:

This ratio measures the rate of working capital utilization and is calculated as follows:

Turnover of working capital ratio =

Net sales /Net working Capital

This ratio shows how many times the working capital turns over in trading transactions. If it has an increasing trend over previous years, it shows that the working capital is now being used very efficiently or in other words, working capital is working harder than it worked in the past. On the other hand, if there is decreasing ratio, one can reasonably follow, that the firm is using working capital less economically or not as efficiently as it should have been. It indicates relative inefficiency of the management. Every business has to work out its own normal level of variations and its own profitability and safety in the management of working capital.

b) Current ratio:

Current ratio is the ratio between current assets and current liabilities. The ratio is worked out as under:

Current Ratio = Current Assets / Current Liabilities

Current ratio measures the ability of the company to pay off its short term debts i.e. current liabilities. It reveals how efficiently a firm can meet the sudden demand, if it at all arises, to pay off all its short term creditors. It is, therefore, advisable that short term assets should be large enough to meet the sudden demands with some margin taking into consideration the liquidity of assets. The ratio is very useful for banker and creditors while advancing loans to the company. The ratio is not of much use to the growing concern.

c) Acid test ratio or quick ratio:

It is determined by dividing quick assets i.e. assets which are most easily convertible into cash, by current liabilities. It is better test of financial strength than the current ratio as it gives no consideration to inventory which cannot be sold at fair prices immediately.

This ratio lays more emphasis on immediate conversion of assets into cash. A quick ratio of 1:1 is usually considered favorable. The higher the ratio better is the financial position of the bank.

d) Cash ratio:

The relationship of current assets and cash balance (including bank balance) is called cash ratio. It may be determined by dividing the total current assets by total cash. The ratio shows availability of cash to meet the day-to-day requirements in relation to the total assets. Past experience may show the trend of relationship of cash with current assets. If the ratio is higher than the average, it shows that funds are laying idle contributing nothing to the business. It should be reduced to the average needs of the business.

e) Ratio of current liabilities to tangible net worth:

The ratio is worked out by dividing the current liabilities by tangible wealth. The ratio is helpful in finding out how much capital has been contributed by the short term creditors and how much by the owners. Higher ratio means greater risk to short term creditors.

In co-operative banking sector the above ratios are not considered as it is. The ratios are considered as per the guidelines of the **RBI/NABARD**. These guidelines or norms are considered in detail with each and every aspects in the next chapter number four i.e. presentation, analysis and interpretation of the data.

Fund Flow Analysis:

Fund flow analysis is the study of the sources of funds and there application in the business. By the use of this method, changes in the working capital between the two financial dates can be very easily analyzed by studying the changes in the each type of assets and liabilities.

Budgeting Analysis:

Effective working capital management is concerned with the careful measurement of future requirements and the formulation of plans to meet them. For this purpose a working budget as a part of total budgeting process is prepared showing the future long term and short term working capital needs and the sources of finance to them.

It may be concluded from the study of the ratio analysis, funds flow analysis and budgetary analysis of working capital, that the analysis of working capital is necessary for the effective working capital management. The management must have close watch on the changes in different ratios and the fund flow position so that the necessary corrective action may be initiated effectively and speedily.

A study of causes of changes in the uses and sources of working capital is necessary to observe that whether working capital is serving the purpose for which it has been created of not. The analysis of working capital can be made either through Ratio analysis, Fund flow analysis and Budgetary analysis. Ratio analysis is the most commonly used technique, which deals particularly with each and every aspect of working capital analysis. Thus the ratio analysis technique is used to draw inferences form the statistical data.

3.5 WORKING CAPITAL IN DCC BANK:

In theory working capital means current assets less current liabilities or working capital means current assets.

The RBI has been using working capital as entire liabilities side of the balance sheet excluding contra items which are in the nature off-setting each other and accumulated losses (Dr.M.Srinivas, Organization and Management of Co-operative Banks, Printwell Publishers, Jaipur, 1990, P.No.123.)

The RBI concept of calculating working capital can be symbolically put in the form of the following equation.

Working Capital = X -(Y+Z)

Where,

X - Total liability side of the balance sheet,

Y - Contra items which are in the nature of off-setting each other,

Z - Other intangible and fictitious assets mainly accumulated losses if any.

The practice of SDCCB reveals that the functional meaning of working capital is total of any one side of the balance sheet less contra items. For the purpose of this study the working capital is taken as the total of any one side of the balance sheet less contra items.

In DCCB working capital management means, management of reserves (SLR and CRR), management of deposits, management of borrowings at the liability side and at the asset side, management of cash, management of investment, management of loans and advances, management of NPA and recovery management.

The balance sheet of DCC Bank includes the following important items at the asset and liability side. The analysis of these items, which gives the more idea about to understand the financial and overall performance of the bank, cost of each source of funds and returns is considered in the following chart and also it is helpful in the management of working capital of the bank.

BALANCE SHEET OF DCC BANK

Liabilities	Assets
Paid up share capital	Cash
Reserve fund and other provision	Investments
Deposits	Loans and Advances
Borrowings	Fixed Assets
Other Liabilities	Other Assets

Liabilities :

a) Paid up share capital:

It involves cost by way of dividend, if the bank shows net profit for the year; otherwise cost free.

b) Reserve fund and other provision:

Always cost free and cheapest source of finance.

c) **Deposits:**

It involves cost. Cost would be higher, if composition of deposit mix has high percentage of term deposits. Cost would be lower, if composition of deposit mix has high percentage of short term deposits (saving bank account and current account).

d) **Borrowings:**

It involves cost. Cost depend upon rate at which borrowings are made or refinance is availed or market rate or call money rate prevailing.

e) **Other liabilities:**

It includes cost free funds such as remittances by way of DD, MT, TT, etc. and suspense entries always cost free.

Assets-

a) **Cash:**

It is an ideal asset on which no return is available.

b) **Investment:**

It gives returns. Rate of return depend upon composition of investment portfolio, and the rate of interest prevailing in the market and at rate at which securities were bought.

c) **Loans and Advances:**

These give returns to the bank. Rate of return depend upon various factors. Interest rate policy adopted by the bank board. Prime Lending Rate (PLR) of the bank and that of other banks in the vicinity, which creates competition. The RBI declares Bank Rate and percentage of CRR and SLR. It makes effect on loans and advances to the primaries and common people.

d) Fixed Assets :

These assets do not give return to the bank.

e) Other Assets:

These includes suspense entries, income occurred but not received etc. These assets also do not give any return to the bank.

In short among liabilities, high proportion of share capital, reserves and float funds are considered as good indicators. Similarly high extent of low cost saving deposits and no cost current deposits in deposit composition are considered to be good as it enables the bank lower interest cost.

Among assets, proportion of those assets which do not give return to the bank, (cash, fixed assets and other miscellaneous assets) should be kept very low with a view to improve profitability of the bank.

For the detailed information the comparative balance sheet is enclosed here with. The balance sheet shows statistical data in detail, item wise for the five years period i.e. 2001-02 to 2005-06. On liability side the major item is deposits. On asset side the major item is loans and advances and investments for all the five years.

Moreover the researcher has given comparative profit and loss account for the five years period. In each year all the expenses item and provisions are given. The major items of expenses are interest paid on deposits and borrowings and salary and other allowance and provision for bad and doubtful debts. On income side major item is interest received on loans and advances and investments.

Comparative Balance Sheet and Profit and Loss Account for the Year 2001-02 to 2005-06

Sangli D.C.C. Bank Ltd. Sangli

Comparative Balance-Sheet

(Rupees in lakhs)

LIABILITIES	2001-02	2002-03	2003-04	2004-05	2005-06
1)Share Capital					
Authorized Share Capital	5,000.00	5,000.00	6,000.00	6,000.00	6,000.00
Paid up Share Capital					
a) Government	41.00	41.00	41.00	41.00	41.00
b) Societies	3545.46	4112.52	4365.53	4528.64	4664.97
c) Individuals	0.34	0.34	0.34	0.34	0.34
Total	**3586.80**	**4153.86**	**4406.87**	**4569.98**	**4706.31**
2) Reserves and other Funds					
a) Reserve Fund	841.13	1121.49	1325.10	1350.50	1355.27
b) Reserve for Bad and Doubtful Debts	2757.41	3157.41	3997.41	5026.68	6700.14
c) Other Reserves	1590.99	1801.80	1970.90	2241.29	2267.46
d) Overdue Interest Provision	4296.01	6281.61	8909.52	9635.98	9337.35
Total	**9485.54**	**12362.31**	**16202.93**	**18254.45**	**19660.22**
3) Deposits					
a) Savings					
i) Individuals	15526.64	17129.95	17427.40	20776.53	30069.26
ii) Societies	658.36	648.21	606.83	866.04	1262.47
Total	**16185.00**	**17778.16**	**18034.23**	**21642.57**	**31331.73**
b) Current					
i) Individuals	4229.65	5448.42	6885.54	6505.57	9772.77
ii) Societies	4772.42	4947.70	4379.57	4929.91	5229.79
Total	**9002.07**	**10396.12**	**11265.11**	**11435.48**	**15002.56**
c) Fixed					
i) Individuals	27505.64	31434.20	35070.26	38107.59	38794.27
ii) Societies	31446.17	35139.33	36085.50	40450.55	38078.33
Total	**58951.81**	**66573.53**	**71155.76**	**78558.14**	**76872.60**
Total (a + b + c)	**84138.88**	**94747.81**	**100455.10**	**111636.19**	**123206.89**
4) Borrowings					
a) Short Term	12096.07	6652.93	3522.88	207.55	1310.19
b) Medium Term	5086.64	8237.54	5993.74	7531.09	7181.58
c) Long Term	8810.62	10000.63	8421.60	7283.26	9443.44
Total	**25993.33**	**24891.10**	**17938.22**	**15021.90**	**17935.21**

LIABILITIES	2001-02	2002-03	2003-04	2004-05	2005-06
5) Contra Entries					
a) Govt. Cont. to PACS Shares	5.98	5.88	5.78	5.72	5.70
b) Bills for Collection	327.18	322.42	223.18	317.85	424.30
Total	**333.16**	**328.30**	**228.96**	**323.57**	**430.00**
6) Other Liabilities					
a) Interest Payable	1821.66	1700.08	1695.46	2286.26	2497.33
b) Draft Payable	138.46	285.02	181.69	263.12	285.04
c) Branch Adjustment	628.64	854.27	869.73	843.72	906.71
d) Staff Provident Fund	22.93	22.85	22.74	22.35	22.07
e) Suspense Account	165.13	98.47	186.14	806.82	1643.96
f) Sundry Creditors	822.50	553.14	745.39	510.66	746.48
g) HO/MSC Account	157.90	38.72	-	-	-
Total	**3757.22**	**3552.55**	**3701.15**	**4732.93**	**6101.59**
7) Profit and Loss Account	866.61	781.69	87.67	-	-
Grand Total	**128161.54**	**140817.62**	**143020.90**	**154539.02**	**172040.22**

Sources : Annual reports of the bank 2001-02 to 2005-06

Sangli D.C.C. Bank Ltd. Sangli
Comparative Balance-Sheet

(Rupees in lakhs)

ASSETS	2001-2002	2002-2003	2003-2004	2004-2005	2005-06
1) Cash in Hand	3439.71	3824.73	5390.27	4344.45	4785.73
2) Investments					
a) SLR	22811.84	23690.47	23872.14	4700.27	50931.22
b) Non SLR	1564.70	2381.08	2512.96	2551.46	6632.08
Total	**24376.54**	**26071.55**	**26385.10**	**49554.73**	**57563.30**
3) Loans and Advances					
a) Agriculture					
i) Short Term	15496.84	16883.94	22214.91	15330.62	17628.84
ii) Medium Term	9527.74	15067.98	13297.19	23057.05	22925.21
iii) Long Term	9453.18	10430.51	9711.95	8050.75	7542.44
Total	**34477.76**	**42382.43**	**45224.05**	**46438.42**	**48096.49**
b) Non-Agriculture					
i) Short Term	55568.89	53245.61	43333.10	29601.06	36061.35
ii) Medium Term	5540.57	10368.70	17703.61	18260.05	19264.28
iii) Long Term	1309.74	1266.53	1556.41	1109.74	1001.39
Total	**62419.20**	**64880.84**	**62593.12**	**48970.85**	**56327.02**
Total (a + b)	**96896.96**	**107263.27**	**107817.17**	**95409.27**	**104423.51**
4) Fixed Assets					
a) Land and Building	148.93	144.63	186.34	178.67	182.38
b) Furniture and Fixtures	626.46	379.87	256.94	512.79	400.68
Total	**775.39**	**524.50**	**443.28**	**691.46**	**583.06**
5) Other Assets					
a) Interest Receivable	1695.33	1909.99	1927.13	2415.66	1863.18
b) HO/MSC Account	-	-	17.21	11.37	14.81
Total	**1695.33**	**1909.99**	**1944.34**	**2427.03**	**1877.99**
6) Contra Entries					
a) Govt. Cont. to PACS Shares	5.98	5.88	5.78	5.72	5.70
b) Bills Receivable	327.18	322.42	223.18	317.85	424.30
Total	**333.16**	**328.30**	**228.96**	**323.57**	**430.00**

ASSETS	2001-2002	2002-2003	2003-2004	2004-2005	2005-06
7) Other Receivables					
a) Tasalmat	603.06	844.50	762.45	424.77	366.95
b) Government Deposits	9.39	9.39	9.39	9.39	10.16
c) Income-Tax Receivable	11.63	11.63	11.97	1.27	1.27
d) Closing Stock of Printing and Stationary	20.37	29.76	27.97	17.97	19.27
e) Central Govt. Interest Subsidy	-	-	-	-	191.34
Total	**644.45**	**895.28**	**811.78**	**453.40**	**588.99**
8) Profit and Loss Account	-	-	-	1335.11	1787.64
Grand Total	**128161.54**	**140817.62**	**143020.90**	**154539.02**	**172040.22**

Sources : Annual reports of the bank 2001-02 to 2005-06

Sangli D.C.C. Bank Ltd. Sangli

Comparative Profit and Loss Account

(Rupees in lakhs)

EXPENSES	2001-2002	2002-2003	2003-2004	2004-2005	2005-06
1. Interest on Deposits and Borrowings	19021.47	21230.30	21449.86	19270.79	17161.40
2. Salary, Provident Fund Subscription and Charges	1903.47	2160.73	2221.73	2244.35	2219.15
3. Inspection Exp.	9.80	9.66	8.73	7.55	7.83
4. Board of Director Allowance	2.27	5.88	5.23	5.56	6.24
5. Rent, Electricity and Municipal Taxes	48.27	58.24	57.27	62.16	65.76
6. Advocate Fees	5.79	1.55	2.14	1.99	1.92
7. Postage and Telegram	15.46	16.23	13.64	6.91	7.56
8. Audit Fees	23.74	22.78	27.81	21.64	22.79
Repair, Maintenance and Depreciation					
9. Vehicle Exp.	2.38	2.09	3.65	3.72	3.14
10. Depreciation	96.14	306.31	153.86	103.14	159.32
11. Repairs and Maintenance	32.58	25.50	38.87	2.39	9.56
Other Expenses					
12. Printing and Stationary	38.42	32.66	27.78	24.30	25.27
13. Court Fees	4.65	1.08	1.34	1.89	0.14
14. Traveling Exp.	9.33	10.08	11.37	9.94	11.48
15. General Exp.	28.73	40.71	54.30	17.07	13.26
16. Petrol and Diesel Exp.	4.05	4.46	5.53	7.04	10.42
17. Deposit Insurance Premium	30.42	30.89	28.32	61.54	87.12
18. Group Gratuity Scheme Premium	70.76	138.11	353.24	4.44	196.12
19. Subscription Fees	81.60	30.07	36.62	28.87	35.79
20. Commission Paid on Pigmy Deposits	12.84	13.22	12.62	10.85	9.00
21. Computer Maintenance	--		--	58.74	53.51
22. Service Charges on Govt. Securities	0.88	--	--	0.02	--
23. Loss on Sale of Vehicle	0.65	1.33	--	.67	0.33
24. Election Exp.	1.00	--	6.50	--	--

EXPENSES	2001-2002	2002-2003	2003-2004	2004-2005	2005-06
25. Platinum Jubilee Celebration Exp.	29.37	--	--	--	--
26. Consultancy Charges	0.13	0.06	0.97	--	--
27. Training Charges	--	--	--	0.85	6.15
28. Service Tax and Education Cess	--	--	--	0.68	2.81
Provisions					
29. Bad and Doubtful Debts	225.00	400.00	840.00	1029.27	1673.46
30. Standard Assets Pro.	--	--	--	180.73	--
31. Pro. for weak PACS Reconstruction Fund	100.00	25.00	--	--	--
32. Agriculture Development Fund	60.00	--	--	--	--
33. Pro. for Investment Fluctuation Fund	20.00	25.00	25.00	--	--
34. Pro. for Bank Employees Bonus	340.00	178.00	153.00	--	--
35. Pro. for PACS Secretary Awards	5.00	--	--	--	--
36. Pro. for Bank Employees Award	145.00	--	--	--	--
37. Chairman Remuneration	--	--	--	0.06	0.06
Net Profit	**866.46**	**781.60**	**87.62**	--	--
Total	**23235.66**	**25551.59**	**25627.00**	**23167.16**	**21789.59**

Sources : Annual reports of the bank 2001-02 to 2005-06

Sangli D.C.C. Bank Ltd. Sangli

Comparative Profit and Loss Account

(Rupees in lakhs)

INCOME	2001-2002	2002-2003	2003-2004	2004-2005	2005-06
1. Interest Received	22877.95	25159.25	25333.62	21557.60	21123.31
2. Commission, Exchange and Brokerage	233.29	251.47	218.60	182.84	173.24
3. Locker Rent	2.41	2.47	2.51	2.58	2.68
4. Dividend on Shares	0.11	0.15	22.00	38.40	27.61
5. Other Income	2.33	2.42	2.45	1.51	0.44
6. Bank Guarantee Charges	5.33	89.86	44.17	47.04	5.02
7. Profit on Government Securities	99.63	36.74	--	--	--
8. Processing Fees	11.21	9.23	3.65	2.04	4.76
9. Guarantee Fees	3.40	--	--	--	--
10. Loss	--	--	--	1335.15	452.53
Total	**23235.66**	**25551.59**	**25627.00**	**23167.16**	**21789.59**

Sources : Annual reports of the bank 2001-02 to 2005-06

In the earlier chapter the researcher has given about the theoretical background of the study. In this chapter the detailed information has been given about the business of co-operative banking, functions of DCCB, working capital concept, analysis of working capital and the concept of working capital in DCCB. Lastly the comparative balance sheet and profit and loss account is given in detail with explanation of important items. The next chapter particularly deals with the presentation analysis and interpretation of the data.
