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## **A STUDY ON FINANCIAL PERFORMANCE USING RATIO ANALYSIS OF KARUR CENTRAL CO-OPERATIVE BANK**

**Dr. M. SANTHI**

Associate Professor & Academic Dean

Department of Commerce

Annai Women's College- Punnamchatram -Karur

### **ABSTRACT**

*Central co-operative banks are the most influential and active contestant in financial markets, and they activate people's savings exploits them in a manner crucial for economic growth. The study has been conducted in view of the financial status of the Karur central co-operative bank in India. The main impartial of this research is to analysis the consolidated financial position of Karur central co-operative bank in India through ratio analysis. It's also shows whether the financial state of the banks has enhanced or declined over the past years. Secondary data was used for the complete study. Obviously, the research was directed built on annual reports over five years, ratio analysis from media sources, and assessments with peer institutions. Diagrams are used for the quick understanding of financial status. Ratios serve as a convenient tool for various stake holders such as management, shareholders, creditors and Various types of ratios, including current ratio, quick ratio, liquidity ratios and solvency ratios have been analysis in this study. The articles not only categories the financial status and issues of the institutions but also provides solutions. The research intentions to offer essential commendations to progress their presentations.*

**Keywords:** Financial analysis, Ratio analysis, financial status and Profitability

### **INTRODUCTION**

#### **History of banking sector**

In all counties, banks serve as the backbone of the economy, and they have emerged as a very powerful strength for economic growth. The banking sector in India has a very extended history, dating back to the Vedic period when the practice of offering money at interest existed. The union bank of India was established 1839.it was the first bank to function in India, but it unsuccessful due to the serve economic crisis that the Indian economy challenged in 1842-1949. However, some leading banks such as the Ahmedabad bank, Punjab national bank, Bank of India, Bank of Baroda, and Central bank of India endure to function today. Some banks such as the bank of madras, merged in 1921 and became known as the imperial bank of India.

The reserve bank of India was shaped in April 1935.after the reserve bank of India was established, it presumed the responsibility of regulating other banks. During the era of globalization, from the 1990s onwards, the banking sector in India raised swiftly due to technical advancements, financial liberalization, and the access of new private, public bank and foreign banks. Currently, utilizing the modern technologies, we have a well-developed banking system.

#### **Co-operative banks**

Co-operative banks are self-governing associations of persons who willingly unite through an organization that is jointly possessed and constitutionally controlled, in order to meet their mutual economic and socio-cultural and ambitions. They have an object for complete incorporation in terms of ownership, control and applications of services. This also discriminates them from commercial banks.co-operative banks play a vital role in improving the revenues of rural communities worldwide, and they have been a substantial part of India's socio-economic, particularly in rural and to some extent urban area. They assist as a powerful instrument in this esteem, reflecting India's deep-rooted traditions of collective effort, mutual support, and social welfare.



### **The Karur central co-operative bank in India: An over view**

The Karur Central Co-operative bank plays a vital role in the co-operative banking system. additionally, it provides essential services to the rural community.it operates under the supervision of the Registrar of Co-operative bank, Chennai, and is an integral part of Tamil Nādu's extensive co operative structure. Its primary objectives are to provide agricultural and non-agricultural loans at rational and low-interest rates, thereby significantly contributing to the economic development of the rural population.it also acts as an innovator in marketing agricultural produce through co operative societies'. The banks operations are structured by the Reserve bank of India and The National bank for Agriculture and Rural Development (NABARD), ensuring acquiescence with banking laws and regulations.



### **Ratio Analysis**

Ratio analysis involves determining and understanding various aspects of financial statements. Financial statements alone generally cannot provide investors with all the necessary information. The figures in these documents, when placed in context, help investors better understand the aspects of a company's performance .one of the methods that investors can use to accomplish this considerate is ratio analysis.

## Types of ratio analysis



Ratio analysis forms the basis for assessing credit risk and valuing the underlying company. Ratio analysis also assistances the cost-effectiveness of bank. Financial ratio helps to both large and small companies assess and improve their financial position.

Generally, a financial ratio or accounting ratio is a calculated tool derived from a company's financial statements that expressions the relationship between selected numbers within those financial statements. financial ratios can be used by the company's managements, current and prospective shareholders and creditors, and other concerned parties and observes to understand a company's strength and weakness. specifically, this helps in comparing one company with another company.

### REIEW OF LITERATURE

**Mistry, D.S(2025)** the objective of this investigation is to compare the net profit performance of Indian co-operative banks. This paper aims to organize these banks based on their financial appearances and evaluate their financial performance. Additionally, the study reveals that return on assets and interest, income have an undesirable relationship with operational effectiveness, but an optimistic connection with assets application and asset size. The research also indicates that functioning productivity, assets management, and the dimensions of the bank influence the financial performance of Indian bank.

**Savani. (2025)** The banks financial constancy was evaluated, and data were provided regarding its long-term financial strength, debt-equity ratio, fixed assets to net worth ratio, determining financial performance, and current ratio. Finally, it was decided that the banks financial performance and its conditions was unreliable because its loans surpassed its capital.

**Malaya Rajan Mohapatra. (2025)** in this research paper, the authors have inspected the profitability of ten selected commercial banks in India. The researchers have recommended that the performances and cost efficiency of these banks can be improved by introducing advanced technology and pleasing to the eye productivity of each employee.

**Aviette Lenca (2025)** the authors state that all selected scheduled commercial banks are considered to differ in terms of total and equity capital, capital adequacy ratio, and efficiency factors. The superior performance in banks is attributed to human resource efficiency. A slight difference is observing when measured on a per-employee basis.

**Balaji and kumara (2025).** As reported by these authors, the presentation of the selected PACS (primary agricultural credit societies) in the post-reform period is expected to be lower. This shows a deterioration compared to the pre-reform period. The selected PACS demonstrates lower levels in the current ratio, return on assets, return on equity, and marginal competence of capital efficiency.

**Majumder and Rahman (2025).** In this research paper, the authors have attentive on examine the structure of monetary value, credit, and trade, and it is supposed that this study indicates that banks are progressively dependent on substructure support. They have also reported an increase in the ratio of gross profit.

**Taqi and Mustafa (2025).** The impartial of the research paper is to manner a study on financial information, specifically concerning measures of financial liquidity, solvency, and cash flows, and to determine how standards are established against which company's financial ratios can be associated.

**Subrat Kumar Pradhan,** A financial ratio is a tool used to evaluate financial condition and performance .it is used in speculative decision-making based on the analysis of a banks financial statements and assistance in evaluating several aspects related to the banks future prospects through the values presented in a financial statement.

#### **OBJECTIVES OF THIS STUDY**

- The main objectives of this research articles are to analysis the financial performance of Karur Central Co-operative Bank using ratio analysis.
- To determine the banks profitability and liquidity position, and to analysis the financial strengths and weakness of the Karur Central Co-operative Bank.
- It also aims to compare the financial performance of Karur Central Co-operative Bank over the past five years.
- To provide valuable suggestions and guidance for strengthen the financial position.

#### **RESEARCH METHODOLOGY**

##### **Methods of data collection**

All the data collected for this research constitutes secondary data, and it was not gained directly from the respondents .it was consequential from previously conducted investigations. Common sources of secondary data include books, journals, newspaper, and questionnaires. Only secondary data has been used in this study.

#### **LIMITATIONS OF THIS SYUDY**

1. This study was conducted on only one specific bank (Karur Central Co-operative Bank)
2. The data for this study was collected only over a period of past five years.
3. The study was based on completely secondary data. We have used our old reports.
4. It is dough for anyone to forecast how accurate the information obtained through secondary sources is; consequently, determining its authentically is quite difficult.

#### **DATA ANALYSIS AND INTERPRETATION**

##### **Current Ratio**

The current ratio shows that this ratio is changing every year. The value of the current ratio is 2:1.in the years 2019-20,2022-23,2023-24, the ratios are 2:17,2:25, and 2.32, respectively. Subsequently, those ratios are very close to the ideal value, which indicates that the liquidity position was good throughout those years. If liquidity requirements are to be heightened, the bank should increase its current ratio

**Table 1**  
**Current Ratio**

<b>Year</b>	<b>Current Assets</b>	<b>Current Liabilities</b>	<b>Ratio</b>
2018-2019	776,16,43,735	357,10,45,532	2.18
2019-2020	760,37,67,562	255,44,79,380	2.98
2020-2021	678,48,75,691	269,93,30,814	2.51
2021-2022	692,33,15,884	307,07,68,509	2.26
2022-2023	795,30,27,336	342,10,80,464	2.31

##### **Quick Ratio**

The ideal value of the quick ratio is 1:1. from the table.2, it is experiential that the ratio Is between to 3.03 for the years 2019-2020 to 2022-23, which expresses that ratio is higher than the ideal value.it means that the bank has acceptable quick assets to pay off its quick assets or current liabilities.

**Table 2**  
**Quick Ratio**

Year	Quick Assets	Quick Liabilities	Ratio
2018-2019	775,16,43,745	36,00,33,31,32	2.21
2019-2020	760,37,67,561	251,20,65,521	3.3
2020-2021	679,47,75,691	265,46,31,305	2.06
2021-2022	692,33,15,884	30,21,14,05,74	2.28
2022-2023	796,30,26,336	338,25,77,420	2.36

### Return on Capital Employed

The ideal ratio is 15%, From the Table.3, it is conditional that, from the year 2019-2020 to 2022-23, the ratios are between 6% and 9%. this shows that the banks profitability is not in a good position.so, the bank must take some necessary steps to increase its profitability, which will growth its value among shareholders.

**Table 3**  
**Return on Capital Employed**

Year	EBIT	Capital Employed	Ratio (%)
2018-2019	96,75,27,278.9	197,44,65,6926.4	9
2019-2020	87,25,87,951.1	119,31,60,59,51	7.4
2020-2021	81,09,75,283.7	127.99.49.88.09.4	6.5
2021-2022	104,35,26,644	139,399,75,21,4.9	7.6
2022-2023	91,63,73,556	150,69,16,36,63,7.	6.3

### Return on Assets Ratio

Table 4 shows that the ROA is changeable one. Here 2021-22, the ratio was 0,83 higher than in other years. Then 2022-23 again the ratio came 0.43. A higher ratio is indicating the financial position was good for the bank, that indicates that the bank is using its assets in an operative manner. Increasing ROA suggests the profitability of the bank is increasing.

**Table 4**  
**Return on Assets Ratio**

Year	Net Income	Total Assets	Ratio (%)
2018-2019	7,34,98,927,21	143,15,73,24,58.40	0.52
2019-2020	2.22.77.886.69	144,860,85,331.64	0.156
2020-2021	565,75,720,16	154,98,82,96,23.39	0.04
2021-2022	14,11,29,98,9.42	170,10,74,37,23.87	0.833
2022-2023	7,95,35,108.91	185,00,244,127.71	0.43

### Interest Coverage Ratio

Table 6.5 shows that the interest coverage ratio is higher in the year 2021-22, i.e.,5.58 times, when compared to other years. Higher the ratio, the greater the ability of the bank to pay interest out of its profit. A higher coverage ratio is better, while the ideal ratio may differ by industry.

**Table 5**  
**Interest Coverage Ratio**

Year	EBIT	Interest Payable	Ratio (%)
2018-2019	97,75,27,27,8.6	18,65,38,15,6.09	5.19
2019-2020	87,24,87,951,1	18,33,15,53,7.40	4.47
2020-2021	81,09,75,28,3.7	18,44,03,07,06.9	4.41
2021-2022	104,35,26,644	18,69.29,233.49	5.55
2022-2023	91,63,73,556	19,29,94,998.98	4.77

### Cash Ratio

From the table 6.it is observed that the cash ratio is in a fluctuating tendency.in the year 2020-21, the ratio was 0.18 higher than in other years. If a banks cash ratios greater than 1. The bank has more cash and cash equivalents than current liabilities. But here the ratios are less than 1, so the bank contains more debts than cash and cash related assets. The bank must take some steps to reduce the current debts or to increase cash and cash related assets.

**Table 6**  
**Cash Ratio**

Year	Cash &Cash Equivalents	Current Liabilities	Ratio (%)
2018-2019	35,85,20,90.6	357,10,75,532	0.10
2019-2020	46,36,14,211.6	255,44,79,380	0.19
2020-2021	44,97,54,931.2	269,93,30,816	0.18
2021-2022	48,97,54,952.2	307,07,68,509	0.166
2022-2023	55,05,33,375.4	343,10,82,464	0.166

**FINDINGS**

According to this research, the return on assets ratio has been indicated to be in a fluctuating position, and it shows the profit position of Arrow. A bank was in a better position in 2022-2023, which indicates a possibility of a failure again in the following year. The return-on-investment ratio is lower than a rational value in all the years, which points to the banks profit position is not being good.

The interest coverage ratio is in a fluctuating state; this ratio in 2022 and in subsequent years is higher. Therefore, this shows that banks cannot engage in highly profitable business using this. This helps in successfully collecting interest from the bank’s profits. The fact the bank has more debt than liquid assets that’s showing not in a good sign for the bank. The current ratio is above its ideal value in all years, which indicates that bank has sufficient liquid assets to meet its assessable liabilities.

**SUGGESTIONS**

Bank should have to take some necessary steps to improve their financial conditions because the current interest rate is not favorable; its may be changeable. They must make efforts to improve the banks business position because if bank interest rates decrease, it will affect the banks growth.to ensure timely interest payments, they must manage their interest-bearing assets appropriately. When the banks financial conditions is not acceptable, the banks growth is hampered. Therefore. the bank must commence all necessary measures for its growth.at this time. The interest rate is changing, and the ratio of liquid assets to total assets is decreasing., which will lower the banks rating. Therefore, they must improve their financial condition to accomplish the banks short-term responsibilities.

The interest rate must be properly maintained, and the banks liquidity position should be acceptable to confirm that it can pay its interest successfully. This is because the rate is currently changing, and the ratio of liquid assets to total assets is decreeing, this indicates the bank need to improve their liquidity position to accomplish their short-term requirements.

**CONCLUSION**

This study was conducted at Karur central co-operative bank limited. After analyzing the banks five-year financial statements to determine its presentation using ratio analysis, it was determined that the banks overall financial performance is in a good state. Based on the findings, it is observed that the banks investments in accordance with government regulations are increasing, and it is recommended that the bank take some necessary steps to improve its liquidity position and profitability. however, it is admirable that the bank is managing and exploiting its funds effectively. This article demonstrates to be very useful in investigating the banks financial performance using its financial statements. The results indicate that financial performance is improving considerably better way.

It is concluded that the Indian co-operative banking sector has experienced a deterioration in several financial pointers, and this tendency continues, additionally, it is determined that public sector banks need to revise their strategies and approaches, taking into account their weakness, strengths, and the type of market in which they operate. At this time, based on the income performance of central co-operative banks is very weak, and the non-interest income of banks is very poor.

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