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+91 99405 72462



+9163819 07438



ijmrsetm@gmail.com



www.ijmrsetm.com



A Comparative Study on Financial Statement Analysis of Cooperative Banks

Neetu Khandelwal, Dr. Pankaj Gupta

Research Scholar, Faculty of Commerce and Management, Apex University, Jaipur, India

Supervisor, Faculty of Commerce and Management, Apex University, Jaipur, India

ABSTRACT: Financial performance is a complete evaluation of a company's overall standing in categories such as assets, liabilities, equity, expenses, revenue, and overall profitability. It is measured through various business-related formulas that allow users to calculate exact details regarding a company's potential effectiveness. A financial statement is a formal record of the financial activities of a business, person or other entity. Relevant financial information is presented in a structured manner and in a form of easy to understand. Profitability is the ability of a business to earn profit as Profitability is a measure of efficiency. They typically include basic financial statements, accompanied by a management discussion and analysis: a balance sheet also referred to as a statement of financial position, reports on a company's assets, liabilities and ownership equity at a given point in time. These potential changes can be analyzed with a support of income statement and balance sheet. The objective of this study to analysis of Financial Statement Analysis of Rajasthan State Co Operative Bank Ltd (RSCB) and Bhilwara cooperative bank

KEYWORDS: Profitability, Financial Statement analysis, Cooperative Banks, financial information.

I. INTRODUCTION

The RStC Bank has successfully completed almost six decades of services to the state of Rajasthan The Rajasthan State Co-Operative Bank Ltd.(RStCB) was established & registered under Rajasthan Cooperative Societies act on October 14th, 1953. It is an APEX Institution of the District Central Co-Operative Banks (DCCBs) functioning in the state.

The CCB Bhilwara provide best services to the state of Rajasthan in general and to the rural and farming community in particular. The Central Co-Operative Bank Ltd., Bhilwara's Head-Office premises at Bhopal Ganj, Bhilwara-311001, Rajasthan. The bank was established to provide short term agriculture loan for agricultural, rural development, non-agricultural loans, employment oriented schemes and short term loans. The bank has an image at national level and it has been honored several times

Financial statements refer to formal and original statements prepared by a business concern to disclose its financial information. The transactions affecting the business are recorded in the books and shown in the financial statements at the same values.

The objectives of financial statement are to provide information about the financial position, performance and changes in financial position of the enterprise that is useful to a wide range of users in making economic decisions

Review of literature

Maggina (2008) used financial ratios to investigate the distributional properties of financial ratios. The study tested distributions presented in theory and practice, such as Cauchy, chi-square, Erlang, exponential, extreme value, Gamma, Laplace, logistic, lognormal, Student t, triangular, uniform, and Weibull. Panel data of financial ratios for the period 19742006 for Greek listed companies indicate that none of the financial ratios selected in the study follows a normal distribution. The value of the test statistic (Kolmogorov-Smirnov) is quite large and the p-value of the test is less than 1%. This is just contrary to the literature.

Laitinen's (2006) study presents a framework for analyzing the financial statements of a network of small and medium-sized enterprises. The goal is to create an approach to systematic network analysis of financial statements. Data for the study are drawn from public financial statements of partner companies. The share of income statement items and balance sheet items is monitored by a simple estimate according to the sources used by the network and identified by each firm. The profit and loss account and balance sheet of the virtual network are made up of allocated shares. The contribution is focused on eight measurement objects that are causally related to the creation of a strategic map: resources; grow; concentration; productivity; profitability; mutual flows; risk and value; and several measures are proposed for each object.



Webb and Kumbrai (2010) analyzed the financial performance ratio of commercial banks in South Africa. The paper examines the performance of the commercial banking sector in South Africa and covers the period 2005-09. Financial ratios were used to measure the profitability, liquidity and credit quality performance of five major South African commercial banks. In the paper, a descriptive analysis of ratio indicators was used for measurement, and a t-test was also used to verify the hypothesis. The study found that the overall performance of the bank increased considerably in the first two years of the analysis. The study also found that the 2007 global financial crisis resulted in a decline in profitability, low liquidity and deterioration in credit quality in the South African banking sector.

Pandey and Singh (2015) had empirically evaluated the performance of commercial banks in India using Malmquist and Data Envelopment Analysis Approach. They attempted to find out bank productivity in India during the period of 2008-2013. This study was conducted using a panel data of 40 banks (26 public sector banks, 10 private banks and 4 foreign banks). Data were compiled from statistical tables relating to banks in India from the bank wise data published by RBI on an annual basis.

II. RESEARCH METHODOLOGY

➤ Objective of the study:

- To detail study about Rajasthan State Co Operative Bank Ltd (RSCB) and Bhilwara cooperative bank
- To Analysis the profitability of Rajasthan State Co Operative Bank Ltd (RSCB) and Bhilwara cooperative bank
- To Make Finding and Suggestion.

➤ Data Collection:

Secondary data is the data that has already been collected through primary sources and made readily available for researchers to use for their own research. This research is based on Secondary Data which is collected from (RSCB).

➤ Time Duration:

For study two years **2016- 2017 to 2017-2018 was taken for study.**

➤ Type of research: Descriptive Research Methodology was used for study.

1. Balance Sheet: In financial statement analysis, an organization's balance sheet is looked at to determine the operational efficiency of a business. Firstly, asset analysis is conducted and is primarily focused on more important assets such as cash and cash equivalents, inventory, and PP&E, which help predict future growth.

Next, long-term and short-term liabilities are examined in order to determine if there are any future liquidity problems or debt-repayment that the organization may not be able to cover.

Lastly, a company's owner's equity section is inspected, allowing the user to determine the share capital distributed inside and outside of the organization.

2. Income Statement: In financial statement analysis, a business's income statement is investigated to determine overall present and future profitability.

Examining a company's previous and current fiscal years income statement enables the user to determine if there is a trend in revenue and expenses, which in turn, shows the potential to increase future profitability.

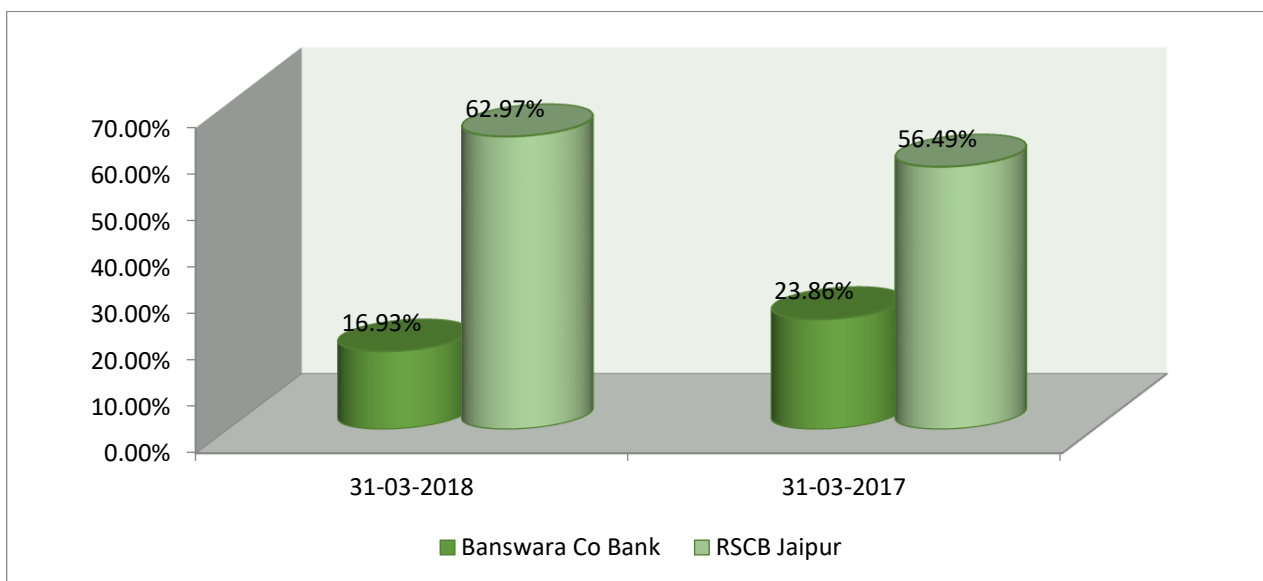
➤ Limitations of the study:

- Based on Secondary Data
- Limited Time Period
- Only income statement and balance sheet are taken for the study.

**Data analysis and interpretations :****1. Total liabilities and shareholders' equity**

Graph showing comparative analysis of Borrowings of Banswara Central Co Operative Bank Ltd (Banswara) and Rajasthan State Co Operative Bank Ltd (RSCB) to its total liabilities and shareholders' equity for FY 2016-17 and 2017-18

Year	Banswara	RSCB
31-03-2018	16.93%	62.97%
31-03-2017	23.86%	56.49%

**Analysis and interpretation:**

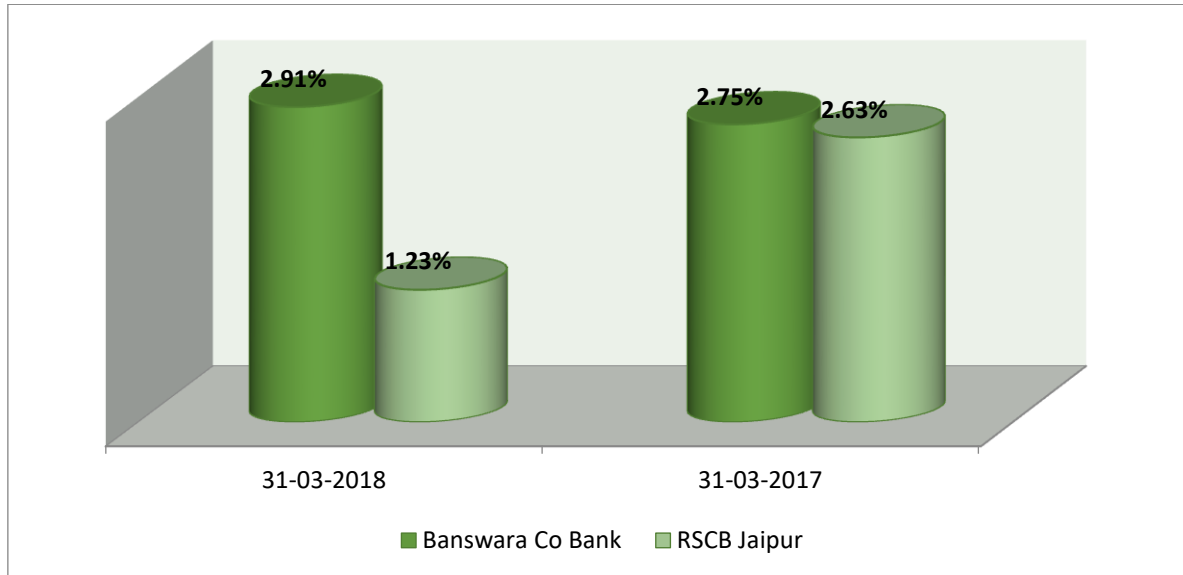
We can deduce that, Borrowings of Banswara Bank in FY 16-17 were 23.86% and in FY 17-18 were 16.93% of the total liabilities and stockholder's equity. Borrowings of RSCB in FY 16-17 were 56.49% and in FY 17-18 were 62.97% of the total liabilities and stockholder's equity.

As a result, a bank that borrows money to lend to its customers will typically have lower profit margins and more debt. RSCB debts are more than as compared to Banswara Bank.

2. Liabilities and provisions

Graph showing comparative analysis of Other liabilities and provisions of Banswara Central Co Operative Bank Ltd (Banswara) and Rajasthan State Co Operative Bank Ltd (RSCB) to its total liabilities and shareholders' equity for FY 2016-17 and 2017-18

Year	Banswara	RSCB
31-03-2018	2.91%	1.23%
31-03-2017	2.75%	2.63%

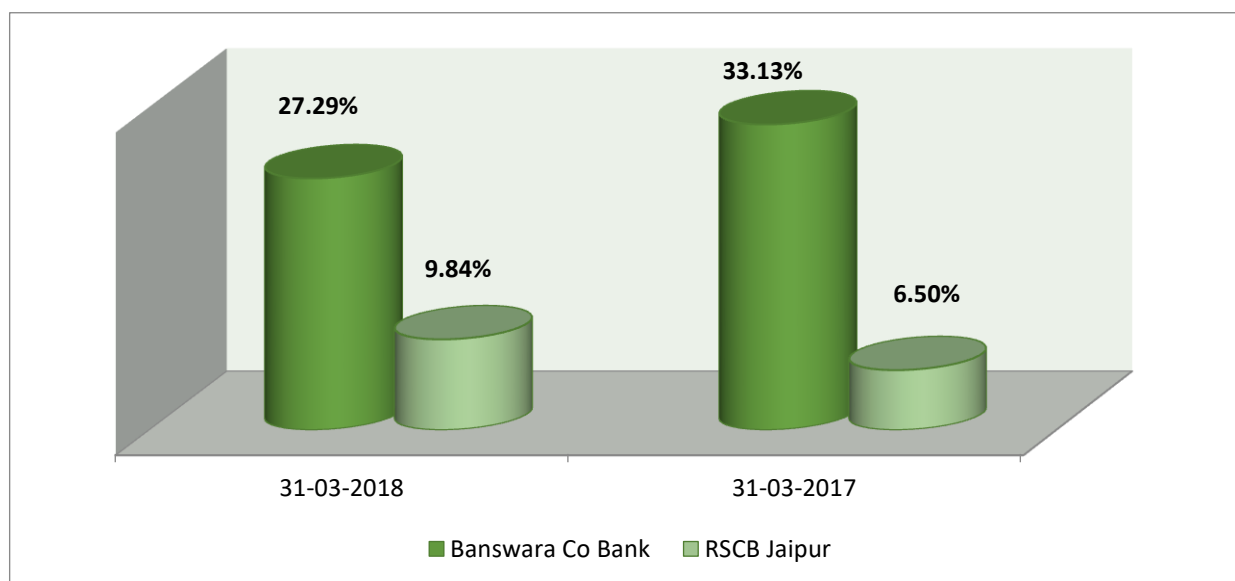
**Analysis and interpretation:**

We can deduce that, Other Liabilities and provisions of Banswara Bank in FY 16-17 were 2.75% and in FY 17-18 were 2.91% of the total liabilities and stockholder's equity. Other Liabilities and provisions of RSCB in FY 16-17 were 2.63% and in FY 17-18 were 1.23% of the total liabilities and stockholder's equity.

3. Cash and Bank Balance

Graph showing comparative analysis of Cash and Bank Balance of Banswara Central Co Operative Bank Ltd (Banswara) and Rajasthan State Co Operative Bank Ltd (RSCB) to its total assets for FY 2016-17 and 2017-18

Year	Banswara	RSCB
31-03-2018	27.29%	9.84%
31-03-2017	33.13%	6.50%





Analysis and interpretation:

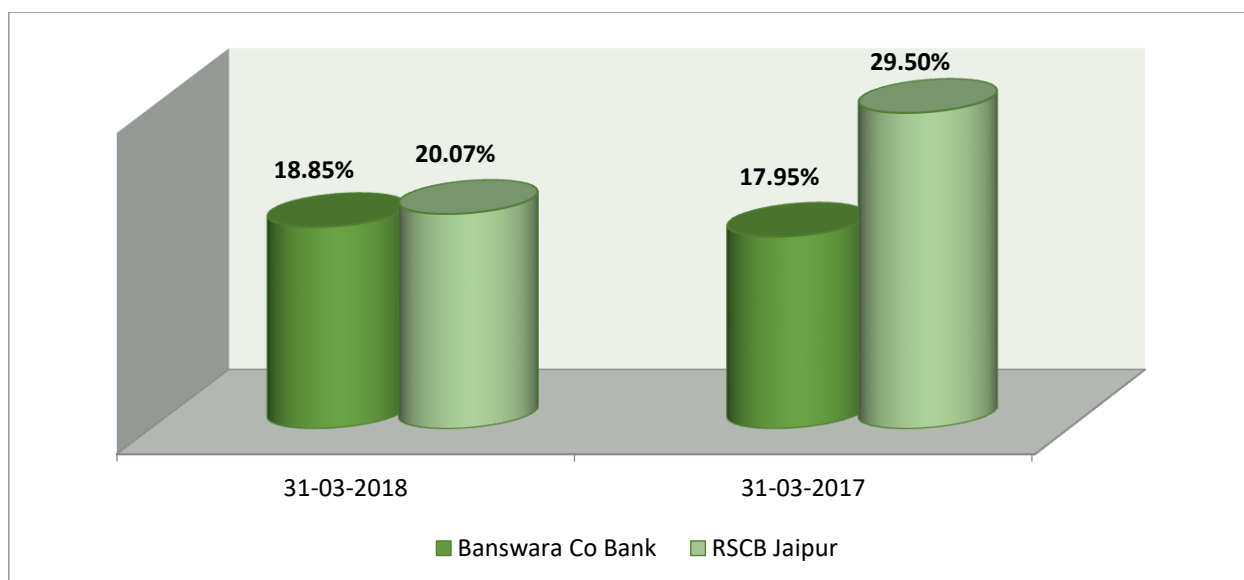
We can deduce that, Cash and Bank Balance of Banswara Bank in FY 16-17 were 33.13% and in FY 17-18 were 27.29% of the total assets. Cash and Bank Balance of RSCB in FY 16-17 were 6.50% and in FY 17-18 were 9.84% of the total assets.

The liquidity position of Banswara bank is more compared to RSCB as they have more liquid assets.

4. Investments

Graph showing comparative analysis of Investments of Banswara Central Co Operative Bank Ltd (Banswara) and Rajasthan State Co Operative Bank Ltd (RSCB) to its total assets for FY 2016-17 and 2017-18

	Banswara	RSCB
31-03-2018	18.85%	20.07%
31-03-2017	17.95%	29.50%



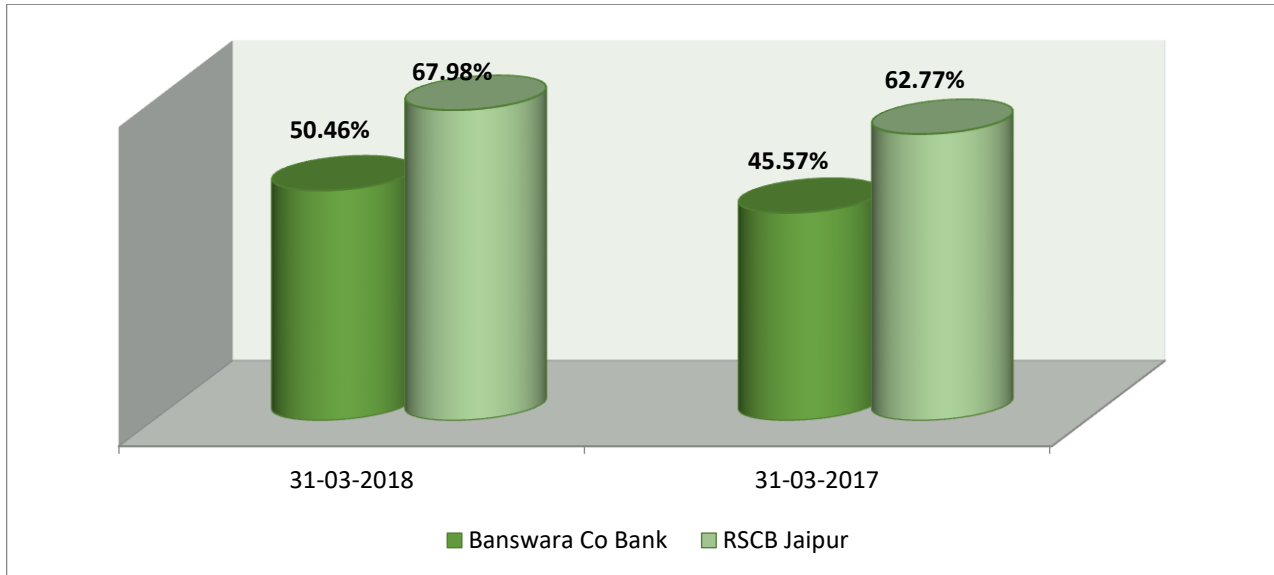
Analysis and interpretation:

We can deduce that, Investments of Banswara Bank in FY 16-17 were 17.95% and in FY 17-18 were 18.85% of the total assets. Investments of RSCB in FY 16-17 were 29.50% and in FY 17-18 were 20.07% of the total assets.

5. Loans and Advances

Graph showing comparative analysis of Loans and Advances of Banswara Central Co Operative Bank Ltd (Banswara) and Rajasthan State Co Operative Bank Ltd (RSCB) to its total assets for FY 2016-17 and 2017-18

Year	Banswara	RSCB
31-03-2018	50.46%	67.98%
31-03-2017	45.57%	62.77%

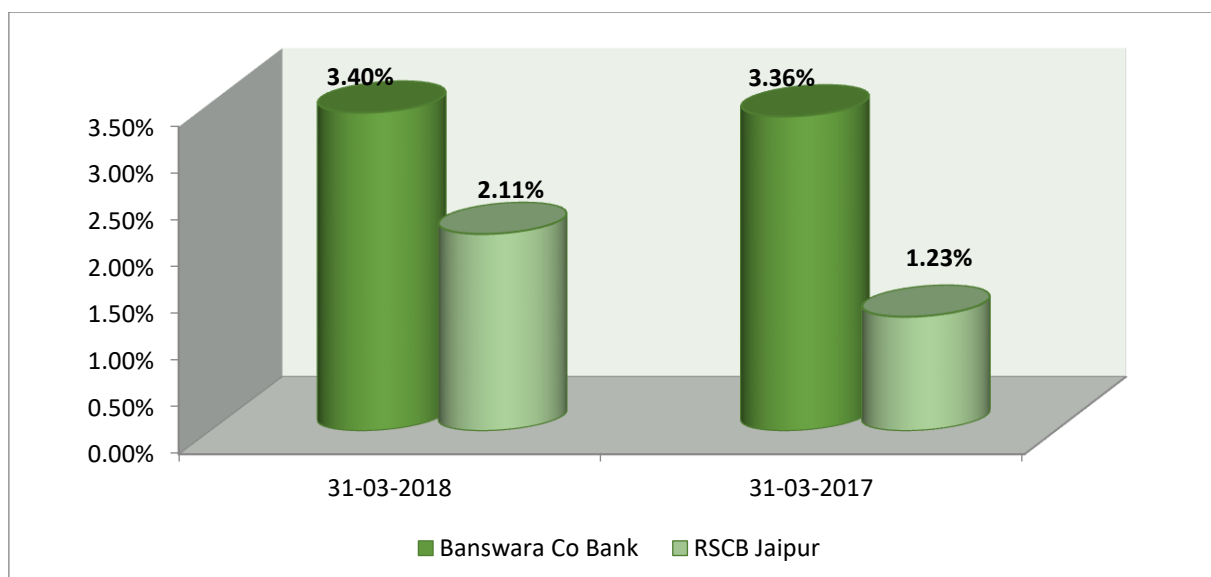
**Analysis and interpretation:**

We can deduce that, Loans and Advances of Banswara Bank in FY 16-17 were 45.57% and in FY 17-18 were 50.46% of the total assets. Investments of RSCB in FY 16-17 were 62.77% and in FY 17-18 were 67.98% of the total assets. As a result, a bank that lends more money to its customers will typically have more interest earnings capability but on the other hand doesn't have enough liquidity to cover any unforeseen needs. RSCB loans and advances are more than as compared to Banswara Bank.

6. Other Assets

Graph showing comparative analysis of Other Assets of Banswara Central Co Operative Bank Ltd (Banswara) and Rajasthan State Co Operative Bank Ltd (RSCB) to its total assets for FY 2016-17 and 2017-18

Year	Banswara	RSCB
31-03-2018	3.40%	2.11%
31-03-2017	3.36%	1.23%





Analysis and interpretation:

We can deduce that, Other Assets of Banswara Bank in FY 16-17 were 3.36% and in FY 17-18 were 3.40% of the total assets. Investments of RSCB in FY 16-17 were 1.23% and in FY 17-18 were 2.11% of the total assets

Findings:

1. Borrowings of Banswara Bank in FY 16-17 were 23.86% and in FY 17-18 were 16.93% of the total liabilities and stockholder's equity. Borrowings of RSCB in FY 16-17 were 56.49% and in FY 17-18 were 62.97% of the total liabilities and stockholder's equity.
2. We can deduce that, Other Liabilities and provisions of Banswara Bank in FY 16-17 were 2.75% and in FY 17-18 were 2.91% of the total liabilities and stockholder's equity. Other Liabilities and provisions of RSCB in FY 16-17 were 2.63% and in FY 17-18 were 1.23% of the total liabilities and stockholder's equity.
3. Cash and Bank Balance of Banswara Bank in FY 16-17 were 33.13% and in FY 17-18 were 27.29% of the total assets. Cash and Bank Balance of RSCB in FY 16-17 were 6.50% and in FY 17-18 were 9.84% of the total assets. The liquidity position of Banswara bank is more compared to RSCB as they have more liquid assets.
4. Investments of Banswara Bank in FY 16-17 were 17.95% and in FY 17-18 were 18.85% of the total assets. Investments of RSCB in FY 16-17 were 29.50% and in FY 17-18 were 20.07% of the total assets.
5. Loans and Advances of Banswara Bank in FY 16-17 were 45.57% and in FY 17-18 were 50.46% of the total assets. Investments of RSCB in FY 16-17 were 62.77% and in FY 17-18 were 67.98% of the total assets. As a result, a bank that lends more money to its customers will typically have more interest earnings capability but on the other hand doesn't have enough liquidity to cover any unforeseen needs. RSCB loans and advances are more than as compared to Banswara Bank.
6. Other Assets of Banswara Bank in FY 16-17 were 3.36% and in FY 17-18 were 3.40% of the total assets. Investments of RSCB in FY 16-17 were 1.23% and in FY 17-18 were 2.11% of the total assets

III. CONCLUSION

Financial statement analysis is an important way for investors, creditors, tax managers and regulators to understand the financial situation of an enterprise. Through the present research study on financial performance of RSCB and Banswara central cooperative Bank. We can conclude that RSCB have good Profit generating ability and better capital efficiency with better performance. Proper efforts and best management practices should be made to improve the overall profitability of the RSCB and Banswara Bank. Comparative financial statement analysis helps to found the differences in bank operations based on the formation of banks. The Study found by analysing the quantitative accounting information regarding financial performance of RSCB and Banswara central cooperative Bank.

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