CHAPTER – IV

ANALYSIS AND INTERPRETATION OF DATA

A) Liquidity ratio

1. Current ratio
2. Liquidity / quick ratio of the bank
3. Absolute / cash position ratio

B) Leverage or safety ratio

1. Proprietary or equity ratio
2. Debt to equity ratio
3. Fixed assets to net worth ratio
4. Interest coverage ratio of the bank

C) Activity or efficiency ratio

1. Total assets to turnover ratio
2. Fixed assets turnover ratio

D) Profitability ratio

1. Net profit ratio
2. Return on shareholders investment ratio

CHAPTER – IV

ANALYSIS AND INTERPRETATION OF DATA

A) Liquidity Ratio:-

Liquidity indicates the ability of an enterprise to meet its current obligation. To measure the liquidity of the Palus Sahakari Bank ltd. Palus the following ratios have calculated.

1. Current Ratio

This ratio shows the relationship between current assets and current liabilities. Current ratio a measure of general liquidity and useful to make the analysis of a short term financial position of the firm. It is calculated as below-

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Table No. 4.1

Current Ratio.

Rs. in Lakhs

Years	Current Assets	Current Liabilities	Ratios
2000-2001	5797.48	2547.50	2.28
2001-2002	6257.48	3122.48	2.00
2002-2003	6841.20	3458.23	1.98
2003-2004	7304.04	3568.74	2.05
2004-2005	8004.67	4072.08	1.97

Source-Annual Reports

Actual calculation for the period covered by our study i.e. 5 years.

1. Year 2000-2001

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$= \frac{5797.48}{2547.50}$$

$$= 2.28:1$$

2. Year 2001-2002

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$= \frac{6257.48}{3122.48}$$

$$= 2.00:1$$

3. Year 2002-2003

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$= \frac{6841.20}{3458.23}$$

$$= 1.98:1$$

4. Year 2003-2004

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$= \frac{7304.04}{3568.74}$$

$$= 2.05:1$$

5. Year 2004-2005

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$= \frac{8004.67}{4072.08}$$

$$= 2.056:1$$

Ratio Interpretation:-

The current ratio will vary from business to business and with the same business from year to year. The higher the ratio that is the larger the amount of rupee available per rupee of current liabilities. The more the firms ability to meet current obligation and the greater the safety of funds of short term creditors. It is less than 2:1 the solvency of the concern is questionable.

Thus, through this ratio, one can judge the ability of a business to meet current obligation with a margin of safety.

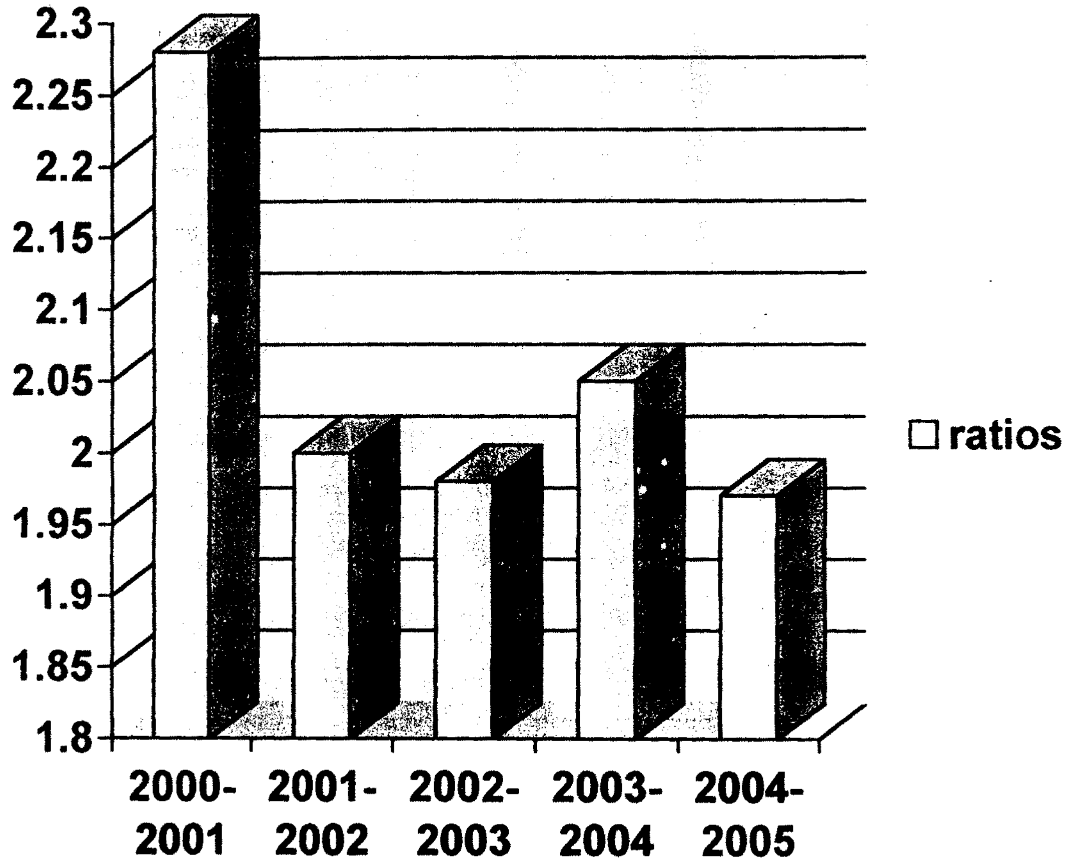
Table No. – 4.1

Table reveals a fluctuating trend in the current ratio of Palus Sahakari Bank ltd. Palus during the period covered by our study. In the year 2000-2001 current ratio is 2.28 and in 2001-2002 the current ratio decreased 0.23 because the current liabilities increased more than current assets in comparison with the previous year. In the next three year the ratio decreasing further. Due to increasing in current liability and decreasing in current assets. In the year 2000-2001 the ratio was highest as compared to next four year, concerned however, the ratio was more than the norm 2:1. In the year 2004-2005 the current ratio is 1.97 it is decreased due to increased in current liabilities more than current assets. The ratio was below norm 2:1 throughout the period in 2002-2003 and 2004-2005.

The average of this ratio was equal to norm, which shows good working capital and solvency position for the Palus Sahakari Bank ltd. Palus on the whole from the creditors the solvency position of the bank was sound only in 2000-2001 because the current assets in this year was more than the claims. The average current ratio of the bank was 2.056 witch shows efficient use of the funds and therefore this will result in increasing the profitability of the concern, very effectively and efficiently the Palus Sahakari Bank Ltd. Palus has maintained current ratio of the Bank. The standard current ratio is 2:1. it means liquidity position of the bank is satisfactory from the current assets of the bank, it is possible to bank paid its current obligation.

On the basis of above analysis it can be concluded that liquid position of the bank is quite satisfactory.

✱ Graphical Presentation of Current Ratio of the Bank.



A Current ratio of the Palus Sahakari Bank Ltd., Palus is fluctuating.

2. Liquidity / Quick Ratio of the Bank.

This ratio includes relationship between liquid assets and liquid liabilities. Liquid ratio can be calculated by dividing the total of liquid assets by total of liquid liabilities. Quick ratio is very useful in measuring the liquidity position of the a firm.

Table No.4.2

Liquidity / Quick Ratio.

Rs. in Lakhs

Years	Liquid Assets	Liquid Liabilities	Ratios
2000-2001	605.50	359.89	1.68
2001-2002	970.15	405.00	2.40
2002-2003	872.53	272.46	3.20
2003-2004	1242.32	216.19	5.73
2004-2005	1319.35	197.48	6.94

Source-Annual Reports

Actual calculation of liquidity ratio of the bank for five years.

1. Year 2000-2001

$$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Quick Liabilities}}$$

$$= \frac{605.50}{359.89}$$

$$= 1.68:1$$

2. Year 2001-2002

$$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Quick Liabilities}}$$

$$= \frac{970.15}{405.00}$$

$$= 2.40:1$$

3. Year 2002-2003

$$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Quick Liabilities}}$$

$$= \frac{872.53}{272.46}$$

$$= 3.20:1$$

4. Year 2003-2004

$$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Quick Liabilities}}$$

$$= \frac{1242.32}{216.19}$$

$$= 5.73:1$$

5. Year 2004-2005

$$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Quick Liabilities}}$$

$$= \frac{1319.35}{197.48}$$

$$= 6.68:1$$

Ratio Interpretation

All the current assets do not have same liquidity cash is most liquid assets rater than inventory though it is classified as current is no easily converted into cash. The standard quick ratio is 1:1

Table No. 4.2

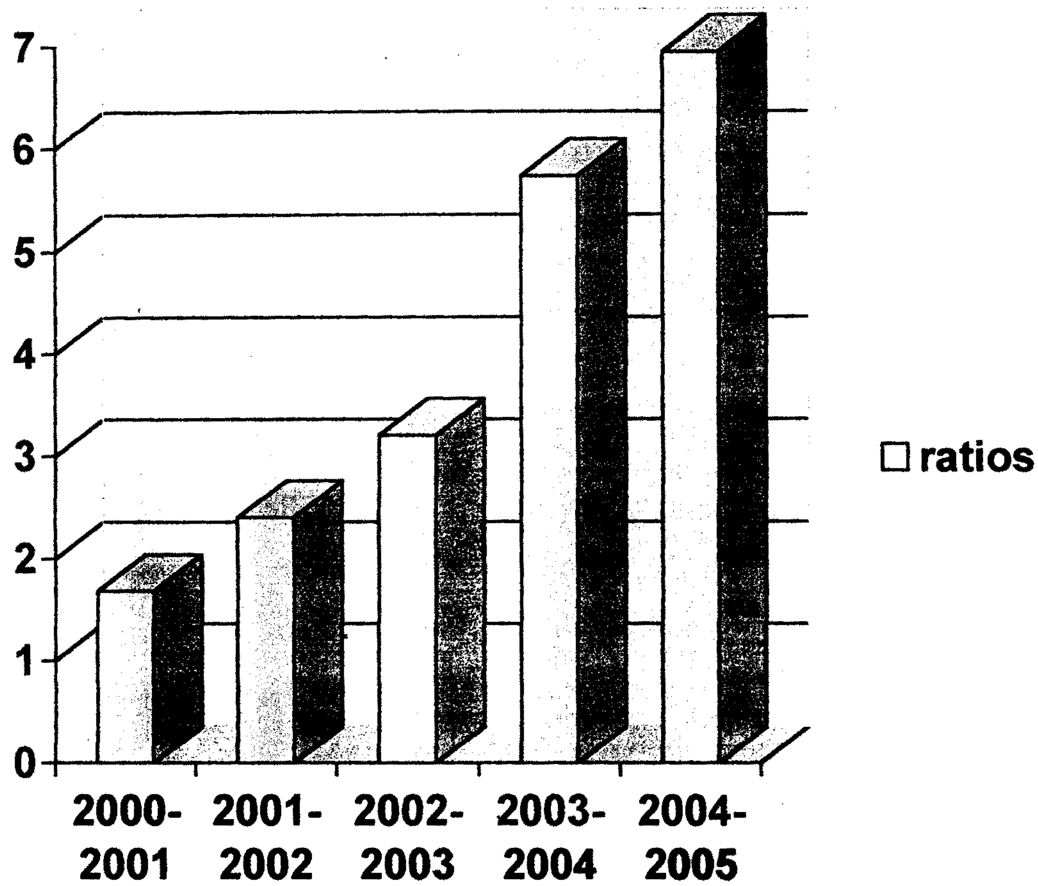
Shows the quick ratio of Palus Sahakare Bank ltd. Palus for the period covered by this study. Table shows that the average quick ratio of Palus Sahakari Bank ltd. Palus was on the whole more than the norm of 1:1. This shows that liquid assets of the bank were sufficient to meet current obligation during the period of study.

In all five years the current ratio was above the norm of 1:1. The liquidity position of the bank can be called very satisfactory for the period covered by the study. The average quick ratio of the bank was 3.94. This is also much more than the norm of 1:1. It affect adverse on profit. If liquidity increase profit decrease and vice-versa. This shows that the liquid assets of the bank were sufficient to meet current liabilities during the period of study.

In the year 2004-2005 quick ratio of the bank was 6.68 it is very high compare with standard. If bank kept more liquid assets it affect upon the profit earning capacity of the bank. So bank kept sufficient quick assets. In the year 2004-2005 net profit of the bank is very less, as compared to previous years.

On the basis of above analysis it can be concluded that the liquid position of the bank was very good. To the extent that the quick ratio exceeded it indicated the capacity of the bank to pay in excess of current liabilities from the creditors point of view the situation was favorable but from the shareholders point of view it indicated inefficient utilization of liquid assets. The bank should, therefore employ its liquidity resources profitability.

✱ Graphical Presentation of Quick Ratio.



The above graph is showing increasing trend in the quick ratio of the bank. Increasing quick ratio adverse affect upon the profit earning capacity of the bank. If liquidity is more profit is less and if liquidity is less profit is more.

3. Absolute Liquid / Cash Position Ratio

Absolute liquid assets include cash in hand and cash at bank. The cash position ratio throws a light upon the liquidity position of the concern.

Table No. 4.3

Absolute / Cash Position Ratio of the Bank

Rs. in Lakhs

Years	Cash and Bank Balance	Current Liabilities	Ratios
2000-2001	479.97	2547.50	0.19
2001-2002	427.03	3122.48	0.14
2002-2003	398.50	3458.23	0.12
2003-2004	555.46	3568.74	0.16
2004-2005	493.93	4072.08	0.12

Source-Annual Reports

Actual calculation of the cash position ratio of the bank for five years.

Calculation for five years which is our study period and all the figures are in lakhs of rupees.

1. Year 2000-2001

$$\text{Cash Position Ratio} = \frac{\text{Cash and Bank Balance}}{\text{Current Liabilities}}$$

$$= \frac{479.97}{2547.50}$$

$$= 0.19:1$$

2. Year 2001-2002

$$\text{Cash Position Ratio} = \frac{\text{Cash and Bank Balance}}{\text{Current Liabilities}}$$

$$= \frac{427.03}{3122.48}$$

$$= 0.14:1$$

3. Year 2002-2003

$$\text{Cash Position Ratio} = \frac{\text{Cash and Bank Balance}}{\text{Current Liabilities}}$$

$$= \frac{398.50}{3458.23}$$

$$= 0.12:1$$

4. Year 2003-2004

$$\text{Cash Position Ratio} = \frac{\text{Cash and Bank Balance}}{\text{Current Liabilities}}$$

$$= \frac{555.46}{3568.74}$$

$$= 0.16:1$$

5. Year 2004-2005

$$\text{Cash Position Ratio} = \frac{\text{Cash and Bank Balance}}{\text{Current Liabilities}}$$

$$= \frac{493.94}{4072.08}$$

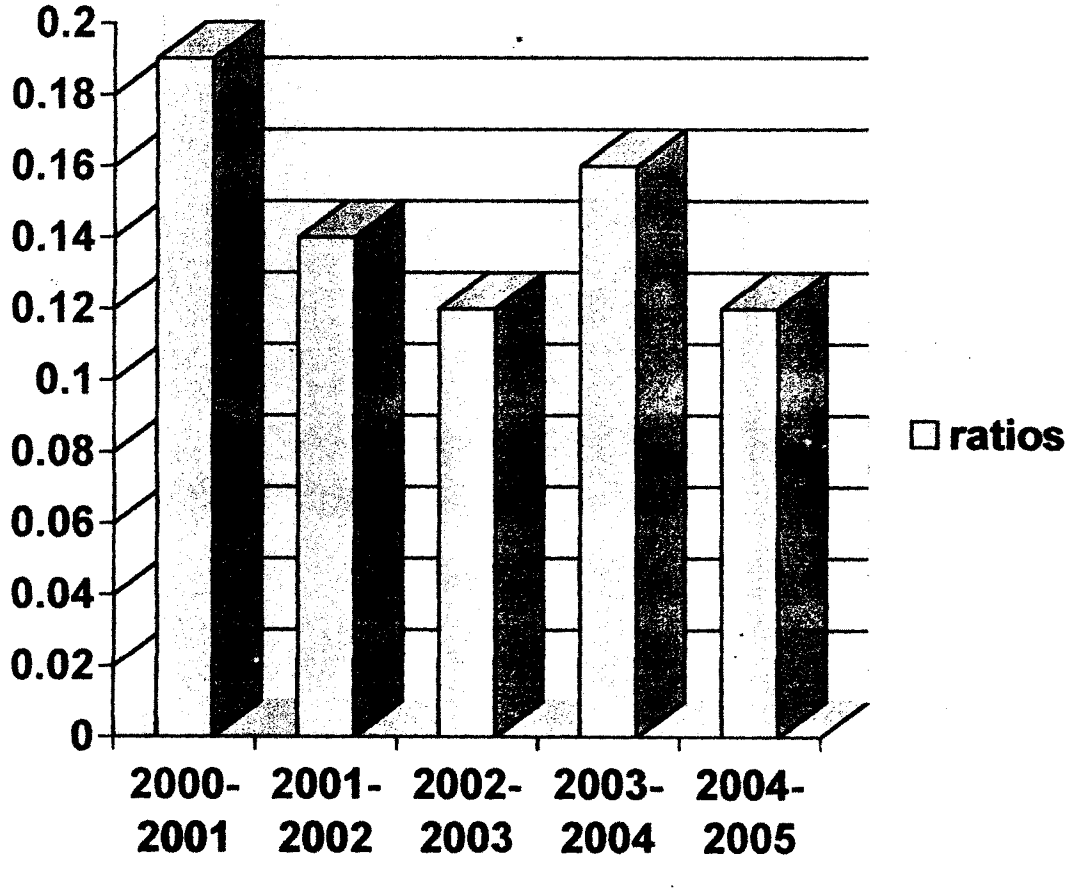
$$= 0.12:1$$

Ratio Interpretation

The cash position ratio in numbers of times has been exhibited in table No.4.3 On the basis of above table, it can be concluded that the cash position ratio of the bank was not satisfactory in Palus Sahakari Bank ltd. Palus because there were negligible amounts of cash balances as compared to current liabilities. However, there was no one expectation year in this particular year the cash position was satisfactory.

In the year 2000-2001 cash position ratio of the bank was 0.19 and in the year 2004-2005 cash position ratio of the bank was 0.12 It is decreasing year to year. On the basis of above analysis we can conclude that cash position of the bank was not satisfactory.

✱ **Graphical Presentations of Cash Position Ratio.**



The above graph is showing fluctuating trend in the cash position ratio. Cash position ratio of the bank is below standard in all the years.

B) Leverage / Safety Ratio

This ratio measures the ability of a concern to meet its long term obligations. The short term creditors of a firm are primarily interested in knowing the firms ability to meet its short term obligations. The debenture holders and other long term creditors are primarily interested in knowing the firms ability to do interest on borrowings.

1. Proprietary / Equity Ratio

This ratio establishes the relationship between shareholders funds to total assets of the firm. Higher the ratio or the share of the shareholders in the total capital of the company, better is the long term solvency position of the company shareholders funds includes share capital plus reserve and surplus.

Table No. 4.4

Proprietary / Equity Ratio of the bank

Rs. in Lakhs

Years	Proprietary funds	Total Assets	Ratios (in percentage)
2000-2001	329.52	8034.38	4%
2001-2002	737.22	10381.21	7%
2002-2003	993.46	11179.75	8%
2003-2004	1180.94	11705.01	10%
2004-2005	1297.87	12254.80	10%

Source-Annual Reports

Actual calculation of Proprietary ratio of the bank for five years is as follows.

Calculation for five years which is our study period and all the figures are in lakhs of rupees.

1. Year 2000-2001

$$\text{Proprietary Ratio} = \frac{\text{Proprietor's funds}}{\text{Total Assets}} \times 100$$

$$= \frac{329.52}{8034.38} \times 100$$

$$= 4\ \%$$

2. Year 2001-2002

$$\text{Proprietary Ratio} = \frac{\text{Proprietor's funds}}{\text{Total Assets}} \times 100$$

$$= \frac{737.22}{10381.21} \times 100$$

$$= 7\ \%$$

3. Year 2002-2003

$$\text{Proprietary Ratio} = \frac{\text{Proprietor's funds}}{\text{Total Assets}} \times 100$$

$$= \frac{993.46}{11179.75} \times 100$$

$$= 8\ \%$$

4. Year 2003-2004

$$\text{Proprietary Ratio} = \frac{\text{Proprietor's funds}}{\text{Total Assets}} \times 100$$

$$= \frac{1180.94}{11705.01} \times 100$$

$$= 10\ \%$$

5. Year 2004-2005

$$\text{Proprietary Ratio} = \frac{\text{Proprietor's funds}}{\text{Total Assets}} \times 100$$

$$= \frac{1297.87}{12524.80} \times 100$$

$$= 10\ \%$$

Ratio Interpretation

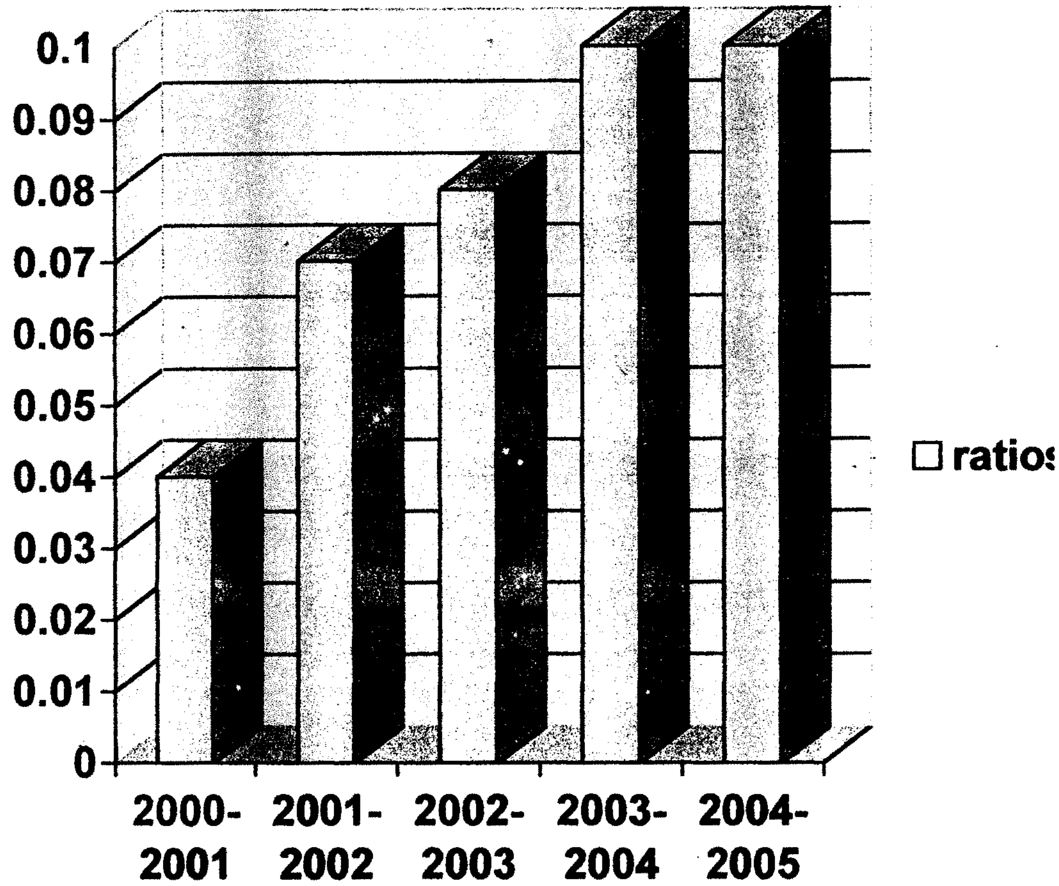
This ratio indicates the extent to which the total assets are being financed by the shareholders and by creditors. This ratio is a variant of debt equity ratio. This establishes the relationship between proprietary funds and total assets. It is a useful tool for bankers as, it indicates the margin of safety for them. The higher the ratio, the stronger the financial position of the company. A low ratio will indicate less owned fund and more borrowed funds.

Table No. 4.4

Table shows the proprietary ratio of Palus Sahakari Bank ltd. Palus for the period covered by the study. The table shows that the average of proprietary ratio is 7.8 % for five years. The proprietary ratio is 4 % in 2000-2001 and 10 % in 2004-2005. It indicate that the assets are financed to the extent of 7.8% by the owners funds and the balance is financed by the creditors. Lesser is the percentage, the weaker is the financial position of the bank, as it indicates more dependence on external finance. However a low proprietary ratio is a symptom of under capitalization and, it indicates greater risk to the creditors, since in the event of losses a part of their money may be lost besides loss to the proprietary of business.

In the year 2000-2001 proprietary ratio of Palus Sahakari Bank ltd. Palus was 4 % it means less own funds and more borrowed funds. In the year 2001-2002 proprietary ratio of the bank was 7 % and in 2002-2003 proprietary ratio was 8 % It means weaker position of the bank. In 2003-2004 and in 2004-2005 proprietary ratios is 10 % and 10 % of the bank respectively. On the basis of above analysis. It can be concluded, the financial position of the bank is weak and credit worthiness of the bank is not satisfactory.

✱ **Graphical presentation of proprietary ratio**



The above graphs showing increasing trend in the proprietary or equity ratio every year bank increase his own capital.

2. Debt to Equity Ratio

This ratio indicates the relationship between the external equities or outsiders funds and internal equities or shareholders funds and is calculated as follows-

$$\text{Debts Equity Ratio} = \frac{\text{Total Debts (Liabilities)}}{\text{Net Worth.}}$$

Table No. 4.5

Debts Equity Ratio of the Bank

Rs. in Lakhs

Years	Total Debt	Net Worth	Ratios
2000-2001	61.00	329.52	0.18
2001-2002	99.00	737.22	0.13
2002-2003	10.28	993.46	0.01
2003-2004	22.46	1180.94	0.02
2004-2005	0	1297.87	0

Source-Annual Reports

Actual calculation of Debt equity ratio of the bank for five years is as follows.

Calculation for five years which is our study period and all the figures are in lakhs of rupees.

1. Year 2000-2001

$$\text{Debt Equity Ratio} = \frac{\text{Total Debt}}{\text{Net Worth}}$$

$$= \frac{61.00}{329.52}$$

$$= 0.18:1$$

2. Year 2001-2002

$$\text{Debt Equity Ratio} = \frac{\text{Total Debt}}{\text{Net Worth}}$$

$$= \frac{99.00}{737.22}$$

$$= 0.13:1$$

3. Year 2002-2003

$$\text{Debt Equity Ratio} = \frac{\text{Total Debt}}{\text{Net Worth}}$$

$$= \frac{10.28}{993.46}$$

$$= 0.01:1$$

4. Year 2003-2004

$$\text{Debt Equity Ratio} = \frac{\text{Total Debt}}{\text{Net Worth}}$$

$$= \frac{22.46}{1180.94}$$

$$= 0.02:1$$

5. Year 2004-2005

$$\text{Debt Equity Ratio} = \frac{\text{Total Debt}}{\text{Net Worth}}$$

$$= \frac{0}{1297.87}$$

$$= 0.0:1$$

Ratio Interpretation:-

The debt equity ratio is the ratio of total outside liabilities to total owners funds. The debt equity ratio is the important tool of financial analysis to appraise the financial structure of a firm. It has important implication from the point of view of the creditors owners and the firm it self. The ratio reflect the relative contribution of creditors and owners of business in it financing.

The generally accepted standard of this ratio 1:1 a high ratio suggests that the claims of creditors grater than those of the owners. While a low ratio implies a smaller claim of creditors. A debt equity ratio indicates the margin of safety to the creditor agents possible losses in event of liquidation. The ideal norm of the ratio is 100% that is the long term debt should not exceed the owned fund in the business.

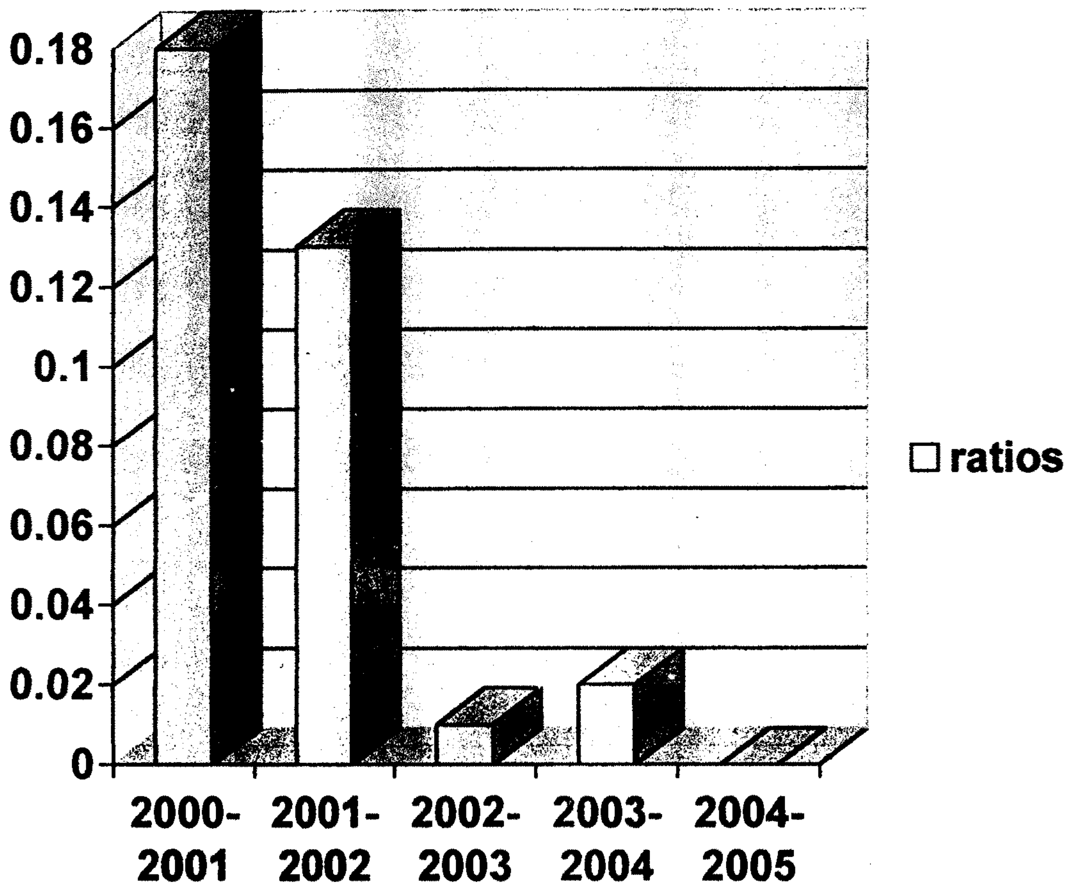
Table No. 4.5

Table shows the debt equity ratio of Palus Sahakari Bank ltd. Palus for the period of covered by the study.

It is clear that debt equity ratio for all the years under study was below standard the norm of 1:1 This suggests that the claims of the creditors are less than owners fund. The use of debt capital is very less in the bank. The situation is unsatisfactory as the creditors fund is low. Other hand the situation is satisfactory from the creditors point of view, the owners fund cover for protecting the creditors fund. For improving the position, Bank should increase the employment of external funds.

On the basis of above analysis, it can be concluded that the financial structure and policy of the bank was not good.

✱ Graphical Presentation of Debt to Equity Ratio.



The above graph showing decreasing trend in the debt equity ratio. In the year 2004-2005 Palus Sahakari Bank ltd. Palus total debt is zero.

3. Fixed Assets to Net Worth Ratio

This ratio establish the relationship between fixed assets and shareholders funds. Shareholders funds includes share capital plus reserve surplus and retained earrings. There is no rate of thumb to interpret this ratio but 60-65% is considered to be satisfactory ratio

Table No. 4.6

Fixed Assets to Net Worth Ratio of the Bank

Rs. in Lakhs

Years	Fixed Assets	Proprietors funds	Ratios (in Percentage)
2000-2001	81.62	329.52	24.77 %
2001-2002	129.30	737.22	17.54 %
2002-2003	162.08	993.46	16.31 %
2003-2004	141.54	1180.94	11.98 %
2004-2005	120.99	1297.87	9.32 %

Source-Annual Reports

Actual calculation of fixed assets to net worth ratio of the bank for five years is as follows.

Calculation for five years which is our study period and all the figures are in lakhs of rupees.

1. Year 2000-2001

$$\text{Fixed Assets Ratio} = \frac{\text{Fixed Assets}}{\text{Net Worth}} \times 100$$

$$= \frac{81.62}{329.52} \times 100$$

$$= 24.77\ \%$$

2. Year 2001-2002

$$\text{Fixed Assets Ratio} = \frac{\text{Fixed Assets}}{\text{Net Worth}} \times 100$$

$$= \frac{129.30}{737.22} \times 100$$

$$= 17.54\ \%$$

3. Year 2002-2003

$$\text{Fixed Assets Ratio} = \frac{\text{Fixed Assets}}{\text{Net Worth}} \times 100$$

$$= \frac{162.08}{993.46} \times 100$$

$$= 16.31\ \%$$

4. Year 2003-2004

$$\text{Fixed Assets Ratio} = \frac{\text{Fixed Assets}}{\text{Net Worth}} \times 100$$

$$= \frac{141.54}{1180.94} \times 100$$

$$= 11.98\ \%$$

5. Year 2004-2005

$$\text{Fixed Assets Ratio} = \frac{\text{Fixed Assets}}{\text{Net Worth}} \times 100$$

$$= \frac{120.99}{1297.87} \times 100$$

$$= 9.32\%$$

Ratio Interpretation:-

The fixed assets by their nature required capital which is more or less permanently sunk in them. Hence, management should be very cautions in deciding about investment in fixed assets.

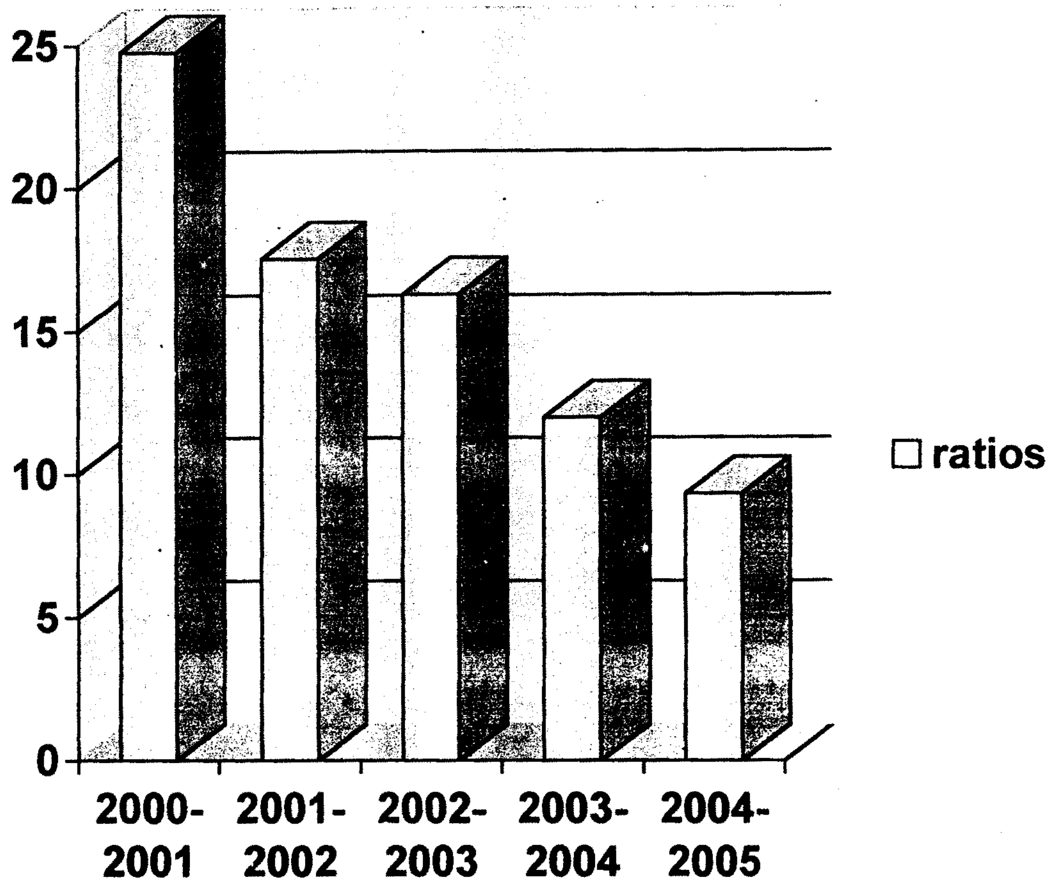
This ratio an important tool for judging the margin of safety for long term creditors excessive reliance upon long term creditors funds. Show the weakness in the financial structure. The lower the ratio, the greater the margin in safety for long term creditors. If the ratio exceeds 100%, the indication is that a part of the borrowed funds has been used for financing fixed assets and the remaining part is being used for financing the working capital. In case the ratio less than 100%, the indication is that the working capital is financed by all the long term borrowed funds plus amount of the own funds to the extent to which percentage is lees than 100.

Table No. 4.6

Table shows the fixed assets to net worth of the Palus Sahakari Bank ltd. Palus for the period covered by the study. It will be seen from the table that the fixed assets to net worth ratio in the bank was less than 100%. Thus, the long term financial position of the bank can be said to be on a sound footing as a ratio remained lower than the norm in all the years under study. The average of this ratio was less than 100%.

On the basis of above analysis it can be concluded that the margin of safety for long term creditors is greater and the indication that the working capital is financed by the all long term borrowed funds plus the amount of owned funds to the extent which is the percentage less than 100.

✱ Graphical Presentations of Fixed Assets to Net Worth Ratio



The above graph showing decreasing trend in the fixed assets to net worth ratio of the bank.Investment in fixed asset is decreasing year after year and this affect upon profit earning capacity of the bank.

4. **Interest Coverage Ratio of the Bank:-**

This ratio is calculated by dividing the net profits before interest and taxes by fixed interest charges. Interest coverage ratio indicate the number of times interest is covered by the profits available to pay the interest coverage. Higher the ratio more safe are long term creditors. Because even if earnings of the firm fall the firm shall be even if earnings of the firms fall the firm shall be able to meet its commitment of fixed interest charges.

Table No. 4.7

Interest coverage Ratio of the Bank

Rs. in Lakhs

Years	Net profit (Before interest & tax)	Total interest charge on long term debts	Ratios
2000-2001	73.66	9.46	7.79
2001-2002	81.48	32.50	2.51
2002-2003	84.82	6.17	13.75
2003-2004	52.72	0.32	164.75
2004-2005	27.97	0.90	31.07

Source-Annual Reports

Actual calculation of Interest Coverage ratio of the bank for five years is as follows.

Calculation for five years which is our study period and all the figures are in lakhs of rupees.

1. Year 2000-2001

$$\text{Interest Coverage Ratio} = \frac{\text{Net Profit}}{\text{Total Interest}}$$

$$= \frac{73.66}{9.46}$$

$$= 7.79:1$$

2. Year 2001-2002

$$\text{Interest Coverage Ratio} = \frac{\text{Net Profit}}{\text{Total Interest}}$$

$$= \frac{81.48}{32.50}$$

$$= 2.51:1$$

3. Year 2002-2003

$$\text{Interest Coverage Ratio} = \frac{\text{Net Profit}}{\text{Total Interest}}$$

$$= \frac{84.82}{6.17}$$

$$= 13.75:1$$

4. Year 2003-2004

$$\text{Interest Coverage Ratio} = \frac{\text{Net Profit}}{\text{Total Interest}}$$

$$= \frac{52.72}{0.32}$$

$$= 164.75:1$$

5. Year 2004-2005

$$\text{Interest Coverage Ratio} = \frac{\text{Net Profit}}{\text{Total Interest}}$$

$$= \frac{27.97}{0.90}$$

$$= 31.07:1$$

Ratio Interpretation:-

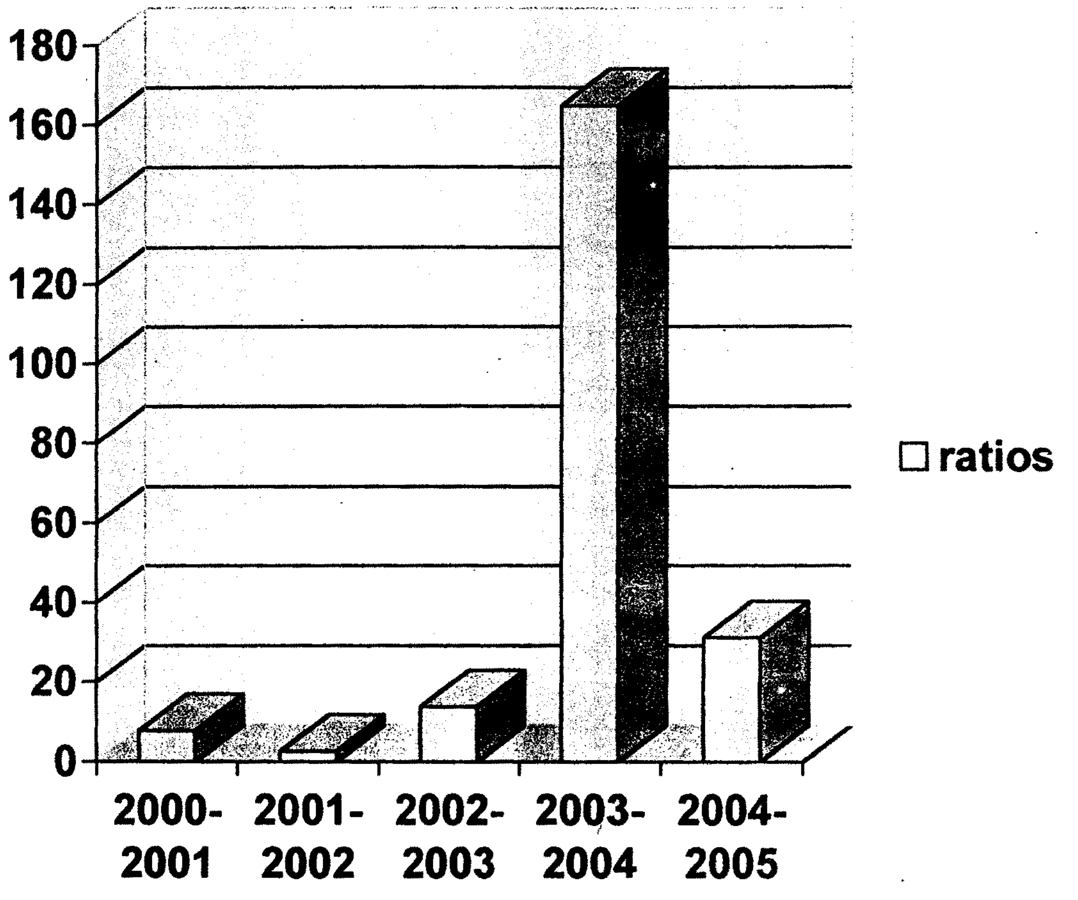
It is also known as debt service ratio i.e. is the ratio of net profit to fixed interest charges. The standard for this ratio is that its fixed interest charges should be covered 6 to 7 times. A high interest coverage ratio means that the firm can easily meet its interest burden even if earnings before interest and taxes suffer a considerable decline. A low interest coverage ratio, on the contrary, may result in financial embarrassment under the same situation.

Table No. 4.7

Table shows the interest coverage ratio of the Palus Sahakari Bank ltd. Palus for the period covered by the study. The above table shows that the average of this ratio is 43.97 for five years. Which is very more than the standard norm 6 or 7 times. However all the five years the ratio are above standard norm. It means bank can easily meet its interest burden.

On the basis of above analysis it can be concluded that the financial position of Palus Sahakari Bank ltd. Palus is very strong.

✱ Graphical Presentations of Interest Coverage Ratio



The above graph showing fluctuating trend in the interest coverage ratio of the bank

C) Activity/Efficiency Ratio:-

Activity ratio measures the efficiency with which a firm manage its assets. These ratios indicate the speed which the assets are converted into cash. Following ratios have been calculated to measure the efficiency of the bank.

1. Total Assets to Turnover Ratio:-

This ratio indicates the sales generate per rupee of investment in total assets. Thus it aims to point out the efficiency or inefficiency in the use of total assets or capital employed. The calculation formulas-

$$\text{Total Assets to Turnover Ratio} = \frac{\text{Sales (Loans)}}{\text{Total Assets}}$$

$$= \text{No. of times.}$$

Table No. 4.8

Total Assets to Turnover Ratio of the Bank

Rs. in Lakhs

Years	Sales (Total Loans)	Total Assets	Ratios
2000-2001	5186.43	8034.38	0.64
2001-2002	6461.23	10381.21	0.62
2002-2003	6710.40	11179.75	0.60
2003-2004	6638.64	11705.01	0.57
2004-2005	6090.63	12524.80	0.49

Source-Annual Reports

Actual calculation of Debtors turnover ratio of the bank for five years is as follows.

Calculation for five years which is our study period and all the figures are in lakhs of rupees.

1. Year 2000-2001

$$\text{Total Assets to Turnover Ratio} = \frac{\text{Sales (Loans)}}{\text{Total Assets}}$$

$$= \frac{5186.43}{8034.38}$$

$$= 0.64:1$$

2. Year 2001-2002

$$\text{Total Assets to Turnover Ratio} = \frac{\text{Sales (Loans)}}{\text{Total Assets}}$$

$$= \frac{6461.23}{10381.21}$$

$$= 0.62:1$$

3. Year 2002-2003

$$\text{Total Assets to Turnover Ratio} = \frac{\text{Sales (Loans)}}{\text{Total Assets}}$$

$$= \frac{6710.40}{11179.75}$$

$$= 0.60:1$$

4. Year 2003-2004

$$\text{Total Assets to Turnover Ratio} = \frac{\text{Sales (Loans)}}{\text{Total Assets}}$$

$$= \frac{6638.64}{11705.01}$$

$$= 0.57:1$$

5. Year 2004-2005

$$\text{Total Assets to Turnover Ratio} = \frac{\text{Sales (Loans)}}{\text{Total Assets}}$$

$$= \frac{6090.63}{12524.80}$$

$$= 0.49:1$$

Ratio Interpretation:-

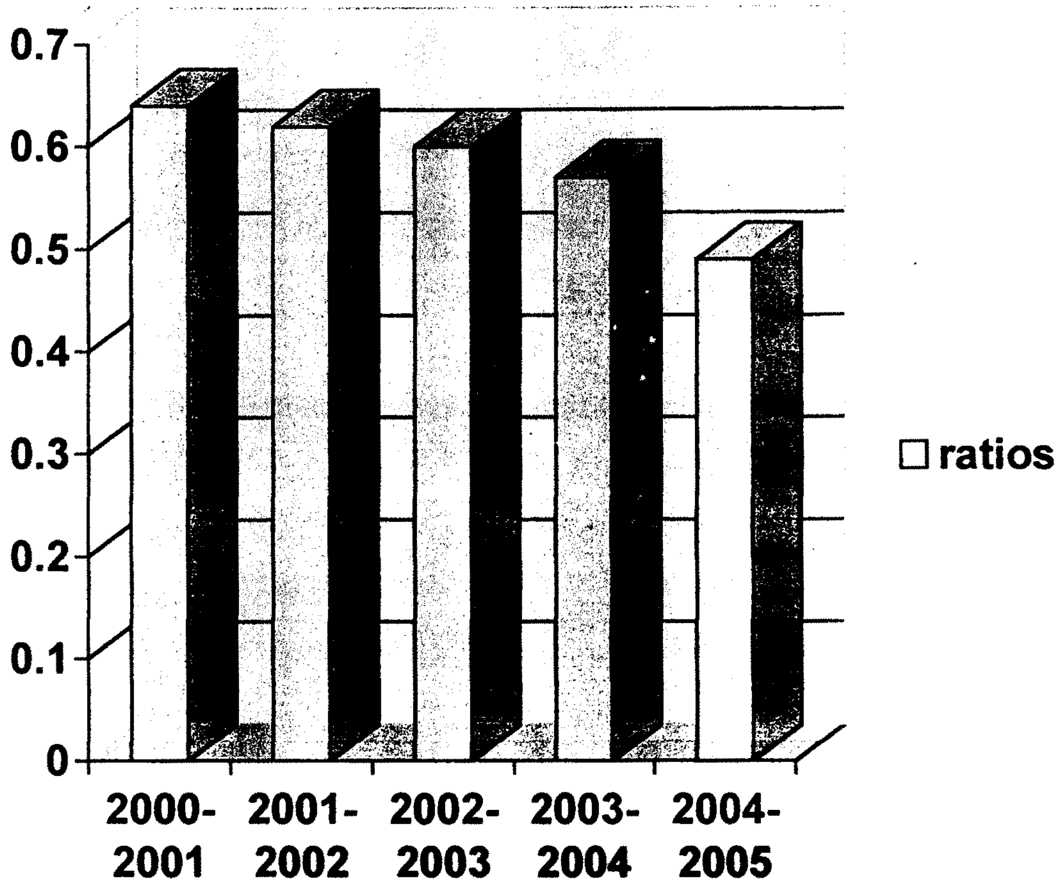
Table No.4.8

Table shows that total assets turnover ratio of the Palus Sahakari Bank ltd. Palus for the period covered by the study.

Table shows that the average of this ratio 0.58 for five years. This is below the standard norm 2:1 It implies that the efficiency of total assets employed is less than desirable.

On the basis of above analysis, it can be concluded that the efficiency of the total assets employed is less than they are not utilized fully and profitability. For overcoming this situation it has to take steps to increase the sales and utilize the assets properly and profitability. Efficiency of total assets is lesser.

✱ Graphical Presentations of Total Assets to Turnover Ratio of the Bank.



The above graph showing decreasing trend in total assets to turnover ratio of the bank.

2. Fixed Assets to Turnover Ratio:-

This ratio measures the efficiency in the utilization of fixed assets. This ratio indicates whether the fixed assets are being fully utilized. It is an important measure of the efficient and profit earning capacity of the business-

Table No. 4.9

Table Showing fixed Assets to Turnover Ratio of the Bank

Rs. in Lakhs

Years	Sales (Loans)	Net Fixed Assets	Ratios (No .of times)
2000-2001	5186.43	81.62	63.54
2001-2002	6461.23	129.30	49.97
2002-2003	6710.40	162.08	41.40
2003-2004	6638.64	141.54	46.90
2004-2005	6090.63	120.99	50.34

Source-Annual Reports

Actual calculation of Fixed Assets turnover ratio of the bank for five years is as follows.

Calculation for five years which is our study period and all the figures are in lakhs of rupees.

1. Year 2000-2001

$$\text{Fixed Assets to Turnover Ratio} = \frac{\text{Sales (Loans)}}{\text{Net Fixed Assets}}$$

$$= \frac{5186.43}{81.62}$$

$$= 63.54:1$$

2. Year 2001-2002

$$\text{Fixed Assets to Turnover Ratio} = \frac{\text{Sales (Loans)}}{\text{Net Fixed Assets}}$$

$$= \frac{6461.23}{129.30}$$

$$= 49.97:1$$

3. Year 2002-2003

$$\text{Fixed Assets to Turnover Ratio} = \frac{\text{Sales (Loans)}}{\text{Net Fixed Assets}}$$

$$= \frac{6710.40}{162.08}$$

$$= 41.40:1$$

4. Year 2003-2004

$$\text{Fixed Assets to Turnover Ratio} = \frac{\text{Sales (Loans)}}{\text{Net Fixed Assets}}$$

$$= \frac{6638.64}{141.54}$$

$$= 46.90:1$$

5. Year 2004-2005

$$\text{Fixed Assets to Turnover Ratio} = \frac{\text{Sales (Loans)}}{\text{Net Fixed Assets}}$$

$$= \frac{6090.63}{120.99}$$

$$= 50.34:1$$

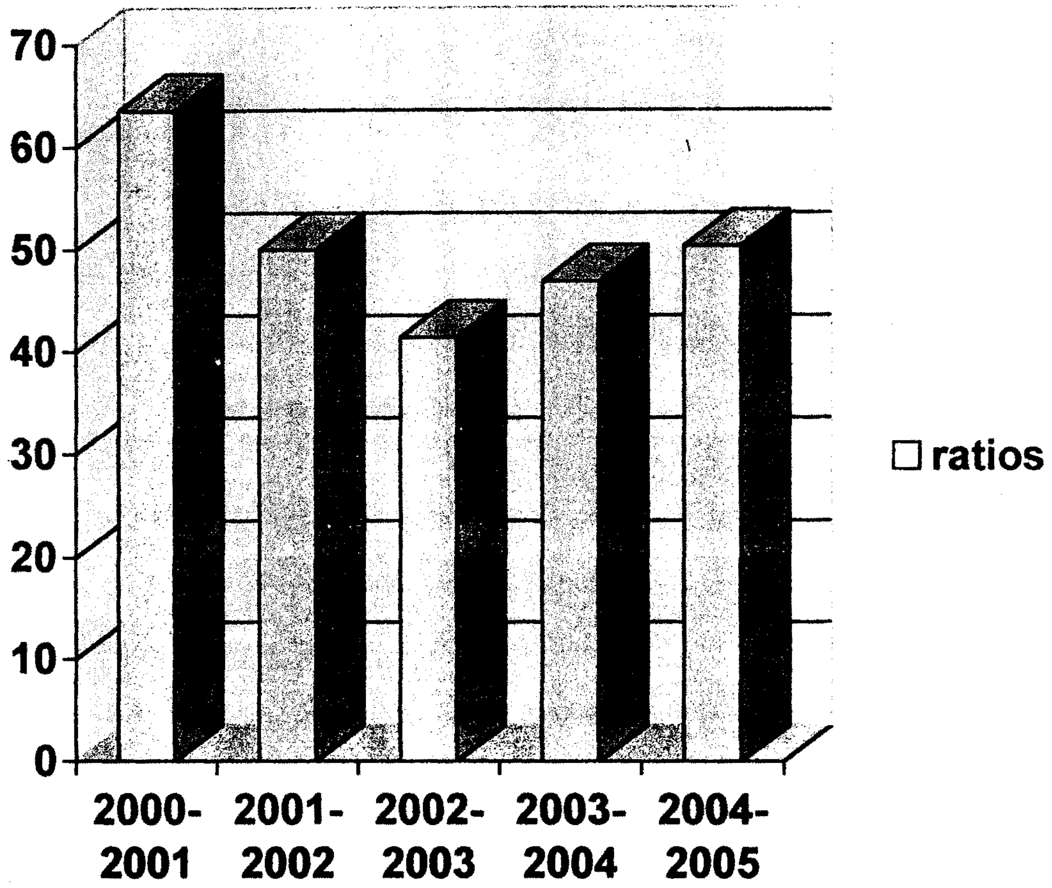
Ratio Interpretation:-

This ratio is supposed to measure the efficiency with which fixed assets are employed. There for this ratio will indicate significance of utilization of assets. A higher ratio means efficient utilization of assets and falling trend means inadequate use of assets. This ratio may be expressed in the following three way i.e. rate, ratio, percentage.

Table No. 4.9

Table shows that the fixed assets to turnover ratio of the Palus Sahakari Bank ltd. Palus for the period of five years covered by the study. We gather that the average of this ratio is 50.43 for the last five years. This is more than the standard norm 5:1. However for all the above five years the ratio are above the standard norm. It means the efficiency of fixed asset employed is good and they are utilized fully and profitability.

✱ Graphical Presentations of Fixed Assets to Turnover Ratio



The above graph showing fluctuating trend in the fixed assets to total turnover ratio of the bank.

D) Profitability Ratio:-

Profitability ratios are calculated either relation to sales or in relation to investment. Profitability ratio are measure the overall efficiency of the business.

1. Net Profit Ratio:-

Net profit ratio indicates the efficiency of the management in manufacturing, selling, administration and other activities of firm. It measures the overall profitability of the bank. Net profit establish the relationship between profit and sales.

Table No. 4.10

Net Profit Ratio of the Bank

Rs. in Lakhs

Years	Net Profit	Net Sales	Ratios (in percentage)
2000-2001	73.66	5186.43	1.42 %
2001-2002	81.48	6461.23	1.26 %
2002-2003	84.82	6710.40	1.26 %
2003-2004	52.72	6638.64	0.79 %
2004-2005	27.97	6090.63	0.46 %

Source-Annual Reports

Actual calculation of Net Profit ratio of the bank for five years is as follows.

Calculation for five years which is our study period and all the figures are in lakhs of rupees.

1. Year 2000-2001

$$\text{Net Profit Ratio} = \frac{\text{Net Profit}}{\text{Sales}} \text{ X } 100$$

$$= \frac{73.66}{5186.43} \text{ x } 100$$

$$= 1.42\ \%$$

2. Year 2001-2002

$$\text{Net Profit Ratio} = \frac{\text{Net Profit}}{\text{Sales}} \text{ X } 100$$

$$= \frac{81.48}{6461.23} \text{ x } 100$$

$$= 1.26\ \%$$

3. Year 2002-2003

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

$$= \frac{84.82}{6710.40} \times 100$$

$$= 1.26\ \%$$

4. Year 2003-2004

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

$$= \frac{52.72}{6638.64} \times 100$$

$$= 0.79\ \%$$

5. Year 2004-2005

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

$$= \frac{27.97}{6090.63} \times 100$$

$$= 0.46\ \%$$

Ratio Interpretation:-

This ratio shows the earning left for share holders as a percentage of net loan (sales) provided. It measures the overall efficiency of the unit.

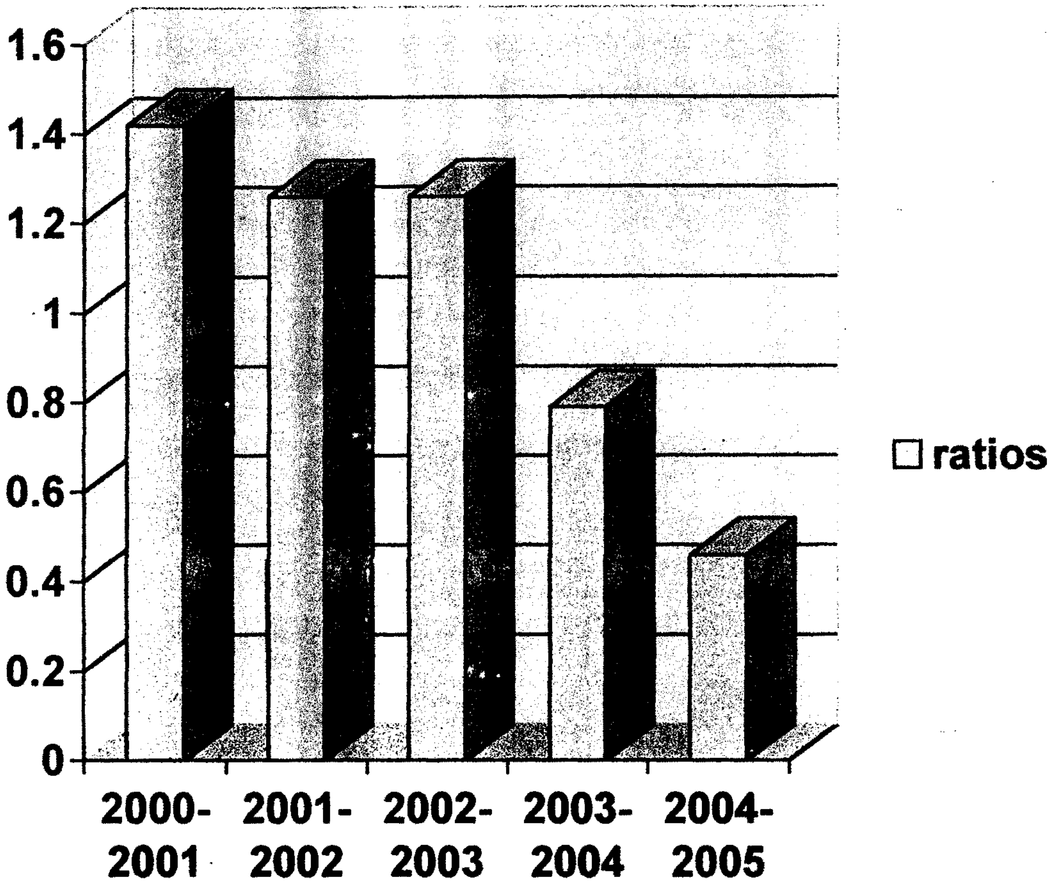
Table No. 4.10

Shows the net profit margin of the Palus Sahakari Bank ltd. Palus, for the period covered our study.

There was profit for all the five years. However the highest profit was 2000-2001 (73.66) and the lowest profit was in 2004-2005 (27.97). It is worth while not that profit earning capacity of the bank is declining. It indicates that the bank had no effective cost control programmed.

On the basis of above analysis it can be concluded that the overall profit earning capacity of the bank is better.

* **Graphical Presentations of Net Profit Ratio of the Bank.**



The above graph showing decreasing trend in the net profit ratio of the bank Net profit ratio of the bank decreasing, it means profit earning capacity is decreasing and bank ignore cost control program.

2. Return on Shareholders Investment Ratio:-

This ratio is one of the most important ratios used for measuring the overall efficiency of a firm. As the primary objective of business to maximize its earning. As this ratio reveals how well the resources of a firm are being used, higher the ratio, better are the results.

Table No. 4.11

Return on shareholders investment (ROI) Ratio of the Bank

Rs. in Lakhs

Years	Net Profit (after tax & interest)	Shareholder Equity	Ratios
2000-2001	73.66	329.52	0.22
2001-2002	81.48	737.22	0.11
2002-2003	84.82	993.46	0.08
2003-2004	52.72	1180.94	0.04
2004-2005	27.97	1297.87	0.02

Source-Annual Reports

Actual calculation of Return on investment ratio of the bank for five years is as follows.

Calculation for five years which is our study period and all the figures are in lakhs of rupees.

1. Year 2000-2001

$$\text{Return on Shareholders Investment Ratio} = \frac{\text{Net Profit}}{\text{Shareholders Equity}}$$

$$= \frac{73.66}{329.52}$$

$$= 0.22:1$$

2. Year 2001-2002

$$\text{Return on Shareholders Investment Ratio} = \frac{\text{Net Profit}}{\text{Shareholders Equity}}$$

$$= \frac{81.48}{737.22}$$

$$= 0.11:1$$

3. Year 2002-2003

$$\text{Return on Shareholders Investment Ratio} = \frac{\text{Net Profit}}{\text{Shareholders Equity}}$$

$$= \frac{84.82}{993.46}$$

$$= 0.08:1$$

4. Year 2003-2004

$$\text{Return on Shareholders Investment Ratio} = \frac{\text{Net Profit}}{\text{Shareholders Equity}}$$

$$= \frac{52.72}{1180.94}$$

$$= 0.04:1$$

5. Year 2004-2005

$$\text{Return on Shareholders Investment Ratio} = \frac{\text{Net Profit}}{\text{Shareholders Equity}}$$

$$= \frac{27.97}{1297.87}$$

$$= 0.02:1$$

Ratio Interpretation:-

Return on net worth is an effective device to measure earnings on net worth from the owners point of view. The calculation of this ratio is meaningful in the sense that it measure the residue of income which really belongs to the owners i.e. net profit after tax. The present as well as prospective shareholders and also great concern to management.

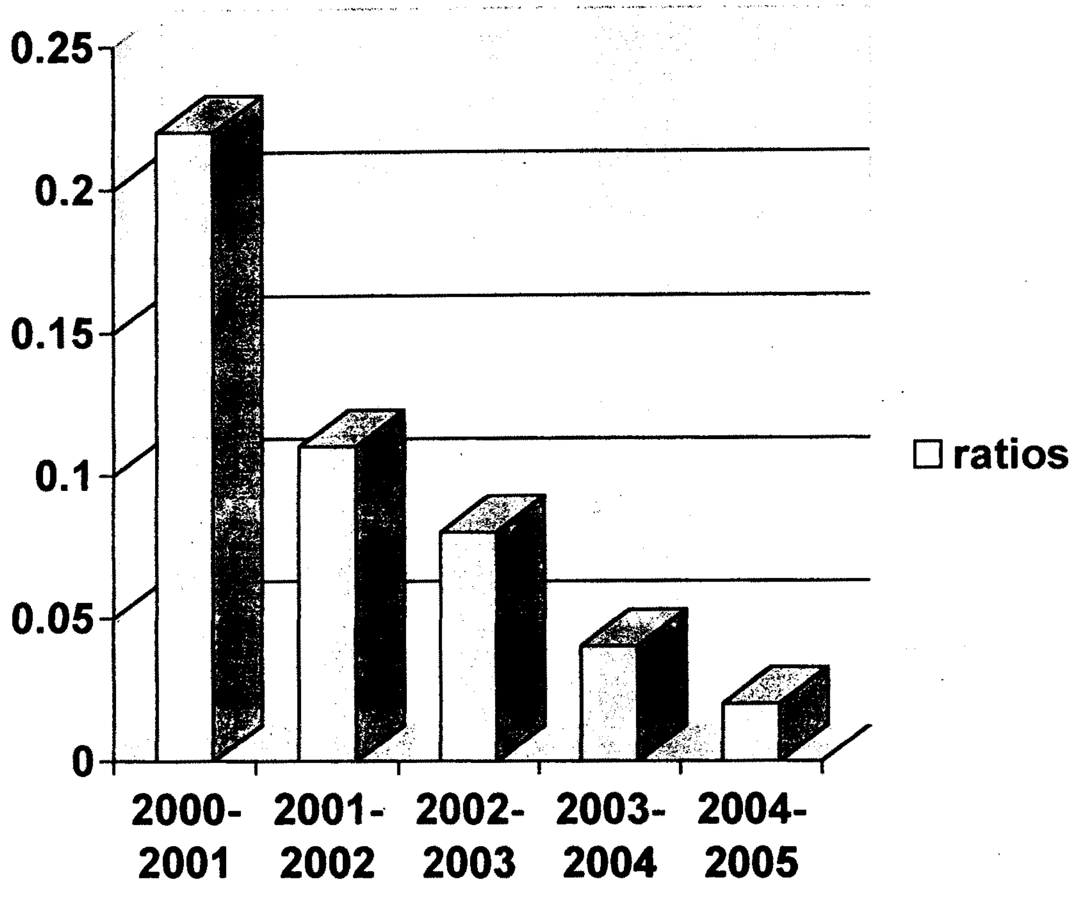
A low rate of return may indicate that the concern is not very satisfactory because of inefficient and ineffective financial general manager unfavorable general business conditions or over investment in fixed assets.

Table No. 4.11

This table contains results of the return on shareholders equity during the period under reference.

The above table shows that the overall rate of return on investment ratio is 0.094 for five years under study. When we observe the table we see that throughout the years there has been decreasing trend in the ratio from 0.22 in 2000-2001 to 0.22 in 2004-2005. The above trend indicates that the management has not utilized the funds effectively and efficiently. Which was provided by shareholders.

✱ Graphical Presentations of Return on Shareholders Investment Ratio of the Bank.



The above graph showing decreasing trend in the return on shareholders investment ratio of the bank.

4.12. Summery of all the ratio of the bank:-

The overall progress of ratios of the bank in respect of current ratio, liquid ratio, cash position ratio, proprietary ratio, debt equity ratio, fixed assets to turnover ratio, interest coverage ratio, debtors turnover ratio, net profit ratio, and return on shareholders investment ratio of the Palus Sahakari Bank ltd. Palus during the period of five year is shown in the following table.

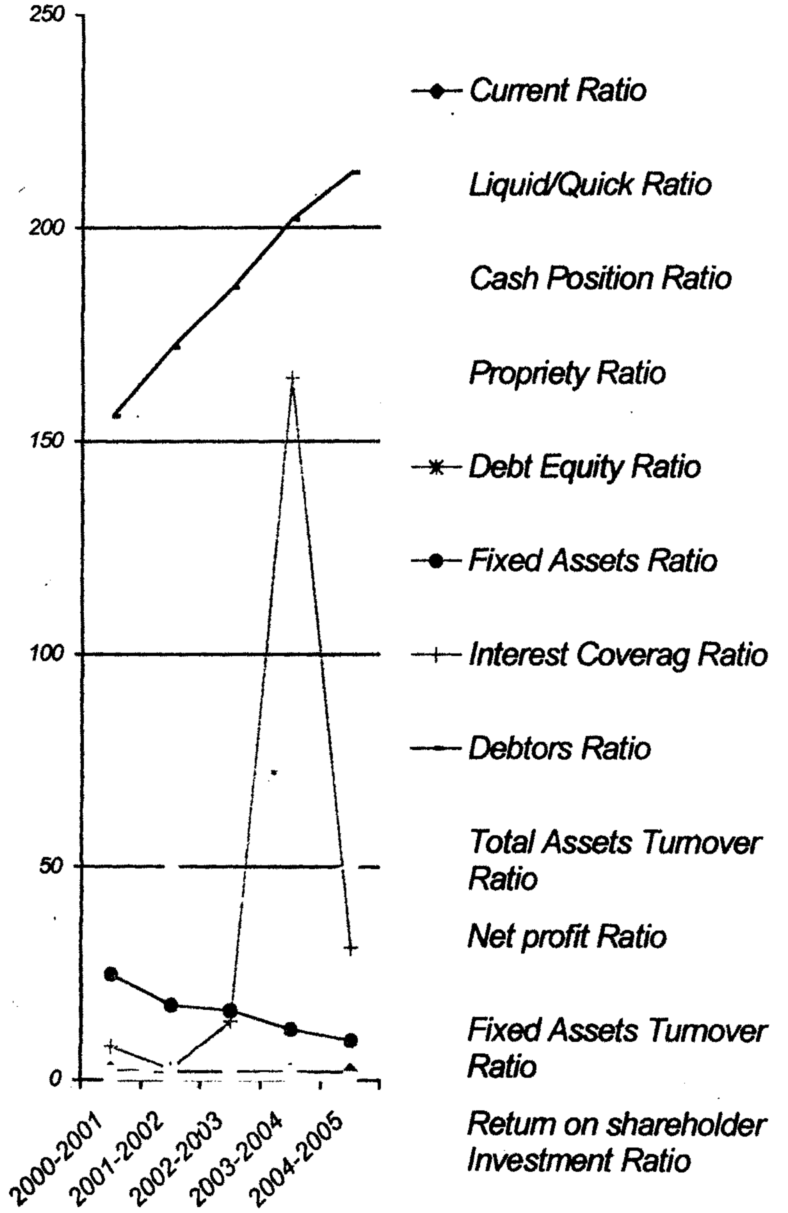
Table NO-4.12

Table showing overall progress of the Ratios of the Bank

Years	Current ratio	Quick ratio	Cash position ratio	Proprietary ratio (%)	Debt to equity ratio	Fixed assets to net worth ratio (%)	Interest coverage ratio	Total assets to turn over ratio	Fixed assets to turnover ratio	Net profit ratio (%)	Return on share holders investment ratio
2000-2001	2.28	1.68	0.19	4 %	0.18	24.77%	7.79	0.64	63.54	1.42 %	0.22
2001-2002	2.00	2.40	0.14	7 %	0.13	17.54 %	2.51	0.62	49.97	1.26 %	0.11
2002-2003	1.98	3.20	0.12	8 %	0.01	16.31 %	13.75	0.60	41.40	1.26 %	0.08
2003-2004	2.05	5.73	0.16	10 %	0.02	11.98 %	164.75	0.57	46.90	0.79 %	0.04
2004-2005	1.97	6.74	0.12	10 %	0	9,32 %	31.07	0.49	50.34	0.46 %	0.02

Source -Annual Reports

✱ Graphical Presentations of overall Ratios of Bank



Ratio Interpretation:-

The above table and graph showing the overall summery of the ratios of the bank. The above graph showing fluctuating trend in current ratio cash position ratio interest coverage ratio and fixed assets to turnover ratio, of the bank.

The above graph showing increasing trend in quick ratio, proprietary ratio and debtors turnover ratio of the Palus Sahakari bank ltd. Palus.

The above graph showing decreasing trend in debt equity ratio, fixed assets to net worth ratio, total assets to turnover ratio, net profit ratio and return on shareholders investment ratio of the bank.