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A STUDY ON THE PERFORMANCE OF MEGHALAYA COOPERATIVE APEX BANK

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Abstract - Financial performance is done to evaluate the company's capabilities, stability and profitability. Financial analysis can help investors assess whether they should invest in a particular company. The main purpose of this survey is to grasp the company's short-term and long-term financial situation and grasp the company's profit level. It is analyzed using the short-term, long-term and profit rate for the period from 2011 to 2016, based on the secondary data which is the balance sheet and income statement. Without significantly increasing operating expenses, the company needs to stabilize its earnings.

Key words - Financial analysis, Ratio analysis, Stability and Profitability

I. INTRODUCTION

The Meghalaya Co-operative Apex Bank Ltd. (MCAB) was established in 1971, with the formation of Meghalaya State after bifurcation of the erstwhile Assam State. Since then the Bank has developed and expanded its activities/operations and has grown in manifolds. MCAB commenced Banking operations with just two branches – one at Shillong and the other at Tura. Today, the Bank has a wide network of 49 branches, spread throughout the State providing effective banking products and other related services to the general public. The MCAB being a household name in Meghalaya & as a pioneer in Banking in Meghalaya, has taken banking to the doorsteps of the people of the State and has been able to nurture and develop banking habits among the people. This has changed the saving habit of people from the traditional methods to the modern banking facilities to earn remunerative returns for their savings invested with the Bank and utilize various attractive and innovative banking products offered by MCAB. The Bank has provided Debt Relief to more than 54000 farmers amounting to Rs.9.81 crores under the 'Agricultural and Rural Debt Relief Scheme' 1990 sponsored by the Govt. of Meghalaya

and made them Debt Free & re-eligible to avail loans and advances from the MCAB.

II. COMPANY PROFILE

The MCAB is a pioneer in banking in the State and has been rendering various public utility services for the benefits of the people. The Bank has been playing a vital role in promotion and development of Cooperative Societies, in the State of Meghalaya, serving the cause of rural development and assisting target groups through its affiliated Cooperative Societies and the Branches. The Bank has successfully nurtured and developed banking habits among the majority tribal population of the State to whom banking was practically unknown prior to creation of MCAB. The MCAB through its banking profile and innovating approach has been able to change the savings habits of the indigenous people from conventional, unsafe and unproductive manner to modern banking system and offers numerous options to their hard earned savings in the Bank in a self, secured and remunerative manner. This has also helped the MCAB and other / Banking Institutions in the State to mobilize substantial deposit resources and utilize the same in the economic development of the Nation. The Bank has formulated numerous attractive Deposit Schemes for the general public and has been offering 0.25% to 0.50% more interest than the Commercial/Public Sector Banks with a view to encourage savings and the thrift habit among the people. The MCAB has grown into a premier Bank in the State and become a household name all over Meghalaya. The Eastern Panorama, a News Magazine of North East

III. STATEMENT OF PROBLEM

The rural banks play a very important role in the development of banking sector in rural area. The case studies mainly focus on the Meghalaya cooperative apex banks financial performance and the



profitability level of the bank for period of five year using various tools available.

IV. SCOPE OF THE STUDY

The main focus of the study is to analyze the financial position of the bank by using financial tool like ratio analysis. This method is using in order to identify the financial position of the bank. Overall the study aims know the financial position of the bank.

V. OBJECTIVE

- ❖ To know the short term financial position of the company.
- ❖ To know the profitability of the company.

VI. TOOL USED

RATIO ANALYSIS.

VII. LIMITATION OF THE STUDY

- ❖ The time period is limited to Three years
- ❖ The study is base on secondary data.
- ❖ The information is accessible on bank websites.
- ❖ Very limited studies have been done due to the lack of data availability.

VIII. LITRETURE REVIEW

- ❖ **Indrajith Mallick (2009)** studied the allocation of liquidity in the inter-bank money market. This paper focuses on an ex post trading problem in inter banks money market. “
- ❖ **Selvakumar and kathiravan (2009)** studied the profitability performance of public sector banks in India. Banking system is an important constituent of the overall economic system
- ❖ Dr.S.Vijayalakshmi 1, Sowndarya.K 2 and Sowndharya.K 3 A Study on Financial Performance Analysis of Bharti Airtel Limited

IX. DATA ANALYSIS AND INTERPRETATION

Ratio analysis is used to evaluate various aspects of company operating and financial performance, such as efficiency, liquidity, profitability, and solvency.

The trend of these ratios over time is studied to see if they are improving or getting worse. The ratio is classified as short-term ratio, long-term ratio (debt management ratio), and profitability ratio.

1. CURRENT RATIO
2. LIQUIDITY RATIO
3. ACID TEST RATIO
4. PROFITABILITY RATIO

SHORT TERM RATIOS

- ❖ **CURRENT RATIO** - Current ratio may be as the relation between current assets and current liabilities it is the most common ratio for measuring liquidity.
- ❖ **LIQUIDITY RATIO** - A high liquidity ratio indicates that a business is holding too much cash that could be utilized in other areas.

YEAR	CURRE NT ASSET	CURREN T LIABILIT Y	CURRE NT RATIO	LIQUIDIT Y RATIO
31.03.20 15	172755	104400	1.65	1.65
31.03.20 16	189674	109439	1.73	1.73
31.03.20 17	230474	151189	1.52	1.52

- ❖ **ACID TEST RATIO** - Its also known as Quick Ratio its measures the ability of a company to pay short term obligation by using the more liquid types of current asset.
- ❖ **LIQUID RATIOS** - Liquid ratio measure a company's ability to pay debt obligations and its margin of safety.
- ❖ **PROFITABILITY RATIO** - The Profitability ratio is used to evaluate the bank's ability to generate income as compared to its expenses and cost associated with the generation of income during a particular period.

1. CURRENT AND LIQUIDITY RATIO

(Amount is in Lakhs)
(Secondary Data)

The above illustration of table show the positive liquidity position of the bank. All the three year depicting a positive sign to its bank debt. In all the three year the bank has a positive balance on current and liquidity ratio. The gap between 2015 and 2016 is 0.08% and 2016 to 2017 is 0.21%. From the



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YEAR		QUICK ASSET	CURRENT LIABILITY	ACID TEST RATIO
31.03.2015		10672	104400	0.102
YEA	NET	CAPITA	*10	RETURN
31.03.2016	OPERATI NG	10566	109439	0.096
31.03.2017	PROFIT	17336	151189	0.114
2015	948	104103	100	0.91
2016	250	118275	100	0.21
2017	807	120726	100	0.66

above calculation we can said that bank has a positive balance to pay its debt.

2. LIQUIDITY RATIO

YEAR	ABSOLUTE LIQUID ASSET	CURRENT LIABILITY	LIQUIDITY RATIO
2015	10672	104400	0.10
2016	10566	109439	0.09
2017	17336	151189	0.11

The following table showing that the bank has very poor liquidity ratio and same the rate of liquidity is not fluctuate too much its consider as stable. A low liquidity ratio means a bank may struggle to pay short-term obligations.

1. ACID TEST RATIO.

The above illustration of table show that Acid test Ratio is less than in all three years that means the bank has not in position to pay their current liabilities with highly liquid current asset. The acid test ratio is much lower than the current ratio it means that the current assets are highly dependent on inventory.

PROFITABILITY RATIO

(a) RETURN ON ASSET

TABLE 3

YEAR	NET INCOME	TOTAL ASSET	*100	RETURN ON ASSET
2015	16591	208503	100	7.95
2016	17912	227714	100	7.86
2017	20126	271915	100	7.40

In this illustration the table showing Return on Asset which is more than 7. In all the three years. It's the percentage of bank how profitable a banks asset is generating revenue. Generally more 5% of ROA is considered as a good rate of return on asset.

Therefore here bank ROA is seem quite good all over.

(b) RETURN ON CAPITAL EMPLOYED

The above illustration of table show that Return on capital employed rate of bank, which is very low less than 1%. Its means the capital utilized by bank to generate profits is low or the area where banks invested are generation income at a very slow and low rate.

(c) NET INTEREST MARGIN

YEAR	NET INTEREST INCOME	AVG. EARNING ASST	NET INTEREST MARGIN
2015	15079	10425	1.44
2016	16778	11387	1.47
2017	19842	13595	1.45

The above illustration of table showing the Net Interest Margin, it's the ratio of net of interest income to invested assets. A negative Net Interest Margin indicates that the firm was unable to make an optimal decision, as interest expenses were higher than the amount of returns produced by investments.

X. FIDINGS

- ❖ Over all liquidity position is low but stable.
- ❖ According to Current ratio bank has a positive balance to pay its debt.
- ❖ The bank has not in position to pay their current liabilities with highly liquid current asset.
- ❖ Return on Asset seems positive or average position.
- ❖ The bank's capital utilized by bank to generate profits is low.
- ❖ A negative Net Interest Margin indicates that the firm was unable to make an optimal decision, as interest expenses were higher than the amount of returns produced by investments.

SUGESSTION –

- ❖ Bank should evaluate the investment area.
- ❖ Over all return is low, need some performance analysis to do.
- ❖ Profit of the bank is very low, so need some new scheme to improved the profit

XI. CONCLUSION



The study reveals that the financial performance of Meghalaya cooperative apex bank is weak but not negative. The management is doing good not the best. Some performance appraisal and evaluation can change the whole financial scenario in very positive way. Compare with other RRB bank of the region, this bank is doing very well.

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