CHAPTER-1

INTRODUCTION

HISTORY

COMPANY PROFILE

I INTRODUCTION

1.1 Operational Definition

The objective of this project is to conduct an analytical review of the fiscal dynamics and strategic financial positioning of George Town Cooperative Ltd over a five-year period from. FY 2018-19 to FY 2022-23. This study 1S designed to Provide detailed examination of the company's financial statements, assessing key performance indicators, and identifying trends that have influenced its financial strategy and market positioning. Through this analysis, the project will explore the company's revenue growth, expense management, profitability, liquidity, and solvency. It will also evaluate the effectiveness of the company's financial strategies in achieving its business objectives and responding to market conditions.

The methodology adopted for this study includes a comparative analysis of annual financial reports, ratio analysis, trend analysis, and the use of financial modelling tools to interpret data and draw conclusions. The project aims to offer a clear end and comprehensive understanding of the company's financial health and provide recommendations for future financial planning and decision-making.

This report is intended for stakeholders looking for an in-depth understanding of the company's financial journey and its implications for future growth and stability. It is crafted to maintain a balance between simplicity and thoroughness, ensuring accessibility to readers with varied levels of financial expertise

1.2 Theoretical concept

The CAMEL model of rating was first developed in the 1970s by the three federal banking supervisors in the United States (the Federal Reserve, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency) as part of the regulators' "Uniform Financial Institutions Rating System," to provide a convenient summary of bank condition at the time of on-site examination. Under the initials C-A-M-E-L, the banks were assessed on five different criteria:

C-Capital Adequacy

A-Asset Quality

M-Management Soundness

E-Earnings Capacity and

L-Liquidity

The banks received a score of '1' through '5' for each component of CAMEL and a final CAMEL rating representing the composite total of the component CAMEL scores a measure of the bank's overall condition. The CAMEL system was amended in 1996, when agencies included an additional component 'S' for assessing "market risk sensitivity," resulting in the current 'CAMELS' acronym. Commercial banks incorporated in India are currently rated using the 'CAMELS' model. While foreign banks' branches operating in India are rated using the 'CALCS' model (Capital adequacy, Asset quality, Management, Earnings, Liquidity, and Systems & Control). Currently, each of CAMELS' components is scored on a scale of 1 to 100, in ascending order of performance. Each CAMELS element's score is calculated by combining (and applying proportionate weights to) the scores of the numerous sub-parameters that make up the individual CAMELS parameter. Each criterion is given a letter grade from A to D (A-excellent, B-satisfactory, C-unsatisfactory, and D-poor). The composite "CAMELS rating" is calculated by adding the component weights together. Furthermore, poor performance in one or more components lowers the overall composite score.

1.3 Literature relevant to the topic

1. "**A Comparative Study of Financial Performance of Urban Cooperative Banks in India: A CAMEL Analysis**" by S. K. Singh and N. Singh (2020) - This research paper conducts a comparative analysis of urban cooperative banks in India using the CAMEL framework. It examines the financial health and performance of these banks based on capital adequacy, asset quality, management quality, earnings, and liquidity parameters.

2. **"Financial Soundness of Cooperative Banks in India: An Empirical Analysis Using CAMEL Approach"** by R. Patil and P. Kumbhar (2019) - This study empirically analyses the financial soundness of cooperative banks in India using the CAMEL approach. It assesses the strengths and weaknesses of these banks in terms of capital adequacy, asset quality, management effectiveness, earnings, and liquidity.

3. **"Impact of CAMEL Rating on Financial Performance of Cooperative Banks in India"** by N. Kumar and P. Sharma (2021) - This research article investigates the impact of CAMEL ratings on the financial performance of cooperative banks in India. It examines how the CAMEL rating system influences the financial health, profitability, and risk management practices of these banks.

4. **"Financial Performance Analysis of Urban Cooperative Banks in India: A Comparative Study"** by R. Kumar and S. Gupta (2019) - This study focuses on analysing the financial performance of urban cooperative banks in India through a comparative analysis. It evaluates key financial ratios and indicators to assess the profitability, liquidity, solvency, and efficiency of these banks.

5. **"A Study of Financial Performance Analysis of Cooperative Banks in India"** by S. Sharma and A. Jain (2018) - This research paper examines the financial performance of cooperative banks in India using financial ratios and performance indicators. It discusses the challenges and opportunities faced by cooperative banks and provides insights into improving their financial health.

1.4 Need for study

- **Performance Evaluation:** Financial performance analysis provides a systematic method for evaluating the financial health and efficiency of an organization. It helps stakeholders, including investors, creditors, management, and regulators, assess the company's profitability, liquidity, solvency, and overall financial stability.
- **Decision-Making Support**: Financial performance analysis offers valuable insights that support informed decision-making. By analysing financial statements, ratios, and trends, stakeholders can identify areas of strength, weakness, opportunities, and threats, enabling them to make strategic and operational decisions to improve the company's performance.

1.5 Objectives of study

- To interpret the financial performance of the bank for the financial year 2019 – 2023
- To identify the strength and weakness of the bank.
- To study the managerial efficiency and the earnings of the bank.
- To make specific recommendations on the basis of research work carried out.

- **Identify Financial Trends**: Analyse financial statements and trends over time to identify patterns, changes, and potential areas for improvement in financial performance.

1.6 Limitation Of the study

- Ratios are based only on the information which has been recorded in the financial statements
- **Lack of adequate standard**: No fixed standard can be laid down for ideal ratios. There are no well accepted standards or rule of thumb for all ratios which can be accepted as norm.
- **Personal bias:** Ratios are only means of financial analysis and not an end in itself. Ratios have to interpret and different people may interpret the same ratio in different way.
- The inherent limitation of the secondary data may affect the observation analysis and findings made in this study also.
- The study is confined to the financial statement analysis of the company and findings of the study will be relevant only for the reference period. Generalization could not be made.

1.7 Chapter Plan:

- **First chapter**: Deals with the background of study, scope of the study and objectives of the study, theoretical construct related to the problem. It gives a clear idea about previous study about this topic and also gives a theoretical review to it.
- **Second chapter**: Gives detailed Information regarding the Industry and the Bank.
- **Third chapter**: Deals with research methodology about study, research approach and design, source of data, data analysis tools, and limitation of the study. This chapter gives that method which is used for the analysis of the financial performance of the banks and also mention about the limitation of the study.
- **Fourth chapter**: Deals with the data analysis and its interpretation It includes the overall study on the topic and working that supports the study.
- **Fifth chapter**: Findings of study and Conclusion.

II ORGANISATION PROFILE

2.1 Industry Profile

The banking regulation Act,1949 (as applicable to Co-operative bank) which had come into force from 1st March 1966, has vested the Reserve Bank with various statutory powers of control and supervision over the Co-operative Banks. The powers regard to incorporation management etc., of these banks however continue to vest in the Registrars of Co-operative societies of the state concerned. Further the provision of the BR Act, 1949 (as applicable to Cooperative societies) shall be in addition to, and not, save as expressly provided in the Act, in derogation of any other law for time being in force. This means the Cooperative Banks are required not only to comply with the provisions of the BR Act. the provisions of the said Act will prevail over the provision of the Co-operative Societies Acts.

Banking Regulation (Co-operative Societies) Rules 1966

The salient features of the Banking Regulation (Co-operative Societies) Rules 1966, are as under;

“The Act” means the Banking Regulation Act,1949 (10 of 1949);

“Commencement of these rules means – In the case of a co-operative society which at the commencement of Banking Laws Act,1965 (23 of 1965) is a co-operative Bank and is carrying on the business of banking, the date on which these rules come into force;

In case of co-operative society which become a co-operative bank or which commences banking business as a co-operative bank after the commencement of the banking by laws Act,1965 (23 of 1965) the date on which these rules come into force or the date on which the co-operative society so becomes a co-operative bank.

Classification of banks:

Banks are classified into several types based on the function they perform. Generally, banks are classified into:

- Investment Banks
- Exchange Banks

- Commercial Banks
- Co-operative Banks
- Land development Banks
- Savings Banks
- Central Banks

Functions of banking:

The main functions are as follows;

- Borrowing of money in the form of deposit
- Lending or advancing of money in the form of different types of loan
- The drawing making, accepting, discounting, buying and selling, collecting and dealing of bills of exchange, promissory notes, coupons, drafts, bill of landing, railway receipts, warrants, debentures, certificates, securities both negotiable and non-negotiable.
- The granting and issuing of credit, travellers' cheques etc.
- The acquiring, holding, issuing on commission, underwriting, dealing in stock, funds, shares, debentures, bonds, securities of all kinds
- Providing safe deposits vaults.
- Collecting transmitting of money and securities.
- Buying and selling of foreign notes.
- The purchasing and selling of bonds scripts and other forms of securities on behalf constituents or others.
- The subsidiary functions of banks are:
- Acting as agents for governments or local authorities or any other persons.
- Carrying out agency business of any description.

- ➢ Contracting for public and private loans and negotiation and issuing the same.
- ➢ Carrying on guarantee and indemnity of business
- ➢ Managing to sell and realize any property or any interest in any such property.
- ➢ Undertaking and executing of trusts.

2.1.1 Co-operative banks

In India, the inspiration for the co-operative movement came largely from Germany. The co-operative movement in India was introduced with the chief object of making a breakthrough in the stagnation of the poor classes, especially the vast majority of agriculturists, who were growing under the heavy weight of indebtedness. Many of the farmers were literally, born in debt; lived in debt and died in debt, passing on their burdens to those who followed. It was on this background, co-operative movement began in India. The characteristic feature of Indian co-operative movement is that, it is a credit-oriented movement's first co-operative credit societies Act was passed in 1904.This Act provides establishment of credit societies both in rural and urban areas for providing credit facilities of cheaper rates to common man. Thus, the Act recognized the need of urban co-operative banks along with the rural credit co-operative. Rural societies were to be organized on the Raifession model, while the urban societies were to be established on the pattern of HermanSchulze

The first urban co-operative societies was established in India, which is known an Annyona Shakari Mandli Co-operative Bank" located in Baroda (Gujarat state) on 5 Feb1889. Middle classes Marathi people established this societies. It is still functioning Co-operative movement in India was started with a rural bias credit stance. Although co-operative have been start in various areas and activities, the mainstay of co-operative is still co-operative credit societies

Objectives of Co-operative Banks:

- ➢ To provide rural financing and micro-financing.
- ➢ To remove the dominance of money lenders and middlemen.
- ➢ To provide credit services to agriculturalists and weaker sections of the society at comparatively lower rates.

- To provide financial support and personal financial services to small scale industries, housing financial assistance, etc.
- To provide basic banking services to its members.
- To promote the overall development of rural areas.

Importance of Co-operative Banks

- It has an extensive branch network all over the country, making credit easily available even to rural areas. It accounts for 67 percent of total rural credit.
- It is an integral source for credit to agriculturalists.
- It confirms to the requirements of democratic planning and economic progress.
- It provide support to small and marginal farmers for buying inputs, storage and marketing assistance.

Types of Co-operative Banks in India

The co-operative banking structure in India is divided into the following 5 categories:

Primary Co-operative Credit Society:

- The Primary Co-operative Credit Society is an association of borrowers and non-borrowers residing in a particular locality.
- The funds of the society are derived from the share capital and deposits of members and loans from central co-operative banks.
- Borrowing constitutes the most important element of their working capital.
- The borrowing powers of the members as well as of the society are fixed but may differ from state to state.
- The loans are given to members for the purchase of cattle, fodder, fertilizers and pesticides.

Central Co-operative Banks:

- These are the federations of primary credit societies in a district and are of two types:

- ➢ Those having a membership of primary societies only.
- ➢ Those are having a membership of societies as well as individuals.
- ➢ The funds of the bank consist of share capital, deposits, loans and overdrafts from state co-operative banks and joint stocks.
- ➢ These banks provide finance to member societies within the limits of the borrowing capacity of societies.
- ➢ They also conduct all the business of a joint-stock bank.

State Co-operative Banks:

- ➢ The state co-operative bank is a federation of central co-operative bank and acts as a watchdog of the co-operative banking structure in the state.
- ➢ It procures funds from share capital, deposits, loans and overdrafts from the Reserve Bank of India.
- ➢ The state co-operative banks lend money to central co-operative banks and primary societies and not directly to the farmers.

Land Development Banks:

- ➢ These are organized in 3 tiers, namely; state, central, and primary level with the objective to meet the long term credit requirements of the farmers for developmental purposes.
- ➢ National Bank for Agriculture and Rural Development (NABARD) supervises Land development banks.
- ➢ The sources of funds for these banks are the debentures subscribed by both Central and State government as these banks do not accept deposits from the general public.

Urban Co-operative Banks

- ➢ It refers to primary cooperative banks located in urban and semi-urban areas.

➢ Earlier the scope of these banks was restricted, which now has been considerably widened.

➢ They provide funds and services to small borrowers and small business.

Structure of Cooperative Banks in India

The co-operative banking structure in India is divided into Short term structure and Long-term structure.

Short term structure has three levels

➢ A State Co-operative Bank works at the apex level (i.e. works at the state level).

➢ The Central Co-operative Bank works at the Intermediate Level (i.e. works at district level).

➢ Primary Co-operative Credit Societies at a base level (i.e. works at village level).

Long term structure has two levels

➢ State Co-operative Agriculture and Rural Development Banks (SCARDBs) at the apex level.

➢ Primary Co-operative Agriculture and Rural Development Banks (PCARDBs) at the district level or block level.

Role of Co-Operative Banking In India

Co-operative Banks are much more important in India than anywhere else in the world. The distinctive character of this bank is service at a lower cost and service without exploitation. It has gained its importance by the role assigned to them, the expectations they are supposed to fulfill, their number and the number of offices they operate. Co-operative banks role in rural financing continues to be important day by day, and their business in the urban areas has increased phenomenally in recent years mainly due to the sharp increase in the number of primary co-operative banks.

In rural areas, as far as the agricultural and related activities are concerned the supply of credit was inadequate and money lenders would exploit the poor people in rural areas providing them loans at higher rates. Therefore, co-operativebanks mobilize deposits, purvey agricultural and rural credit with a wider outreach, and provide institutional credit to the farmers. Co-operative banks have also been important instruments for various development schemes, particularly subsidy based programmes forpoor.The Co-operative banks in rural areas mainly finance agricultural based activities like;Farming, Cattle, Milk, Hatchery, Personal finance.

The Co-operative banks in urban areas finance to activities like; Self employment, Industries, Small Scale Units, Home finance,Consumers finance, Personal finance, Social Services- Health, Education etc. Some of the forward-looking Co-operative banks have developed sufficient competencies to such an extent that they are able to challenge state andprivate sector banks. The exponential growth of Co-operative banks were attributed mainlyto their much better contacts with the local people, personal interaction with customers and their ability to catch the nerve of the local clientele. The total deposits and lending s of Co-operative banks are much more than the old Private Sectors Banks and the New Private Sector Banks.

Urban Co-Operative Banks

Urban Co-operative Banks are also referring as Primary Co-operative banks by the Reserve Bank of India among the non-agricultural credit society"s urban co-operative banks occupy an important place. This bank is started in India to catering to the banking and credit requirements of the urban middle classes.

The RBI defines Urban Co-operatives Banks as "small sized Co-operatively organized banking units which operate in metropolitan, urban and semi-urban centers to catermainly to the needs of small borrowers, viz., owners of small scale industrial units, retail traders, professional and salaried classes".

Urban Co-operative banks mobilize savings from the middle and lower income groups and purvey credit to small borrowers, including weaker sections of the society. These banks organize on a limited liability basis; generally extend their area of operation over a town. The main functions of these banks are to promote thrift by attracting deposits from members and non-members and to advance loans to the members.

It was register under Co-operative Societies Act of the respective State Government. Prior to 1966, Urban Co-operatives were exclusively under the purview of State Government from March1, 1966 certain provisions of Banking Regulation Act have been made applicable to these banks.Consequently, the RBI become the regulatory a supervisory authority of Urban Co-operative Banks for their related operations. Managerial aspects of such banks continue to remain with State Governments under the respective Co-operative Societies Act. These banks with multi-presence regulated by the Central Government and registered under Multi-State Co-operative Societies Act. The RBI extends refinance to Urban Co-operative Banks at bank rate against their advances to tiny and cottage industrial units. These banks grants sizeable loans and advances under priority sector for lending to small business enterprises, retail trade, road and water transport operators and professional and self-employed persons.

Structure of co-operative bank:

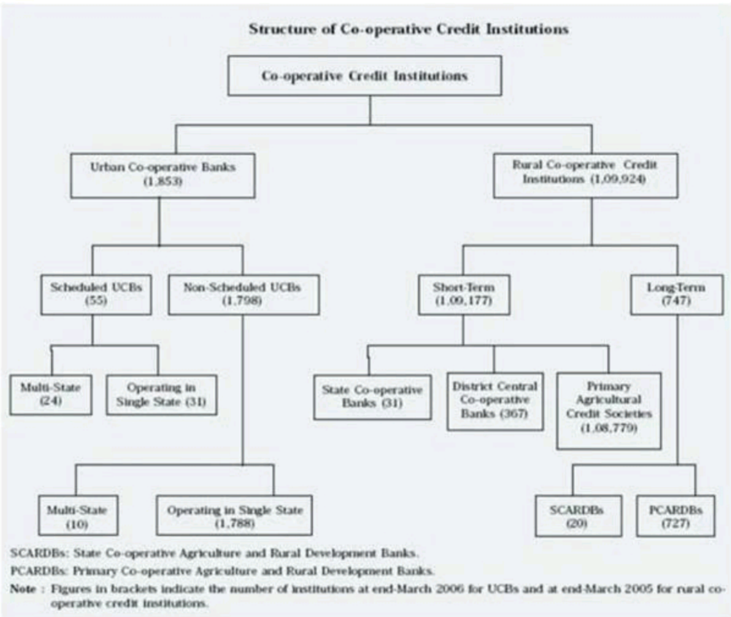

Figure 2.1 - Structure of co-operative bank

Reserve bank of India:

The central bank of the country is the Reserve Bank of India (RBI). It was established in April 1935 with a share capital of Rs.5 crores on the basis of the recommendations of the

Hilton Young Commission. The share capital was divided into shares of Rs.100 each fully paid which was entirely owned by private shareholders in the beginning. The government held shares of nominal value of Rs. 2,20,000.

Reserve Bank of India was nationalized in the year 1949. The general superintendence and direction of the bank is entrusted to the central board of directors of 20 members, the governor and four deputy governors, one Government official from the ministry of finance, ten nominated directors by the Government to give representation to important elements in the economic life of the country and four nominated directors by the central Government to represent the four local boards with the head quarters at Mumbai, Kolkata, Chennai and New Delhi. Local boards consist of five members each central Government appointed for a term of four years to represent territorial and economic interests and the interest of cooperative and indigenous Banks.

The Reserve Bank of India Act, 1934 was commenced on April 1, 1935.

The Act, 1934 provides the statutory basis of the functioning of the bank.

The Bank was constituted for the need of the following:

- To regulate the issues of banknotes.
- To maintain reserves with a view to securing monitory stability.
- To operate the credit and currency system of the country to its advantage.

The Functions of Reserve Bank of India

The Reserve Bank of India Act of 1934 entrust all the important functions of a central bank the Reserve Bank of India

- Bank of issue
- Bank to Government
- Bankers bank
- Lender of the last resort
- Controller of credit

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➢ Bankers bank

➢ Lender of the last resort

➢ Controller of credit

➢ Custodian of foreign reserves

➢ Supervisory functions

Structure of Indian banking system:

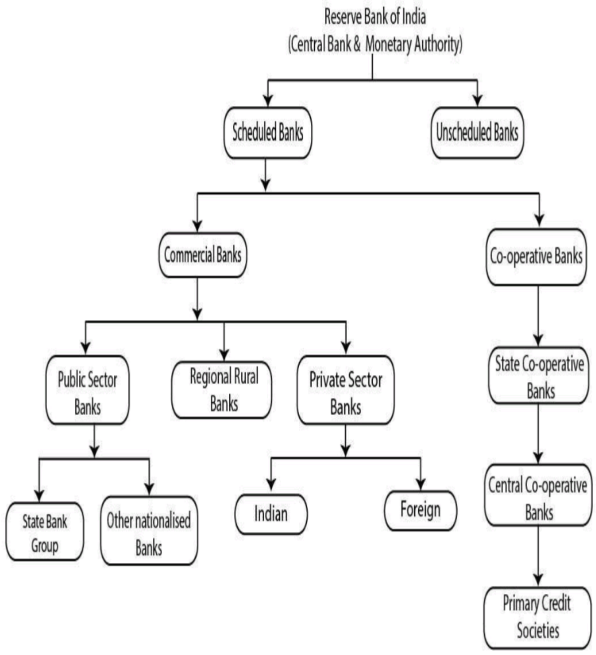

Figure 2.2 - Structure of Indian banking system

2.2 Bank profile:

GEORGE TOWN CO-OPERATIVE BANK was registered on 12-04-1923 and incorporated on 30-06-1923. It has been since 100 years from started is running successfully with its employees and customer. It started with 17 members and at present as on 31-03-2023 it has 141792 members and 405.13 (in lakhs) shares in it.

Including the Head office branch George town bank has its 8 branches in

- ➢ Head office (Sowcarpet)
- ➢ Perambur
- ➢ Anna salai
- ➢ Washermenpet
- ➢ Villivakam
- ➢ Adyar
- ➢ Aalandur
- ➢ Kodungaur

MISSION OF GEORGE TOWN COOPERATIVE BANK

The Mission of the Bank is to mobilise resources, provide banking products and other professionalised services to the people, strengthen the affiliates, provide vibrant leadership to the co-operative banking system, achieve sustained growth and ultimately to attain prime position in the banking industry.

AIMS OF CO-OPERATIVE BANK

- ➢ To promote savings among members and thereby increase the supply of funds.
- ➢ To tap outside source for the supply of funds
- ➢ To promote the effective use of credit and to reduce the risk in the granting of credit.
- ➢ To reduce the cost of management through the honorary ervice.