

CHAPTER : 4

Analysis of Financial Performance of Kolhapur Zilla Magasvargiya Vidut Karmachari Sahakari Patsanstha Maryadit Kolhapur

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Chapter : IV

ANALYSIS OF FINANCIAL PERFORMANCE OF KOLHAPUR ZILLA MAGASVARGIYA VIDUT KARMACHARI SAHAKARI PATSANSTHA MARYADIT KOLHAPUR

4.1 Finance – A Retrospect :

Finance holds the key to all business activity. It is the guide for regulating investment decisions and expenditure.

According to A.L. Kingshott - “**Finance is the only common denominator for a vast range of corporate objectives.**” The major part of any corporate plan is expressed in financial terms. Any policy decisions which a corporation takes have financial implications, whether, they pertain to production, marketing, personnel or any other segment of the activities of the corporate. The decisions will have to be taken in the light of their financial viabilities.

Financial Performance:

Every business organization needs funds for its initial investment as well as for its working capital. It can raise such funds through various ways. Patsanstha’s sources of finance consists of following components...

1. Share capital from members.
2. Loans from K.D.C.C. Bank.
3. Deposits from members and non-members.
4. Reserves and surplus.

Table No. 4.1 reveals the sources of funds of patsanstha. The sources increased from Rs. 157.28 lakhs in the year 2000-2001 to Rs.279.23 lakhs in the year 2004-2005.

Table No. 4.1
Sources of funds of the patsanstha.

(Rs.in lakhs)

Source		Year				
		2000-01	2001-02	2002-03	2003-04	2004-05
1	Share Capital	36.92	59.93	72.27	77.03	93.99
2	Reserves	1.81	2.99	3.61	3.10	3.82
3	Borrowings	75.00	75.00	50.00	40.00	40.00
4	Deposits	43.55	80.26	94.26	125	141
	Total	157.28	218.18	220.04	245.25	279.23

Source:Compiled from annual reports of the patsanstha

Table No.4.1 reveals the following picture. Paid up capital of the patsanstha shows an increasing trend every year. During the research period of study capital increased from Rs. 36.92 lakhs to Rs.93.99 lakhs. Increasing paid-up-capital is a good indicator for the patsanstha. The patsanstha's another major source of funds is reserves which arises from profit. It is also increasing every year. Reserves are helpful in the emergency situation. Patsanstha partially depends upon the K.D.C.C. Bank for its financial requirements however the dependance on K.D.C.C. Bank has reduced over the years. Deposits increased from Rs.43.55 lakhs in 2000-2001 to Rs.141.42 lakhs an

increase of more than three times. Thus it can be concluded that the financial position of the patsanstha is sound.

4.2 Growth of Deposits :

Deposits are the major source of funds of credit societies. This patsanstha has several types of deposit schemes. After the review of interest rate in the market, the patsanstha gives additional interest on deposit to the members. The patsanstha has launched the innovative deposit schemes with attractive rate of interest. The patsanstha's building deposit and sanghtan deposit are non-refundable and other types of deposits are refundable with interest at prescribed rates.

4.3 Growth of Loans and Advances :

The most important function of the patsanstha is to provide loans and advances to its members. The patsanstha provides loans to members for various purposes in accordance with bye-laws. This patsanstha's major source of income is interest on loans and advances.

The loans given by patsanstha increased from Rs.149.85 in 2000-2001 to Rs. 245.73 lakhs in 2004-2005 recording an increase of more than 60 percent.

4.4 Growth of Profit :

The co-operative societies are established to provide service to needy persons. The patsanstha has followed this principle in its business. It has met credit needs of the members and also earned some income in the form of interest. The efficient working of patsanstha has resulted in profit making as seen from table No.4.2

Table No.4.2
Growth of profit of patsanstha.
(Rs.in lakhs)

Year	Profit
2000-2001	7.24
2001-2002	11.99
2002-2003	14.45
2003-2004	12.41
2004-2005	15.26

Source:Compiled from annual reports of the patsanstha

Table No.4.2 shows that the net Profit increased from Rs.7.24 lakhs in 2000-2001 to Rs, 15.26 lakhs in year 2004-2005

It means that net profit has more than doubled in this period. Except the year 2003-2004 the net profit has recorded in increase.

4.5 Reserve fund:

Reserve fund and other reserves are also one of the main sources of funds. These funds are always considered essential for prosperous business of the patsanstha. It is an important component of working capital, as it acts as a shock absorbing cushion in the times of financial stringency. Patsanstha maintains several types of reserves such as reserve fund, building fund, reserve for Bad-debts, dividend equalization fund, development fund etc. Table no.4.3 shows the position of reserve fund of patsanstha during the period of five years of study.

Table No.4.3

Position of reserve fund of patsanstha.

(Rs.in lakhs)

Year	Reserve Fund	% of Reserve Fund
2000-2001	6.61	25 %
2001-2002	8.42	25 %
2002-2003	11.42	25 %
2003-2004	15.04	25 %
2004-2005	18.14	25 %

Source:Compiled from annual reports of the patsanstha

The reserve fund increased from Rs.6.61 lakh in 2000-2001 to Rs.18.14 lakh in 2004-2005. recording normaly three incensed patsanstha has been transferring 25 percent of its net profit every year to the reserve fund. This shows percentage of the managing committee in builds own funds.

4.6 Dividend:

The shareholder have a estimate claim on net profit of the firm. The patsanstha under study has distributed dividends at the rate of 15 percent in the first three years of study. The dividend rate has declined to 12 percent in the subsequent two years.

Table No.4.4

Dividend paid by patsanstha

(Rs.in lakh)

Year	Amount	Dividend rate
2000-2001	5.43	15 %
2001-2002	8.99	15 %
2002-2003	10.84	15 %
2003-2004	9.24	12 %
2004-2005	11.27	12 %

Source: Compiled from annual reports of the patsanstha

There are restriction payment of dividend import by the co-operative society Act and the patsanstha has followed them.

4.7 Paid up Share Capital :

Table No. 4.5

Paid up Share capital of patsanstha

(Rs.in lakh)

Year	Authorized Capital	Paid up Capital
2000-2001	50	59.94
2001-2002	100	72.27
2002-2003	100	77.03
2003-2004	100	94.66
2004-2005	150	106.99

Source:Compiled from annual reports of the patsanstha

Table number 4.5 shows the paid up capital position of patsanstha during the period of study. The paid up capital increased

from Rs. 59.94 lakhs in the year 2000-2001 to Rs. 106.99 lakhs in the year 2004-2005. The increase in paid capital amounted to Rs. 47.05 lakhs. This indicates the increasing reliance on owned funds.

4.8 Overdue and Recovery Of Loans :

After having studied the loans advances of the patsanstha, the study of Recovery of Loans is also important. In this respect the extent of overdue with trend and action taken by the patsanstha for the recovery of loans is essential for the study

Table no.4.6

Overdue position in the patsanstha

(Rs.in Lakhs)

Year	Loan Outstanding	Overdue Loan
2000-2001	149.85	0.23
2001-2002	159.29	0.29
2002-2003	179.01	0.34
2003-2004	240.04	0.43
2004-2005	245.73	0.51

Source: Compiled from annual reports of the patsanstha

Table No.4.6 shows the position of loans outstanding and the amount of overdue loan during the period of study. The overdue were meager during this period. This is because of the nature of the patsanstha. The Patsanstha is an employee credit society and the repayment of loan is linked directly to the salary of the member employee. However, there were stray cases where the installment of

loan was not be deducted from the salary. The automatic loan recovery system has not created serious problem of overdue.

4.9 Investment Growth :

Patsanstha has formulated an investment policy and investment are made accordingly. The investment portfolio is audited by the patsanstha's auditor and the report is submitted to the co-operative department. The investments are made in K.D.C.C. Bank in the form of shares, Reserve fund, Indira Vikas Patra etc.

Table No. 4.7 shows the investment of patsanstha

Table No.4.7

Investment in K.D.C.C. Bank

(Rs.in Lakhs)

Year	Investment Amount
2000-2001	12.33
2001-2002	16.64
2002-2003	19.64
2003-2004	24.04
2004-2005	24.04

Source: Compiled from annual reports of the patsanstha

Table no 4.7 exhibits the continuous growth of investment, during the period under review. Total investments have increased in the period from 2000-2001 to 2004-2005. In the year 2000-2001 investment was Rs.12.33 Lakhs and in the next year 2001-2002 it was Rs.16.64 lakhs again in the next year i.e. 2002-2003 it increased to Rs.19.64 lakhs it increased further to Rs.24.04 Lakhs in

the year 2004-2005. Increased investment is an indicator of the patsanstha ability to meet its liabilities.

4.10 Loans to Directors :

The patsanstha follows the loan procedure laid down in the bye-laws and rules. There are no loans provided to directors and relatives of directors.

4.11 NET Profit and Audit Grade :

From the beginning the patsanstha has earned profit every year. In the period of study from 2000-2001 to 2004-2005 the patsanstha has kept the progress of profit and received audit grade 'A' from the co-operative department.

Table No.4.8

Net profit and Audit Grade received by patsanstha.

(Rs. In Lakhs)

Year	Net profit	Audit Grade
2000-2001	7.24	B
2001-2002	11.99	A
2002-2003	14.45	A
2003-2004	12.41	A
2004-2005	15.26	A

Source: Compiled from annual reports of the patsanstha

The patsanstha has maintained financial discipline and got constantly 'A' grade.

4.12 Growth of Assets :

The patsanastha has successfully increased its fixed assets due to a large portion of the fund raised for acquiring such fixed assets

Following table is show the growth of asset. Table no. 4.9 shows the investment in fixed assets.

Table No.4.9

Table showing the fixed assets position of patsanstha.

(Rs. in Lakhs)

Year	Amount of fixed assets
2000-2001	2.03
2001-2002	2.29
2002-2003	5.22
2003-2004	7.98
2004-2005	8.30

Source: Compiled from annual reports of the patsanstha

From Table No.4.9 it is seen that the amount of fixed assets increased from Rs.2.03 lakh in 2000-2001 to Rs.8.30 lakh in to year 2004-2005 .

The patsansthas is fixed assets are in the form of building, furniture, etc.

4.13 Liquidity Ratio :

This ratio measures the liquidity position of the enterprise i.e. whether current asserts are sufficient to pay off current liabilities as and when mature.

In this group current ratio is calculated. Current ratio shows the relationship between current assets and current liabilities.

Table No.4.10

Ratio of current assets to current liabilities of patsanstha

(Rs. in Lakhs)

Year	Current Assets	Current liabilities	Current Ratio
2000-2001	148.88	88.63	1.67
2001-2002	166.80	87.40	1.90
2002-2003	186.02	106.14	1.75
2003-2004	244.90	151.67	1.61
2004-2005	267.44	156.38	1.71

Source: Compiled from annual reports of the patsanstha

In the above table the relationship between current assets and current liabilities is shown with the help of ratio. The current ratio was satisfactory in all the years under study. The standard current ratio is 2.1. Patsanstha has almost double the current assets then its current liabilities.

4.14 Expenses to total Business :

Table No. 4.11

Proportion of total expenses to total business.

(Rs. in Lakhs)

Year	Total Business.	Total Expenses.	Ratio (in percentage)
2000-2001	192.40	14.38	13 %
2001-2002	239.55,	11.58	20 %
2002-2003	273.27	12.71	21 %
2003-2004	365.20	20.57	17 %
2004-2005	387.15	18.22	21 %

Source: Compiled from annual reports of the patsanstha

From Table No.4.11 it is observed that total expenses have increased in all the years under study except the year 2001-2002 and 2002-2003. The ratio increased from 13 percent to 21 percent. This shows an alarming position and directors need to control the expenses.

4.15 Growth of Owned fund :

Capital is the necessary for running business. Capital is collected in two forms owned capital and borrowed capital. The owned fund included paid up capital and free reserves. Table no. 4.12 shows the proportion of owned funds to borrowed funds of Patsanstha during the period from 2000-2001 to 2004-2005. The total funds increased from Rs.105.54 lakh to Rs.140.10 lakhs and the proportion of owned fund increased from 62 to 90 percent over the same period. This indicates that the patsanstha has reduced the proportion of borrowed

fund and has increased its own funds. This has created a sound financial base for the patsanstha.

Table No.4.12

Proportion of owned funds and borrowed funds of patsanstha.

(Rs. in Lakhs)

Year	Owned Funds	Borrowed Funds	Total funds	Proportion of owned fund in total funds
2000-2001	66.55	38.99	105.54	62
2001-2002	80.69	7.14	87.83	91
2002-2003	88.44	88.44	100
2003-2004	110.00	4.89	114.89	96
2004-2005	125.13	14.97	140.10	90

Source: Compiled from annual reports of the patsanstha

4.16 Profitability Ratios :

These ratios measure overall performance and profit earning capacity of the business. They reveal the total effect of the business transaction on the profit position of the enterprise. There are two types of profitability ratios viz gross profit ratio and net profit ratio. In case of the patsanstha under study Net profit ratio calculated by using the following formula :

$$\text{Net Profit Ratio} = \frac{\text{Net Profit}}{\text{Working Capital}}$$

Table No.4.13

Net Profit Ratio of patsanstha during the five years

Year	Net Profit	Working Capital	Ratio (in percentage)
2000-2001	7.25	153	4.73
2001-2002	11.99	145	8.26
2002-2003	14.45	190	7.60
2003-2004	12.41	249	4.98
2004-2005	15.26	274	5.56

Source: Compiled from annual reports of the patsnastha

From Table 4.13 it is seen that the net profit ratio increased from 4.73 percent in 2000-2001 to 8.26 percent in 2001-2002. It reduced marginally to 7.60 percent in the subsequent year i.e. 2000-2003. It declined sharply to 4.98 percent in 2003-2004. Then it increased to 5.56 percent in 2004-2005.

4.17 Interest spread :

Table no.4.14 shows the interest spread i.e. difference between interest earned and interest paid by patsanstha during the period under study.

Table No.4.14

Interest earned and interest paid by patsanstha

(Rs. in Lakhs)

Year	Interest Earned	Interest paid	Difference
2000-2001	19.95	12.37	7.58
2001-2002	22.00	9.42	12.58
2002-2003	25.23	10.14	15.09
2003-2004	30.07	17.47	12.06
2004-2005	31.40	14.01	17.39

Source: Compiled from annual reports of the patsanstha

The patsanstha earns interest from the loans granted and pays interest on the deposits and borrowings from K.D.C.C. Bank. The difference between interest earned and interest paid forms the net income from its main business. The interest earned increased from Rs.19.95 lakhs in the year 2000-2001 to Rs.37.40 lakhs in the year 2004-2005. Whereas the interest paid increased from Rs.12.37 lakhs to Rs.14.01 lakhs during the same period . The surplus increased from Rs. 7.58 lakhs to Rs.17.39 lakhs during the same period. This indication the efficiency of lending function of patsanstha and trust shown by the members and non-members by keeping more and more deposits year after year.

4.18 Employee Productivity Ratio :

Table No.4.15

Employee productivity in patsanstha

(Rs. in Lakhs)

Year	Total Business	Total Staff	Business per Employee
2000-2001	192.40	3	64.13
2001-2002	239.55	3	79.85
2002-2003	273.28	3	91.09
2003-2004	365.20	3	121.73
2004-2005	387.15	3	129.05

Source: Compiled from annual reports of the patsanstha

Table No.4.15 shows employee productivity in patsanstha. Employee productivity ratio is calculated by using the following formula. It was found that the total business per employee had increased from Rs.64.13 lakhs to Rs.129.05 lakhs. It doubled in the period of five years of study. This shows the sincere and efficient working of employee of patsanstha.

$$\text{Employee Productivity Ratio} = \frac{\text{Total Business (Loans + Deposits)}}{\text{Total Staff}}$$

4.19 NET profit per employee:

Table No.4.16

Net profit per employee of patsanstha.

(Rs. in Lakhs)

Year	Net Profit	No. of Employees	Net profit per employee
2000-2001	7.24	3	2.41
2001-2002	11.99	3	3.99
2002-2003	14.45	3	4.82
2003-2004	12.41	3	4.14
2004-2005	15.26	3	5.09

Source: Compiled from annual reports of the patsanstha

Net profit per employee has increased from Rs.2.41 lakhs in 2000-2001 to Rs. 5.09 lakhs in the year 2004-2005. This shows the efficiency of employee of patsar.stha.

Net profit per employee is calculated as under

$$\text{Net Profit per employee} = \frac{\text{Net Profit}}{\text{Number of Employees}}$$

4.20 Credit Deposit Ratio :

The credit deposit ratio shows the relationship between the total deposit and loans. The patsanstha borrows loan from K.D.C.C. Bank.

Table No. 4.17 shews the position of credit deposit ratio of the patsanstha during the period of last 5 years i.e. from 2000 to 2005.

Table No. 4.17

Credit to Deposit Ratio

Year	Loan granted	Deposits	Ratio
2000-2001	149.85	43.55	29
2001-2002	159.29	80.26	50
2002-2003	179.01	94.27	53
2003-2004	240.04	125.16	52
2004-2005	245.73	141.42	57

Source: Compiled from annual reports of the patsanstha

Table No. 4.17 shows that in the year 2000-2001, 29 percent of loans were met by the deposits and for remaining amount patsanstha depended on borrowing from K.D.C.C. Bank (Rs.75 lakhs.). However from the year 2001-2002 the reliance on K.D.C.C. Bank loan reduced and the proportion of deposit increased to 57 percent in the year 2004-2005. This shows that the patsanstha collected more deposit and reduced the loan burden of K.D.C.C. Bank. In other words the patsanstha is depending more on internal funds than external borrowings.
