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A STUDY ON THE FINANCIAL PERFORMANCE OF CENTRAL CO-OPERATIVE BANK LIMITED DINDIGUL DISTRICT

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ABSTRACT

Financial performance refers to the degree to which financial objectives being or has been accomplished. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. The objective of the study is to analyze the financial performance of Central Co-Operative Bank Limited, Dindigul District. The study is made to evaluate the financial position, the operational results as well as financial progress of a business concern. It explains the ways in which ratio analysis can be of assistance in long-range planning, budgeting and asset management to strengthen financial performance and help avoid financial difficulties. Analytical research design study is used. The data used are of last five years from 2019-2020 to 2023-2024. The ratio analysis, common size balance sheet, comparative balance sheet, schedule of changes in working capital these statistical tools has been used.

KEY WORDS: *Current ratio, Net interest Margin, Return On Long Term Funds, Cash Deposit Ratio.*

1. INTRODUCTION OF THE STUDY

The banking sector plays a pivotal role in the economic development of a country, with cooperative banks serving as essential institutions in bridging the financial gap in rural and semi- urban areas. Among these, District Central Cooperative Banks (DCCBs) function as key financial intermediaries that cater to the credit and banking needs of agricultural and rural communities. The Dindigul District Central Cooperative Bank Limited (DDCCB), located in the southern Indian state of Tamil Nadu, is one such institution that has significantly contributed to the socio- economic upliftment of the region.

Established with the primary objective of supporting cooperative societies and small- scale farmers, DDCCB plays a crucial role in mobilizing deposits and providing financial assistance for agricultural and allied activities. Over the years, the bank has diversified its services and introduced various schemes to serve a broader clientele, including self-help groups, small traders, and salaried individuals. Given its pivotal role, it is essential to periodically evaluate the bank's financial performance to assess its operational efficiency, sustainability, and overall contribution to the local economy.

This study aims to conduct a comprehensive financial evaluation of the Dindigul District Central Cooperative Bank by analyzing key indicators such as deposit mobilization, credit disbursement, profitability, asset quality, and liquidity. The analysis is based on financial data sourced from annual reports, audit records, and other secondary sources. The study also highlights the challenges faced by the bank in a competitive financial environment and suggests strategic measures to enhance its performance.

Finance is simply how an individual or an organization manages its financial resources. It can include borrowing, investing, lending, budgeting, saving, spending, and forecasting. While people tend to think of finance in terms of money, finance is about more than cash. While money is a legal tender used for many financial transactions, finance refers to asset allocation and management of monetary resources.

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2. REVIEW OF LITERATURE

Selvaraj N. & Balaji Kumar P. (2019) conducted a study on the deposit mobilization pattern of Dindigul District Central Cooperative Bank (DDCCB), analyzing data from 1995–96 to 2009–10. They found a consistent positive growth in savings and fixed deposits, highlighting the bank's strong individual depositor base. The study recommended innovative schemes to increase rural participation and improve financial literacy.

Meenakshi R. (2020) examined the impact of COVID-19 on cooperative banks in Tamil Nadu. She identified liquidity stress, delayed loan recovery, and operational challenges due to lockdowns. DDCCB, like other DCCBs, experienced pressure on profitability and asset quality. However, government relief measures and PACS linkages helped the bank maintain stability.

Syed Shujat Husain (2021) the lean philosophy has demonstrated its effectiveness to improve firms' operational performance. However, the impact of lean practices on financial performance is still unclear due to the poor understanding of the link between operational and financial measures and the conflictive results obtained by previous research.

Rajendran (2022) evaluated the financial position of selected DCCBs in Tamil Nadu. He emphasized DDCCB's sustained growth in net profits, moderate NPA levels, and strong rural outreach. The study advised strengthening risk management practices and suggested capacity- building for staff in digital banking.

Ansari et al. (2023) used Data Envelopment Analysis (DEA) to evaluate efficiency across Indian DCCBs. DDCCB was considered relatively efficient in converting inputs (like staff and funds) into outputs (loans, profits). However, the study flagged the need for modernization and stronger governance to improve long-term sustainability.

Academic literature in 2024, including a study by Dr. V. Muthuraj, focused on digital transformation and governance reforms in DCCBs. The study emphasized that while DDCCB had shown a strong financial trajectory, it needed to invest further in data analytics, cyber security, and customer grievance mechanisms to remain competitive.

3. OBJECTIVES OF THE STUDY

- To analyze the financial performance of the bank by using various financial ratios.

4. RESEARCH METHODOLOGY

4.1 METHOD OF DATA COLLECTION

Data Collection is an important aspect of any type of research study. Inaccurate data collection can impact the results of a study and ultimately lead to invalid results. Data collection methods for impact evaluation vary along a continuum. At the one end of this continuum are quantitative methods and at the other end of the continuum are Qualitative methods for data collection.

4.2 NATURE OF DATA

This study used secondary data such as annual reports of the company. The nature of data is secondary data, which includes previously collected information found in the company's internal records and published materials. Five years annual reports had been collected from the company Data had also been collected from text books, journals, newspapers, magazines and internet.

5. DATA ANALYSIS AND INTERPRETATION

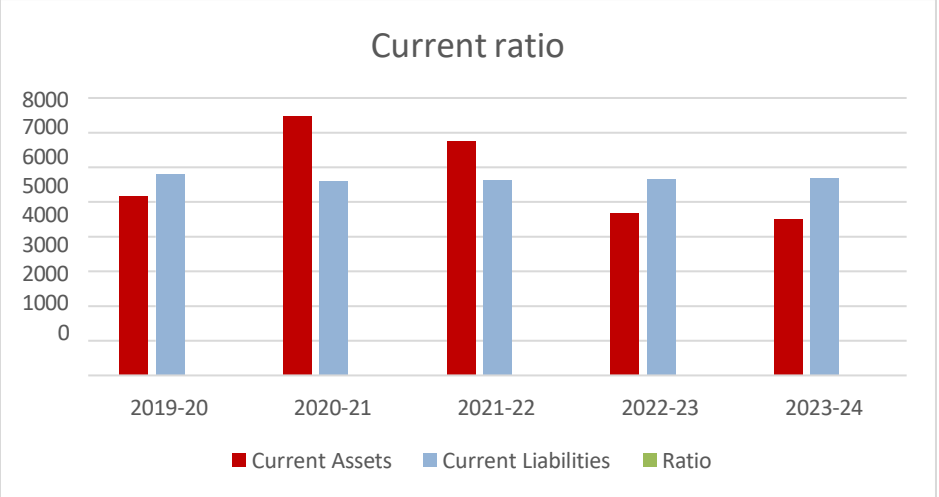
5.1 CURRENT RATIO

The Current Ratio is a liquidity metric that measures a company's ability to cover its short- term liabilities with its short-term assets. It is calculated by dividing current assets by current liabilities. A ratio above 1 indicates that the company has more assets than liabilities, suggesting financial stability. A ratio below 1 may indicate potential liquidity problems and difficulty in meeting short-term obligations.

Table No.4.1
CURREENT RATIO

Year	Current Assets	Current Liabilities	Ratio
2019-20	5164.96	5812.61	0.88
2020-21	7478.6	5599.71	1.33
2021-22	6764.05	5642.43	1.19
2022-23	4672.32	5648.61	0.82
2023-24	4518.75	5695.40	0.79

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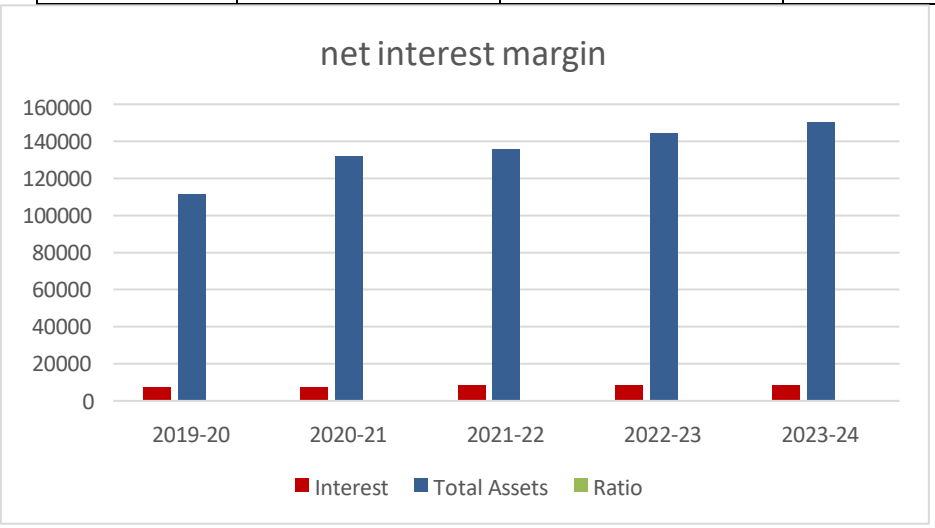
The above table shows that the current ratio has 0.88 in the year of 2019-20. It has increased to 1.33 in the year of 2020-21 due to increase in current assets. It has decreased to1.19 in the year of 2021-22 due to increase in current liabilities. It has further decreased from 0.82 to 0.79 in the year of 2022-23 to 2023-24 due to decrease in current assets.

5.2 NET INTEREST MARGIN

Net Interest Margin (NIM) is a profitability metric that measures the difference between interest income earned on loans and interest paid on deposits, relative to the bank's interest- earning assets. It shows how effectively a bank is managing its core lending and borrowing operations. A higher NIM indicates better financial health and efficient interest management. It is crucial for evaluating a bank's profitability from its primary operations.

Table No.4.2
NET INTEREST MARGIN RATIO

Year	Interest	Total Assets	Ratio
2019-20	7093.59	111220.95	0.063
2020-21	7213.82	132057.28	0.054
2021-22	8159.82	135854.34	0.060
2022-23	8384.89	144426.70	0.058
2023-24	8469.78	150035.83	0.056



The above table shows that the net interest margin ratio has 0.063 in the year of 2019-20. It has decreased to 0.054 in the year of 2020-21. It has increased to 0.060 in the year of 2021-22 due to increase in interest. It has further decreased to 0.058 and 0.056 in the year of 2022-23 and 2023-24.

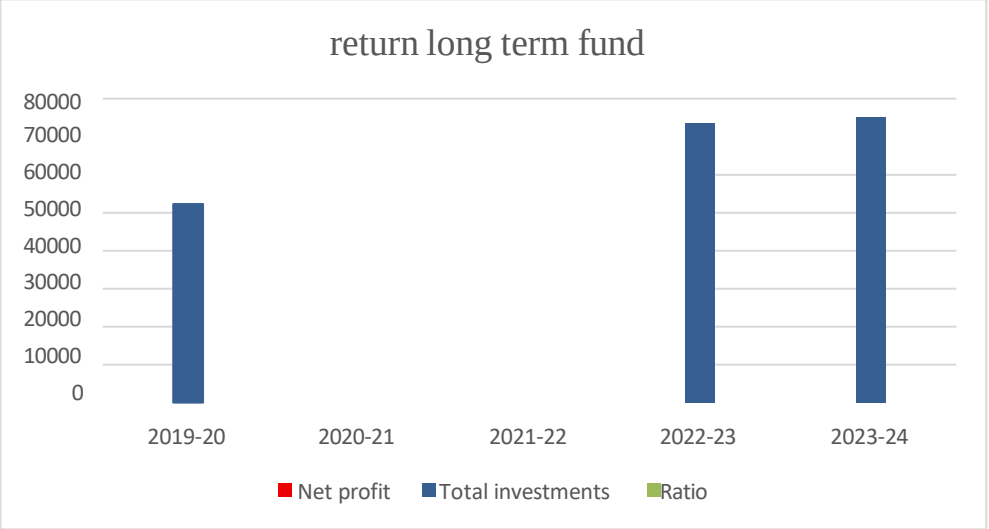
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5.3 RETURN ON LONG TERM FUND

Return on Long-Term Funds (ROLTF) measures the profitability generated from long-term capital investments, such as equity or long-term debt. It is calculated by dividing net profit by long-term funds (equity + long-term debt). ROLTF indicates how well long-term capital is being utilized to generate returns. A higher ratio suggests effective use of long-term resources in generating profits.

Table No.4.3
RETURN ON LONG TERM FUND

Year	Net profit	Total investments	Ratio
2019-20	424.86	52276.4	0.08
2020-21	350.38	68993.4	0.05
2021-22	97.9	67885.1	0.01
2022-23	117.59	73709.4	0.01
2023-24	102.78	75236	0.01



The above table shows that the return on long term fund ratio has 0.08 in the year of 2019-20. It has decreased to 0.05 in the year of 2020-21. It has decreased to 0.01 in the year of 2021-22, 2022-23 and 2023-24. The return on long term fun ratio has been decreased every year since there is decrease in net profit for the first three years. Though there is increase in net profit, the ratio has been maintained as 0.01 since the net profit is not increased as total investment increased.

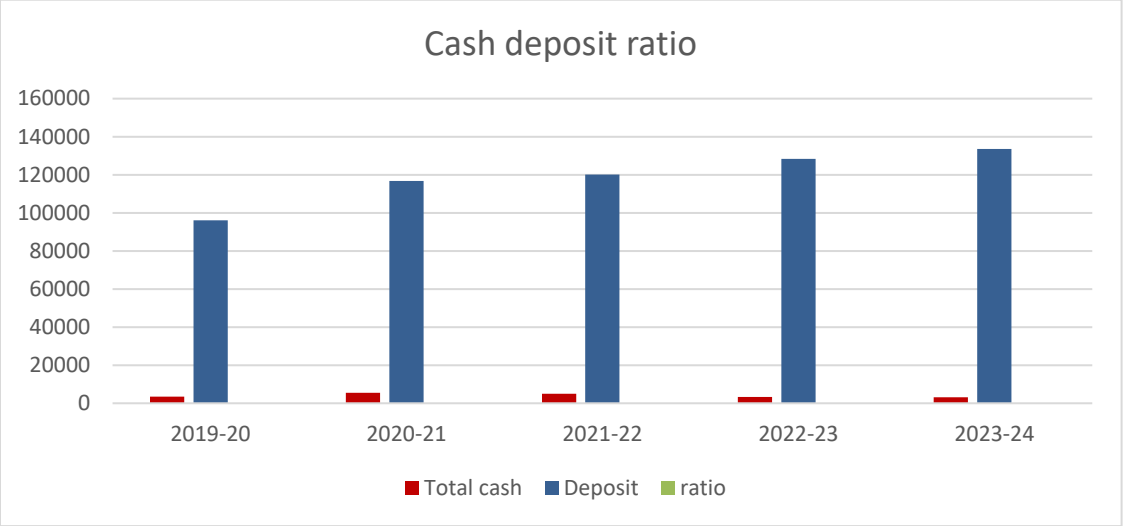
5.4 CASH DEPOSIT RATIO

The Cash Deposit Ratio (CDR) measures the proportion of a bank's total deposits that are held in the form of cash. It indicates the bank's liquidity position and its ability to meet short-term obligations. A higher CDR reflects stronger liquidity but may reduce profitability, as cash held doesn't earn interest. Conversely, a lower CDR may boost earnings but increase liquidity risk.

Table No.4.4
CASH DEPOSIT RATIO

Year	Total cash	Deposit	ratio
2019-20	3563.89	96164.64	0.037
2020-21	5440.22	116796.12	0.046
2021-22	4993.61	120198.32	0.041
2022-23	3363.39	128290.89	0.026
2023-24	3220.14	133650.20	0.024

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The above table shows that the cash deposit ratio has increased from 0.037 to 0.046 in the year of 2019-20 to 2020-21 due to total cash has been increased. It has decreased to 0.041 in the year of 2021-22. It has again decreased to 0.026 and 0.024 in the year of 2022-23 and 2023- 24 respectively due to total cash has been decreased.

7. FINDINGS

- The current ratio is 0.88 in the year of 2019-20. It has increased to 1.33 in the year of 2020-21 due to increase in current assets. It has decreased to 1.19 in the year of 2021- 22 due to increase in current liabilities.
- The net interest margin ratio is decreased to 0.054 in the year of 2020-21. It has increased to 0.060 in the year of 2021-22 due to increase in interest.
- The return on long term fund ratio is 0.08 in the year of 2019-20. It has decreased to0.05 in the year of 2020-21.
- The cash deposit ratio was decreased to 0.041 in the year of 2021-22. It has again decreased to 0.026 and 0.024 in the year of 2022-23 and 2023-24 respectively due to total cash has been decreased.

8. CONCLUSION

Financial performance of the bank is analyzed through the key financial ratios for the period of five years (2019-2020 to 2023-2024). The bank has performed well on the sources of growth rate and financial efficiency during the study period. Results showed that the profitability of the bank was strongly and negatively influenced by the deposits and advances. It concludes that the financial position of The Dindigul District Central Co-Operative Bank Limited i.e. profitability, and liquidity position was so impressively growing.

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