“A STUDY ON WORKING CAPITAL MANAGEMENT AT AMANATH CO-OPERATIVE BANK LIMITED”

OBJECTIVES OF THE STUDY:

To determine the efficiency working capital management of the bank.
To identify the liquidity position of the bank.
To analyse the statement showing the changes in working capital.
To analyse the strength and growth of working capital of the bank.
To compare the financial performance of the bank.
To understand the short term and long term solvency.
To ascertain the future performance of the bank.
To study the reasons for fluctuations in working capital.

SCOPE OF THE STUDY:

The study is conducted in Bangalore covering operational area of the Amanath Co-operative Bank.

STATEMENT OF THE PROBLEM:

The management of the working capital is not a simple operation. It represents a stimulating challenge, which requires constant attention, an exercise of skill and judgement through knowledge of the business, an awareness of economic trends and familiarity with money market. As the degree of effectiveness with which it is performed affects future as well a current results, no industrial concern should fail to appreciate the vital importance of this aspect of its administration.
Working capital is the lifeblood of any business, without working capital no business can survive. Every activity of the business is related to the availability of the working capital, i.e., arranging short term financing, negotiating favorable credit terms, controlling the movement of the cash, administering account receivables and monitoring the investments in inventories. All these consume a great deal of time of finance managers. Also the obstacles inhabiting the effective working capital management throw open challenges to the finance manager in managing working capital. This creates an opportunity to study the working capital management as an individual topic.
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CHAPTER-1

INTRODUCTION
PART-A

ABOUT THE INDUSTRY:

BRIEF HISTORY, GROWTH AND PROSPECTUS:

Although the general perception may be that organized is a relatively new phenomenon that has only developed over the last few centuries, the reality is that banking has been thriving in one form or another for almost 3,750 years.

It was during the heyday of Babylonian from 1728-1686 BC that the code of Hammurabi, named after the sixth and most successful king of Babylonian was devised and written. Details of the country’s laws and financial regulations were carved on tablets of stone six feet high, including details of how loans, interest and guarantees would operate according to a set of standardized procedures. However, the code of Hammurabi established some important principles, namely that organized banking cannot exist without the essential quartet of rules, regulations, political stability and a developed economy.

Both Ancient Greeks and later the Romans developed their own domestics banking systems based on the use of universal currency and credit notes. But as countries borders were crossed and travel throughout the globe became more common, a need for international banking arose.

By having such a resolute banking system, foreigners outside the empire could also trade with Romans with confidence, knowing that definite rules applied. So, even
though the Greeks had successfully operated a credit-based banking system with the Egyptians several centuries earlier, it was the Romans who crucially introduced legislation to regulate financial institution and practices.

Their successful and respected international banking model existed in the Mediterranean until the fall of the Roman Empire in the sixth century after which Europe entered a dark period of political instability and mistrust. As a result, banking could not operate in the same formalized way. It wasn’t until almost a millennium later, during 16th century that westernized banking emerged and with it the false impression that banking itself was an entirely new concept. However, it developed from the same essential that drove first the Babylonians, Greeks and finally the Romans established their banking rules, regulations and standards and led to the formation of the London royal exchange in 1565, generally regarded as the formation of UK banking. It was from those renewed beginnings that standardized systems for deposits, loans and guarantees evolved and eventually were copied throughout the world. Over the past four centuries westernized banking principles have firmly established across the globe and although King Hammurabi of ancient Babylon wouldn’t recognize it now, international banking is most firmly rooted in his initial concepts devised almost four thousands years ago.

Co-Operative is self help as mutual help. It is the joint enterprise of those who are not financially strong and cannot stand on their own legs, and therefore come together not with a view to getting profits, but to overcome disability arising out of want of adequate financial resources, and thus better economic condition.

India is an agricultural country and an industrially backward country. So the development of agriculture and industry is of utmost importance. For the
development of agriculture and industry, finance is indispensable. But there is scarcity of finance. Therefore, the Co-Operative banks are playing an important role in providing the finance.

A Co-Operative society is a voluntary association of individuals. A person is free to join or not to join a Co-Operative society as its members. A Co-Operative society is formed

Primarily for the purpose of rendering maximum service to its members and not for earning maximum profits.

**ORIGIN OF BANKING**

THE WORD BANK HAS BEEN DERIVED FROM THE LATIN WORD BANCUS FROM BANQUE, WHICH MEANS BENCH IN ENGLISH.

Hilton young commission has defined the bank as every person, firm or company accepting deposits of money subject to withdrawal by cheque, draft or order. The Indian banking companies act, 1949 defines a banking company which transacts the business of banking in any state of India

**BANKER**

A person who is doing the banking business is called a banker. But, it is not at all easy to define the term ‘banker’ precisely because a banker performs multifarious functions. First, a banker must be a man of wisdom. He deals with others money bit with his own mental faculties. Secondly, a banker is not only acting as a depository, agent, but also as a repository of a financial advice. A banker is dealing
with banking which is highly dynamic, complex and sophisticated and this must cater to the ever growing requirements of millions of people belonging to different strata of society.

**INDIAN VIEW**

The definition given in India in the banking regulation act as ‘a company which transacts the business of banking in India,’ and the term ‘Banking’ has been defined as “Accepting for the purpose of lending and investment of deposits of money from the public, repayable on demand, order or otherwise and withdraw able by cheque, draft order or otherwise.”

**INDIAN BANKING SYSTEM**

Banking system plays a vital role in the economic development of a country. The structure of the banking system in India consists of two parts:

1) **Organized sector:**
   a) Commercial Banks
   b) Co-operative Banks
   c) Regional Rural Banks

(2) **Unorganized sector:**
   a) Money-Lenders
   b) Indigenous bank
Co-operative Bank in India:

The co-operating movement was studied in India in 1904 with the object of providing finance to agriculture for productive purpose at low rate of interest, and thereby, relieving them (i.e. the agriculture) from the clutches of the money leaders. A large numbers of agriculture credit societies were set up in the village under the co-operative society’s act of 1912 contributed to the establishment of central co-operative banks and the state co-operative banks to provide refinance to primary Credit societies which could not mobilize funds by their own efforts. By facilities formation of central Co-operative Banks and the

State Co-operative Banks, the Co-operative society’s act of 1912 gave stimulus to the Co-operative credit movement in India. The Co-operative credit movement made good progress during and after the first world war of 1914-1918. But during the great depression of 1929-1933, it received a serious setback. With the outbreak of the second world war of 1939-1945, the Co-operative credit movement made considerable progress once again. During the post independence era, much progress has been made in Co-operative Banking thanks to the keen interest shown by the Reserve bank of India in Co-operative credit movement.

Definition of Co-Operative Banking:

A Co-Operative bank is a Co-Operative organization engaged in the banking functions of acceptance of deposits and borrowing of funds and lending of credit.
Characteristics features of Co-Operative Banking:

1) Like commercial banking Co-Operative banking also is concerned with performance of the banking functions of acceptance of deposits and lending of funds.
2) A Co-Operative bank is an association of persons and not of capital.
3) Co-Operative banks are democratic institutions, in the sense that they follow the principle of ‘One man, One vote’ in their management.
4) Co-Operative banking is based on the principle of mutual help.
5) Service and not profit is the main motto of Co-Operative bank.
6) The rate of interest charged by Co-Operative bank is generally low.

Structure of Co-Operative Banking System in India:

The Indian co-operative banking structure or system is a three tier system. It consists of three sections viz...

1) Primary credit societies at the base
2) Central co-operative banks in the middle and
3) The state co-operative banks or the apex banks at the top.
The co-operative provides short terms and medium term credit. They are agricultural and non-agricultural credit societies.

There are primary agricultural credit societies functioning in towns and cities. In addition, there are farms service societies and grain banks. For providing long term agricultural credit there are primary and central land development banks.

**Drawbacks and Measures to be taken for the improvement of Co-operative Banking:**

**The following are the limitations.**

1) Co-operative banking structure is weak. A top heavy structure of co-operative banking is built on every firm foundation.

2) Co-operative banks are not able to mobilize adequate resources from members as well as non-members for reason or other therefore; they
have to depend upon the central bank for refinance facilities to a large extent.

3) The limited managerial talent available with the Co-operative banks and the ineffective post credit supervision employed by the Co-operative banks are also responsible for the poor recoveries of advances greater incidence of bad debts and loss of funds.

4) Due to lack of honesty and integrity of persons in charge of the day to day administration cases of deflation and embezzlement of funds are quite common in the case of many Co-operative credit societies. This has resulted in unsuccessful working of many Co-operative credit societies particularly in rural areas.

5) Co-operative banks i.e., primary credit societies in rural areas, suffer from stiff competition.

6) The official machinery of the government which is expected to provide guidance, raise the tone the administration of the Co-operative credit societies and take timely steps to present mismanagement, has prove ineffective.

**Measures to be taken for the improvement of Co-Operative Banking:**

1) The primary Co-operative credit society which is the pivot of the whole Co-operative banking system should be reconstituted on sound Co-operative lines.

2) There should be greater emphasis on the inculcation of Co-operative spirit, honesty and the habit of thrift among the members of the Co-
operative credit society should also be made to understand the importance of building up of own funds also the needs for ensuring all sided development of agriculture.

3) Proper training should be given to the staff of Co-operative credit societies in co-operation rural economies and theory and practice of banking.

4) The Co-operative bank should build up enough reserve out of their profit for overcoming the storage of funds and for withstanding financial stress and strains.

5) The official machinery of the government should provide timely guidance and raise the tone of administration of credit Co-operative society.

PART-B:

ABOUT THE SUBJECT:

FINANCE:

Finance is defined as the provision of money at the time when it is required every enterprise, whatever big medium of small, needs finance to carry on its operation & to achieve its targets. In fact, finance is so indispensable today it is rightly said to be the lifeblood of an enterprise. Without adequate finance, no enterprise can possibly accomplish its objectives.
Objectives of Finance:

1) The major function of finance is the mobilization of resources of the economy and canalizing the money in productive activities.
2) The other objective of finance is to generate income or profit creating assets for the use of masses and contributing for the promotion of the economy.
3) Finance, studies and addresses the way in which Indian, businesses and organization raise, allocate and use monetary resources overtime, taking into account the risk entitled in their projects.

Importance of Finance:

1) It plays an important role in the progress of the business, it keeps the enterprise dynamic. It is therefore necessary that there should be proper administration of Finance, which is inflow and outflow of cash should be regularized and controlled according to the need of firms.
2) Every business activity requires financial support because financial viability is that which central them of any business proportion.
3) The business activities are not mutually exclusive; their dependence on each other can be measured only in terms of finance.
4) It is very important to guide and regulate investment decision and expenditure.
FINANCIAL MANAGEMENT:

Financial management is a subject which deals with the tools and techniques through which a company’s balance sheet is constructed. It offers idea to the executives in building items in liabilities and assets of balance sheet. It clearly guides the financial manager to select both long term and as well as short term funds and its allocation to capital and revenue expenditure.

Objectives of Financial Management:

1) Profit maximization:
   Earning profits by a corporate or a company is a social obligation. Profits are only means through which an efficiency of organization can be measured.

2) Wealth maximization:
   It may be observed that the wealth maximization is the ulterior motive of any firm. It cannot ignore the welfare of the organs or associates who collectively contribute for the wealth maximization.

Functional areas of Financial Management:

1) Estimation of the financial requirements:
   The requirement of finance to a business concern in continuous. It is needed in all the stages of business cycle namely, initial growth, saturation and declining stage.

2) Selection of right sources of funds:
The second important step of the finance manager to select the right type of sources of funds at the right time at right cost.

3) **Allocation of funds:**

   It is the responsibility of finance manager to distribute the funds to capital expenditure and revenue expenditure.

4) **Analysis and interpretation of financial performance:**

   The performance of each portfolio can be measured in terms of profitability and returns on investments.

5) **Analysis of cost-volume-profit:**

   It helps the management to evaluate different proposals of investments. Make or buy decision, deletion and continuation of a product line decision can be made by adopting CVP/BEP analysis.

**INTRODUCTION TO WORKING CAPITAL**

A business unit or industrial establishment requires two types of finance that is long term finance and short term finance. Long term finance is required to meet capital expenditure requirements, short term finance of funds are needed to meet the day to day requirements of the business unit.

A company whether big or small has to manage working capital requirements efficiently so as to ensure the smooth flow of the production activities, therefore an efficient financial manager has to devote most of his time in the management of working capital.
Meaning and Definition of Working Capital:

Working capital is defined as the excess of current assets over current liabilities. Working capital is the amount of funds in current use in the operation of a business. It can also be regarded as that portion of firms total capital, which is explained in short term operation. Working capital need not be in cash, it can be in the form of assets that can be turned into cash within a short period of time.

According to Smith “Working Capital Management is concerned with the problems that arise in attempting to manage the current assets, current liabilities, and the interrelationship that exists between them”.

Types of Working Capital:

1) Net Working Capital:

The net working capital is the difference between current assets and current liabilities. The concept of net working capital enables a firm to determine how much amount is left for operational requirements.

2) Permanent Working Capital:

It is the minimum amount of current assets which is needed to conduct a business even during the dullest season of the year. This amount varies from year to year, depending upon the growth of a company and the stage of the business cycle in which it operates. It is the amount of funds required to produce the goods and services which are necessary to satisfy demand at a particular point.
3) **Temporary or Variable Working Capital:**

It represents the additional assets which are required at different times during the operating year - additional inventory, extra cash, etc. Seasonal working capital is the additional amount of current assets - particularly cash, receivables, and inventories which are required during the more active business seasons of the year.

4) **Balance Sheet Working Capital:**

It is one which is calculated from the items appearing in the balance sheet. Gross working capital, which is represented by the excess of current assets, and net working capital, which is represented by the excess of current assets over liabilities, is examples of the balance sheet working capital.

5) **Cash Working Capital:**

It is one which is calculated from the items appearing in the profit and loss account. It shows the real flow of money or value at a particular time and is considered to be the most realistic approach in working capital management.

6) **Negative Working Capital:**

It emerges when current liabilities exceed current assets. Such a situation is not absolutely theoretical, and occurs when a firm is nearing a crisis of some magnitude.

**Factors Determining Working Capital:**

1) **Nature of Industry:** The composition of assets is a function of the size of a business and the industry to which it belongs. Small companies have smaller proportions of cash, receivables, and inventory than large corporations.
2) **Demand of Industry:** Creditors are interested in the security of loans. They want their obligations to be sufficiently covered. They want the amount of security in assets which are greater than the liability.

3) **Cash Requirements:** Cash is one of the current assets which is essential for successful operations of the production cycle. Cash should be adequate and properly utilized. It would be very expensive to hold excessive cash. A minimum level of cash is always required to maintain good credit relations.

4) **Nature of Business:** The nature of a business is an important determinant of the level of the working capital. Working capital requirements depend upon the general nature or type of business. They are relatively low in public utility concerns, in which inventories and receivables are rapidly converted into cash.

5) **Time:** The level of working capital depends upon the time required to manufacture good manufacturing. If the time is longer, the size of working capital is great. Moreover, the amount of working capital depends upon inventory turnover and the unit cost of the goods that are sold.

6) **Volume of Sales:** This is the most important factor affecting the size and components of working capital. A firm maintains current assets because they are needed to support the operational activities which result in sales.

7) **Terms of Purchase and Sales:** If the credit terms with respect to purchase are more favorable and those of sales less liberal, less cash
will be invested in inventory. With more favorable credit terms, working capital requirements can be reduced. A firm gets more time for payment to creditors or suppliers.

8) **Inventory Turnover:** If the inventory turnover is high, the working capital requirements will be low. With a better inventory control, a firm is able to reduce its working capital requirements.

9) **Receivable Turnover:** It is necessary to have an effective control of receivables. A prompt collection of receivables and good facilities for setting payables result into low working capital requirements.

10) **Production Schedule:** The production schedule of an organization requires systematic planning and organization of raw materials for continuous production. The object of continuity in production can be ensured if necessary raw materials components etc., are properly stored and supplied.

11) **Business Cycle:** Business expands during periods of prosperity and declines during the period of depression. Consequently, more working capital is required during periods of prosperity and less during the periods of depression.

12) **Value of Current Assets:** A decrease in the real value of current assets as compared to their book value reduces the size of the working capital. If the real value of current assets increases, there is an increase in the working capital.

13) **Variations in Sales:** A seasonal business requires the maximum amount of working capital for a relatively short period of time.
14) **Production Cycle**: the time taken to convert raw materials into finished products is referred to as the production cycle or operating cycle. The longer the production cycle, the greater is the requirement of working capital.

15) **Credit Control**: Credit control includes such factors as the volume of credit sales, the terms of credit sales, the collection policy etc. with a sound credit control policy; it is possible for a firm to improve its cash inflow.

16) **Inflation**: As a result of inflation, size of the working capital is increased in order to make it easier for a firm to achieve a better cash inflow. To some extent, this factor may be compensated by the rise in the selling price during inflation.

17) **Cash Reserve**: It would be necessary for a firm to maintain some cash reserves to enable it to meet contingent disbursements. This would provide a buffer against abrupt shortages in cash flows.

18) **Change in Technology**: Technological developments related to the production process have a sharp impact on the need for working capital.

19) **Activities of the Firm**: A firm's stocking on heavy inventory or selling on easy credit terms call for a higher level of working capital than for selling services or making cash sales.

20) **Attitude of Risk**: The greater the amount of working capital, the lower is the risk of liquidity.
Sources of Working Capital:

1) **Loans from Financial Institutions:** The option is normally ruled out, because financial institutions do not provide finance for working capital requirements.

2) **Floating of Debentures:** The probability of a successful floatation of debentures seems to be rather meager. In the Indian capital market, floating of debentures has still to gain popularity.

3) **Accepting Public Deposits:** The next alternative is public deposits. The issue of tapping public deposits is directly related to the image of the company seeking to invite public deposits.

4) **Issue of Shares:** With a view to financing additional working capital needs, issue of additional shares could be one way to raise the equity base. Indian companies find themselves in a bad shape in this context too.

5) **Raising Funds by Internal Financing:** Raising equity by operational profits poses problems for many companies, because prices of their end-products are controlled and do not permit companies to earn profits sufficient to pay reasonable dividend and retain profits to cover margin money requirements to finance additional working assets.

Adequacy of Working Capital:

1) It protects a business from the adverse effects of shrinkage in the values of current assets.

2) It is possible to pay all the current obligations promptly and to take advantage of cash discounts.
3) It enables a company to extent favorable credit terms to customers and to operate its business more efficiently.

4) It enables a business to withstand periods of depression smoothly.

5) There may be operating losses or decreased retained earnings.

6) There may be excessive non-operating or extraordinary losses.

7) The management may fail to obtain funds from other sources for the purpose of expansion.

8) Current funds may be invested in non-current assets.

**Inadequacy of Working Capital:**

1) It is not possible for it to utilize production facilities fully for the want of working capital.

2) A company may not be able to take advantage of cash discount facilities.

3) The credit-worthiness of the company is likely to be jeopardized because of the lack of liquidity.

4) A company may not be able to take advantage of profitable business opportunities and pay its dividends because of the non-availability of funds.

5) A company may not be able to pay its dividends because of the non-availability of funds.

6) A company cannot afford to increase its cash sales and may have to restrict its activities to credit sales only; it may have to borrow funds at exhoritant rates of interest.
Dangers of Excessive Working Capital:

1) A company may be tempted to overtrade and lose heavily.
2) A company may keep very big inventories and tie up its funds unnecessarily.
3) There may be an imbalance between liquidity and profitability.
4) A company may enjoy high liquidity and at the same time suffer from low profitability.
5) A company may invest heavily in its fixed equipments which may not be justified by actual sales or production. This may provide a fertile ground for later over-capitalization.

*Ralph Kennedy and McMullen* have observed that the availability of excess working capital: may lead to carelessness about costs, and therefore, to inefficiency of operations.

**WORKING CAPITAL MANAGEMENT**

Working capital management refers to the top management of both current assets and current liabilities. Working capital management is an integral part of overall corporate management. In other words, it is a study of relationship between current assets and current liabilities. The main aim of financial management is to supply continuous flow of funds to administer the day-to-day activities. The size of this capital must not be in excess nor inadequate. It should be adequately supplied to increase the wealth of the organization.
Louis Brandth observes:” we need to know when to look for working capital funds, how to use them and how to measure, plan and control them”.

**Objectives of Working Capital Management:**

1) By optimizing the investments in current assets and by reducing the level of current liabilities, the company can reduce to locking up of funds in Working capital thereby; it can improve the returns on capital employed in the business.

2) The company should always be in a position to meet its current obligations which should properly be supported by the current assets available with the firms. But maintaining excess funds in Working capital means locking of funds without return.

3) The firm should manage its current assets in such a way that the marginal return on investment from these assets should not be less than the cost of capital employed the current assets.

4) Inadequacy of Working capital.

5) A firm must have adequate Working capital, i.e., as much need by the firm.

**Principles of Working Capital Management:**

1) Principle of risk variation:

Risk here refers to the inability of a firm to maintain sufficient current assets to pay for its obligations. If Working capital is varied relative to sales, the amount of risk that a firm assumes is also varied, and the opportunity for gain or loss is increased.
2) **Principle of cost of capital:**

This principle emphasizes the different source has a different cost of capital. It should be remembered that the cost of capital moves inversely with risk.

3) **Principle of equity position:**

According to this principle, the amount of Working capital invested in each component should be adequately justified by a firm’s equity position.

4) **Principle of maturity of payment:**

A company should make every effort to relay maturities of payment to its flow of internally generated funds. There should be the least disparity between the maturities of a firm’s short term debt instruments and its flow of internally generated funds because a greater risk is generated with greater disparity.

**Components of Working Capital Management:**

1) **Inventory Management:**

It refers to stock, raw materials, components, spares or working progress maintained in an organization to have continuous production and sales.

Inventory management involves the processes of providing continuous flow of raw materials to production department. More than 60% of the Working capital will normally be invested in the inventory.

Tools of inventory management:
• **Fixation of levels:** It is a tool through which the inventories are maintained by fixing different levels. Maximum level, Re-order level, Minimum level and Danger level.

• **ABC Analysis:** Under this method, the materials are managed by giving importance to its value. Classifications are being made by grading the materials as A, B, and C.

• **Economic Order Quantity (EOQ):** Economic order quantity is that quantity of materials to be ordered where it will have least or minimum order placing and carrying cost. It is also called as the size of the materials to be purchased most economically.

• **VED Analysis:** It is most suitable method for automobile industries specially to maintain spare parts. All the parts are classified into Vital, Essential and Desirable components.

• **FSN Analysis:** Under this method, materials are grouped according to the movements. Fast moving items, slow moving and non-moving items.

2) **Cash Management:**

Cash is the most liquid asset that a business owns. It includes money and such instruments as cheques, money orders and bank drafts. Cash in the business enterprise may be compared to the blood in the human body, which gives life and Strength to the human body, and the cash imparts life and strength, profits and solvency to the business organization.
**Objectives of Cash Management:**

I. **To make cash payments:** Very objective of holding cash is to meet the various types of expenditure to be incurred in business operations.

II. **To maintain minimum Cash reserve:** Another important objective of cash management is to maintain minimum reserve. This means in the process of meeting obligations on time, the firm should not unnecessarily maintain heavy cash reserves.

**Importance of Cash Management:**

I. **Cash planning:** Cash inflows and outflows should be planned to project cash surplus or deficit for each period of planning.

II. **Managing the cash flows:** The inflow and outflow of cash should be properly managed. The inflows of cash should be accelerated while the outflow of cash should be decelerated as far as possible.

III. **Optimum cash level:** The firm should decide on the appropriate level of cash balances. The cost of excess cash and the danger of cash deficiency should be matched to determine the optimum level of cash balances.

IV. **Investing idle cash:** The idle cash or precautionary cash balances should be properly invested to earn profit.
CHAPTER 2

RESEARCH DESIGN
METHODOLOGY OF THE STUDY

Research methodology is a systematic way for solving any research problem. It is the science of analyzing how research is done scientifically. It studies the various steps that are generally adopted by a researcher while conducting a research.

TYPE OF RESEARCH:

This study involves *EXPLORATORY RESEARCH* type.

It is a preliminary study of an unfamiliar problem about which the research worker has little or no knowledge.

PLAN OF ANALYSIS:

In this study the ratio analysis, percentage analysis, were adopted to analysis the data.

TOOLS OF DATA COLLECTION:

**Secondary Data:** The secondary data are those, which have been collected by someone else and which have all ready been processed. In the present study, the secondary data collected from the published sources such as annual reports of the bank, balance sheet and other financial reports, through various books related to the topic, magazines, trade journals, newspapers, and other reference made.
LIMITATIONS OF THE STUDY:

1) Time constraint.
2) The data is taken from the banks internal records and assumed to be correct.
3) The study conducted is general and do not concentrate on in depth concepts of working capital.
4) The study conducted is restricted only to the available information.

OPERATIONAL DEFINITION OF CONCEPTS:

1) **Working Capital**: The term working capital refers to the short term funds required for financing the duration of the operating cycle in a business.

2) **Liquidity**: It is the ability of a bank to realize value in money, the most liquid assets. Liquidity has two dimensions. The time necessary to convert assets into money and the degree of certainty associated with the conversion ratio or price realized for the assets.

3) **Profitability**: this means the ability of the company in making profits in relation to capital employed and sales.

4) **Cash**: the term cash with reference to the study includes both cash and cash equivalents. Ex. cash, cheques, bank balances, marketable securities.

5) **Cash Budget**: it is the statement showing the estimated cash inflows and outflows over the cash-planning horizon.

6) **Profit**: it is excess of revenue over related cost.

7) **Financial year**: financial year or accounting year is the period of 12 months starting from April 1st and ending with March 31st.
8) **Profit and loss account:** it is the report of business activities for a given period and is prepared to ascertain profit and loss of a company in a particular year.

9) **Balance sheet:** balance sheet is a statement of assets and liabilities indicating the financial position of the company of the certain date.

10) **Current Assets:** current assets refers to all those assets which change their form and substance and which ultimately is converted into cash during the normal operating cycle of the business, which is normally one year. Current assets of company include sundry debtors, cash, bank balance and loss and advances, outstanding and accrued expenses, prepaid expenses and stock etc.

11) **Current Liabilities:** A current liability refers to those liabilities, which are expected to fall due or nature for payment within the operating cycle not exceeding one year. They generally represent short term source of funds and include creditors, bills payable, short term loans, outstanding.

12) **Operating Cycle:** it is the term gap between the sales and their actual relation in cash, in other words it is the period involved from the time cash is invested in inventory till that cash is procured from the sales of goods.

13) **Quick Assets:** quick assets mean those assets, which can be converted into cash immediately or at short, notice without a loss of value and include following cash balances.

14) **Cash Balances:**
   
   a. marketable securities
   
   b. bills receivable
15) **Total Assets:** It represents net fixed assets, investment, current assets, loans and advances, outstanding miscellaneous expenditure. Total assets refer to all realizable assets.

16) **Gross Profit:** It is the profit earned before charging interest, depreciation and tax.

17) **Net profit:** It is the earned profit after charging interest, depreciation but including other incomes.

18) **Financial Ratios:** The relationship between accounting figures expressed mathematically is known as financial ratios.
CHAPTER 3

COMPANY PROFILE
PROFILE OF AMANATH CO-OPERATIVE BANK

HISTORY:-

On 13th January, 1977, Janab Dr. Mumtaz Ahmed Khan and Janab K.Rahman Khan Founded the Amanath Co-operative Bank and within a short span of 26 years, the Bank has attained the status of Karnataka's first scheduled Urban Co-operative Bank. With a small capital base of Rs. 3 Lakh, the bank has grown to be the largest Urban Co-operative Bank in the state, with a deposit of over Rs. 440 crores, working capital of Rs. 505 crores and net owned funds of Rs. 29.53 crores.

The Bank that began with just 3000 members, now boasts of nearly 41000 members. The depositors and account holders, who exceed 2.54 Lakh in number, are serviced by the 15 branches in the state. Many more branches are scheduled to open shortly with the aim of extending the area of operation in the state.

The bank has 419 employees on its roll, including 74 Officers. Human resources being the most important asset of the bank, all out efforts are made to enhance the motivational level and efficiency of the employees. In-house capabilities for imparting adequate training to the employees continued to be a major strength of the bank. Training is being provided to make them more competitive and customer oriented.

The Bank has bagged the "Best Urban Co-operative Bank" award for the second successive year from the Karnataka State Co-operative Federation and Karnataka State urban Banks Federation.

The Reserve Bank of India conferred the "Scheduled Status" on Amanath Bank effective from 29th January, 2000 and has included the name of the bank in the second schedule to the Reserve Bank of India act, 1934. Amanath Bank is the first urban Co-operative bank in Karnataka to be awarded this prestigious status. The conferment of "Scheduled Status" will enable it to render more service to the members, clientele and the society. The past achievements are the source of inspiration for future progress and prosperity.

The bank has also excelled in the field of sports by winning both the "Inter-Bank Cricket Tournament" organized by the Canara Bank and the "Inter Co-operative Banks Cricket Tournament" in 2000.
CHAPTER 4

DATA ANALYSIS & INTERPRETATION
DATA ANALYSIS:

Working capital management is a significant part of business decisions. It is a major concern to the financial manager in as much as accomplishment of value maximization depends essentially on the working capital decision.

Working capital management is concerned with managing the current assets, the liabilities and the inter relationship that exist between them. The term current assets refers to those assets which in the ordinary course of business can be converted into cash within one year without undergoing a diminution in value and without disrupting the operations of the firm. The current assets are cash, marketable securities accounts receivables and inventory current liabilities are those which are to be paid within a year out of the current assets or earning of the concern. Accounts payables bills payable, bank overdraft and outstanding expenses are current liabilities the current assets and current liabilities should be managed in such a way that a satisfactory level of working capital is maintained. A firm which fails to maintain satisfactory level of working may be forced into bankruptcy. The current assets should always be large enough to cover its current liabilities in order to ensure a reasonable margin of safety. Thus, the interaction between current assets and liabilities is the main theme of working capital.

There are 2 important tools of analyzing working capital. They are:

1) FUND FLOW ANALYSIS
2) RATIO ANALYSIS
For this study, ratio analysis technique is utilized to get most accurate results.

**MEANING OF RATIO:**

Ratio is simply one number expressed in terms another.

**MEANING OF RATIO ANALYSIS:**

Ratio analysis concentrates on the inter relationship among the figures appearing in the financial statements. It evaluates the financial position of the firm by interpreting the financial statements.

**ADVANTAGES OF RATIO ANALYSIS**

1) **Useful in analysis of financial statement:** It helps in analysis the financial statements i.e. P&L account and balance sheet which is useful for all the stakeholders of the company.

2) **Improving future performance:** It identifies the weakness of the business and helps the management to overcome these weaknesses.

3) **Inter firm comparison:** It helps in comparing the performance of one firm with that of another in the same industry.

4) **Judging the efficiency of the business:** It evaluates the liquidity, solvency and profitability position of the firm which helps in judging the overall efficiency of the firm.
5) **Simplifies accounting figures**: Complex accounting data presented in P&L account and balance sheet is simplified, summarized and systematized with the help of ratio analysis.
**STATEMENT SHOWING WORKING CAPITAL CHANGES**

**FOR THE YEARS 2011 AND 2012:**  (IN LAKH)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>20011 (Rs)</th>
<th>2012 (Rs)</th>
<th>INCREASE IN WC</th>
<th>DECREASE IN WC</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(A) Current assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash in hand</td>
<td>378.22</td>
<td>730.76</td>
<td>352.54</td>
<td></td>
</tr>
<tr>
<td>Balance with other bank</td>
<td>2241</td>
<td>3346</td>
<td>1105</td>
<td></td>
</tr>
<tr>
<td>Bills receivables</td>
<td>16.16</td>
<td>55.79</td>
<td>39.63</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL CURRENT ASSETS (A)</strong></td>
<td>2635.38</td>
<td>4131.79</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>(B) Current liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bills payable</td>
<td>514.89</td>
<td>514.34</td>
<td>0.55</td>
<td></td>
</tr>
<tr>
<td>Sundry creditors</td>
<td>162.21</td>
<td>179.20</td>
<td>16.99</td>
<td>16.99</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT LIABILITIES (B)</strong></td>
<td>677.1</td>
<td>693.54</td>
<td></td>
<td></td>
</tr>
<tr>
<td>WC=CA-CL</td>
<td>1958.28</td>
<td>3438.25</td>
<td>1479.97</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1479.97</td>
<td>1497.72</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

|                  | 3438.25    | 3438.25   | 1497.72        | 1497.72        |
## STATEMENT SHOWING WORKING CAPITAL CHANGES

FOR THE YEARS 2012 AND 2013: (In Lakh)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2012</th>
<th>2013</th>
<th>INCREASE IN WC</th>
<th>DECREASE IN WC</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Rs)</td>
<td>(Rs)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>(A) Current assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash in hand</td>
<td>730.76</td>
<td>549.33</td>
<td>-</td>
<td>181.43</td>
</tr>
<tr>
<td>Balance with other bank</td>
<td>3346</td>
<td>3347</td>
<td>-</td>
<td>3.53</td>
</tr>
<tr>
<td>Bills receivables</td>
<td>55.79</td>
<td>52.26</td>
<td>3.53</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT ASSETS (A)</strong></td>
<td>4131.79</td>
<td>3948.59</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>(B) Current liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bills payable</td>
<td>514.34</td>
<td>455.13</td>
<td>59.21</td>
<td>-</td>
</tr>
<tr>
<td>Sundry creditors</td>
<td>179.20</td>
<td>172.05</td>
<td>7.15</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT LIABILITIES (B)</strong></td>
<td>693.54</td>
<td>627.18</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>WC=CA-CL</strong></td>
<td>3438.25</td>
<td>3321.41</td>
<td>116.84</td>
<td>1.77</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>116.84</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>3438.25</td>
<td>3438.25</td>
<td>186.73</td>
<td>186.73</td>
</tr>
</tbody>
</table>
### TABLE -1

**TABLE SHOWING TOTAL CURRENT ASSETS:**

(In LakhS)

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount</td>
<td>2635.38</td>
<td>4131.79</td>
<td>3948.59</td>
</tr>
<tr>
<td>Percentage</td>
<td>100</td>
<td>156</td>
<td>95</td>
</tr>
<tr>
<td>Incremental change in percentage</td>
<td>-</td>
<td>+56</td>
<td>-5</td>
</tr>
</tbody>
</table>

**Analysis of the Table:**

In the year 2011 the current assets is 2635.38.

In the year 2012 the current assets is 4131.79.

In the year 2013 the current assets is 3948.59.
GRAPH-1

GRAPH REPRESENTING TOTAL CURRENT ASSETS:

Inference of the Table:

From the above table it is noticed that in the year 2012 the growth in current assets is 56% and in the year 2013 there is decrease in current assets by 5%. The bank should maintain its current assets position constant or should increase year by year.


**TABLE-2**

**TABLE SHOWING TOTAL CURRENT LIABILITIES:**

(In lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount</td>
<td>677.1</td>
<td>693.54</td>
<td>627.18</td>
</tr>
<tr>
<td>Percentage</td>
<td>100</td>
<td>102</td>
<td>90</td>
</tr>
<tr>
<td>Incremental change in percentage</td>
<td>-</td>
<td>+2</td>
<td>-10</td>
</tr>
</tbody>
</table>

**Analysis of the Table:**

In the year 2011 the current liabilities is 677.1.

In the year 2012 the current liabilities is 693.54.

In the year 2013 the current liabilities is 627.18.
Inference of the Table:

An increase in the current liabilities will decrease the growth of working capital. From the above table it is noticed that the current liabilities are 102% in the year 2012 there is 2% increase in current liabilities and in the year 2013 there is decrease by 10% which will increase the working capital so the bank should keep reducing its current liabilities year by year.
TABLE-3

TABLE SHOWING TOTAL WORKING CAPITAL:

WORKING CAPITAL = CURRENT ASSETS – CURRENT LIABILITIES

(In Lakh)

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>2635.38</td>
<td>4131.79</td>
<td>3948.59</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>677.1</td>
<td>693.54</td>
<td>627.18</td>
</tr>
<tr>
<td>Working capital</td>
<td>1958.28</td>
<td>3438.25</td>
<td>3321.41</td>
</tr>
</tbody>
</table>

Analysis of the Table:

In the year 2011 the current assets is 2635.38 current liabilities is 677.1 and working capital is 1958.28.

In the year 2012 the current assets is 4131.79 current liability is 693.54 and working capital is 3438.25.

In the year 2013 the current assets 3948.59 current liabilities is 30763.12 and working capital is 627.18.
Inference of the Table:

The working capital helps to measure the short term solvency of the firm.

During the year 2011, the bank shows satisfactory short term solvency.

But in the year 2012, there is increase in working capital due to increase in current assets.

And in the year 2013 again working capital has been slipped down due to the decrease in cash. The bank should take necessary steps and plan to increase in working capital position.
TABLE-4

TABLE SHOWING CURRENT RATIO:

CURRENT RATIO= CURRENT ASSETS

__________________________________________________
CURRENT LIABILITIES

(In lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Current assets</td>
<td>2635.38</td>
<td>4131.79</td>
<td>3948.59</td>
</tr>
<tr>
<td>Total Current liabilities</td>
<td>677.1</td>
<td>693.54</td>
<td>627.18</td>
</tr>
<tr>
<td>Current Ratio</td>
<td>3.89</td>
<td>5.95</td>
<td>6.29</td>
</tr>
</tbody>
</table>

Analysis of the Table:

In the year 2011 the current assets is 2635.38. Current liabilities are 677.1 and current ratio is 3.89.

In the year 2012 the current assets is 4131.79. Current liability is 693.54 and current ratio is 5.95.

In the year 2013 the current assets is 3948.59.current liabilities is 627.18and current ratio is 6.29.
**GRAPH-4**

**GRAPH REPRESENTING CURRENT RATIO:**

<table>
<thead>
<tr>
<th>Years</th>
<th>Current Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>3.89</td>
</tr>
<tr>
<td>2012</td>
<td>5.95</td>
</tr>
<tr>
<td>2013</td>
<td>6.29</td>
</tr>
</tbody>
</table>

**Inference of the Table:**

An ideal current ratio is 1:2.

In the year 2011 the current ratio is 3.89. The bank has good liquidity position to repay the current liabilities and the bank also can advance the excess current assets towards the short term loans.

In the year 2012, the current ratio is 5.95, the bank liquidity position is very good as the current assets have increased and the current liabilities can be paid.

In the year 2013 the current ratio is 6.29, this shows the bank is maintaining its current assets in a good position and they can provide short term advances to make use of the additional current assets.
TABLE-5

TABLE SHOWING CASH RATIO:

CASH RATIO= \frac{\text{CASH}}{\text{LIABILITIES}}

(In lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>2619.22</td>
<td>4076.76</td>
<td>3896.33</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>677.1</td>
<td>693.54</td>
<td>627.18</td>
</tr>
<tr>
<td>Cash Ratio</td>
<td>3.86</td>
<td>5.87</td>
<td>6.21</td>
</tr>
</tbody>
</table>

Analysis of the Table:

In the year 2011, the cash in hand is 2619.22, current liabilities is 677.1 and cash ratio is 3.86.

In the year 2012, the cash in hand is 4076.76, current liabilities are 693.54 and cash ratio is 5.87.

In the year 2013, the cash in hand is 3896.33, current liabilities are 627.18 and cash ratio is 6.21.
GRAPH-5

GRAPH REPRESENTING CASH RATIO:

Inference of the Table:

An ideal cash ratio is 1:2, i.e. Rs1 worth liquid assets are considered adequate to pay Rs 2 worth current liabilities in time.

In the year 2011, the cash ratio is 3.86 which is more than the ideal ratio but this cash ratio is not satisfactory.

In the year 2012, the cash ratio is 5.87; there is increase in cash ratio when compared to the previous year. This ratio shows that the bank is in a position to repay the current liabilities but this is not sufficient for banking business.

In the year 2013, the cash ratio is 6.21, which shows a increase in the ratio. This ratio is satisfactory.
TABLE-6

TABLE SHOWING RETURNS ON SHAREHOLDERS INVESTMENT:

RETURNS ON SHAREHOLDERS INVESTMENT = \frac{\text{NET PROFIT}}{\text{NET WORTH}} \times 100

Net worth = Share capital + Reserves

(In lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit</td>
<td>1424</td>
<td>470.5</td>
<td>844.91</td>
</tr>
<tr>
<td>Net worth</td>
<td>13959.54</td>
<td>13526.67</td>
<td>13993.85</td>
</tr>
<tr>
<td>Returns on shareholders</td>
<td>10.20</td>
<td>3.47</td>
<td>6.03</td>
</tr>
</tbody>
</table>

Analysis of the Table:

In the year 2011 the net profit is 1424, the net worth is 13959.54 and returns on shareholders is 10.20.

In the year 2012 the net profit is 470.5, the net worth is 13526.67 and returns on shareholders is 3.47.

In the year 2013 the net profit is 844.91, the net worth is 13993.85 and returns on shareholders is 6.03.
Inference of the Table:

Return on shareholders investment is the relationship is the relationship between net profits and the proprietor’s funds. This is one of the most important ratios used for measuring the overall efficiency of a firm. Higher the ratio, better are the results.

In the year 2011, return on shareholders investment is 10.2, which is ideal for the bank to run its operations and make more profits in future.

In the year 2012, return on shareholders investment is 3.4; the ratio has decreased with respect to decrease in the profits.

In the year 2013, return on shareholders investment is 6.0; there is increase in ratio due to increase in the profits.
TABLE-7

TABLE SHOWING LOAN DEPOSIT RATIO:

LOAN DEPOSIT RATIO = \( \frac{LOANS}{DEPOSITS} \times 100 \)

(In lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>LOANS</td>
<td>667.9</td>
<td>1823.6</td>
<td>1796.9</td>
</tr>
<tr>
<td>DEPOSITS</td>
<td>33250.13</td>
<td>35854.88</td>
<td>37668.57</td>
</tr>
<tr>
<td>LOAN DEPOSITS RATIO[%]</td>
<td>20.08</td>
<td>50.86</td>
<td>47.70</td>
</tr>
</tbody>
</table>

Analysis of the Table:

In the year 2011 the loans is 667.9, deposits 33250.13 and loan deposits ratio is 20.08.

In the year 2012 the loans is 1823.6, deposits 35854.88 and loan deposits ratio is 50.86.

In the year 2013 the loans is 1796.9, deposits 37668.57 and loan deposits ratio is 47.70.
GRAPH-7

GRAPH REPRESENTING LOAN DEPOSIT RATIO:

![Graph showing loan deposit ratio from 2011 to 2013]

**Inference of the Table:** This ratio indicates the relationship between the loans and the deposits of the bank. This ratio helps to know whether the deposits are utilized in a profitable manner. Higher the ratio, better it is to the bank.

In the year 2011, the loan deposit ratio is 2; this indicates there is no proper utilization of the deposits of the bank.

In the year 2012, the loan deposit ratio is 5.08; there is increase in the deposits. This results the bank has been utilized the deposits in a proper manner.

In the year 2013, the loan deposits ratio is 4.77, there is slight decrease in ratio due to increase in deposits and decrease in loans.
**TABLE-8**

**TABLE SHOWING CURRENT ASSETS TURN OVER RATIO:**

\[
\text{CURRENT ASSETS TURN OVER RATIO} = \frac{\text{REVENUE}}{\text{CURRENT ASSETS}}
\]

(In lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>REVENUE</td>
<td>667.9</td>
<td>1823.6</td>
<td>1796.9</td>
</tr>
<tr>
<td>CURRENT ASSETS</td>
<td>2635.38</td>
<td>4131.79</td>
<td>3948.59</td>
</tr>
<tr>
<td>CURRENT ASSETS TURN OVER RATIO</td>
<td>0.25</td>
<td>0.44</td>
<td>0.45</td>
</tr>
</tbody>
</table>

**Analysis of the Table:**

In the year 2011, the revenue is 667.9, the current assets is 2635.38 and current assets turnover ratio is 0.25.

In the year 2012, the revenue is 1823.6, the current assets is 4131.79 and current assets turnover ratio is 0.44.

In the year 2013, the revenue is 1796.9, the current assets is 3948.59 and current assets turnover ratio is 0.45.
Inference of the Table:

This ratio measures a firm’s efficiency at using its assets in generating revenue. Higher the ratio better it is.

In the year 2011, the current assets turnover ratio is 0.25. This implies that the bank is earning satisfactory revenue by using current assets.

In the year 2012, the current assets turnover ratio is 0.44. It has been increased .This is good development of the bank.

In the year 2013, the current assets turnover ratio is 0.45. There is increase in the bank by 0.01% it indicates the growth of the bank.
TABLE-9

TABLE SHOWING CASH TURN OVER RATIO:

CASH TURN OVER RATIO = \frac{REVENUE}{CASH}

(In lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>REVENUE</td>
<td>667.9</td>
<td>1823.6</td>
<td>1796.9</td>
</tr>
<tr>
<td>CASH</td>
<td>2619.22</td>
<td>4076.76</td>
<td>3896.33</td>
</tr>
<tr>
<td>CASH TURN OVER RATIO</td>
<td>0.25</td>
<td>0.44</td>
<td>0.46</td>
</tr>
</tbody>
</table>

Analysis of the Table:

In the year 2011 the revenue is 667.9, the cash is 2619.22 and the cash turn over ratios is 0.25.

In the year 2012 the revenue is 1823.6, the cash is 4076.76 and the cash turn over ratios is 0.44.

In the year 2013 the revenue is 1796.9, the cash is 3896.33 and the cash turn over ratios is 0.46.
**GRAPH-9**

**GRAPH REPRESENTING CASH TURN OVER RATIO:**

<table>
<thead>
<tr>
<th>YEAR</th>
<th>CASH TURN OVER RATIO</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>0.25</td>
</tr>
<tr>
<td>2012</td>
<td>0.44</td>
</tr>
<tr>
<td>2013</td>
<td>0.46</td>
</tr>
</tbody>
</table>

**Inference of the Table:**

Cash turnover ratio shows the number of times the cash turns in a year. Higher the ratio better it is to the firm.

In the year 2011, the cash turnover ratio is 0.25. This shows good position of the bank in using cash effectively to earn good revenue.

In the year 2012, the cash turnover ratio is 0.44. There is increase in the ratio due to increase in cash balance of the bank.

In the year 2013, the cash turnover ratio is 0.46. There is slight increase in ratio but there is decrease in cash balance of the bank.
TABLE-10

TABLE SHOWING NET PROFIT RATIO:

\[
\text{NET PROFIT RATIO} = \frac{\text{NET PROFIT}}{\text{TOTAL INCOME}} \times 100
\]

(In lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>NET PROFIT</td>
<td>1424</td>
<td>4705</td>
<td>8449</td>
</tr>
<tr>
<td>TOTAL INCOME</td>
<td>4047</td>
<td>7065</td>
<td>5817</td>
</tr>
<tr>
<td>NET PROFIT RATIO[%]</td>
<td>35.18</td>
<td>66.59</td>
<td>88.46</td>
</tr>
</tbody>
</table>

Analysis of the Table:

In the year 2011 the net profit is 1424, the total income is 4047 and net profit ratio is 35.18.

In the year 2012 the net profit is 4705, the total income is 7065 and net profit ratio is 66.59.

In the year 2013 the net profit is 8449 the total income is 5817 and net profit ratio is 88.46.
**GRAPH REPRESENTING NET PROFIT RATIO:**

**NET PROFIT RATIO**

<table>
<thead>
<tr>
<th>YEARS</th>
<th>NET PROFIT RATIO</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>35.18</td>
</tr>
<tr>
<td>2012</td>
<td>66.59</td>
</tr>
<tr>
<td>2013</td>
<td>88.46</td>
</tr>
</tbody>
</table>

**Inference of the Table:** The net profit ratio establishes a relationship between net profit (after tax) and the total income, and indicates the efficiency of the bank in providing services, higher the ratio better is the profitability.

In the year 2011, the net profit ratio is 35.18 which indicates good profitability of the bank.

In the year 2012, the net profit ratio is 66.59 the ratio has been increased doubled than the previous year due to the increase in net profit.

In the year 2013, the net profit ratio is 88.46 there is increase in ratio due to the increase in the net profit. In this situation, the profitability position is good.
TABLE-11

TABLE SHOWING RETURN ON TOTAL RESOURCES RATIO:

RETURN ON TOTAL RESOURCES = \frac{\text{NET PROFIT}}{\text{TOTAL ASSETS}} \times 100

(In lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>NET PROFIT</td>
<td>1424</td>
<td>4705</td>
<td>844.91</td>
</tr>
<tr>
<td>TOTAL ASSETS</td>
<td>176338.62</td>
<td>99562.88</td>
<td>65759.08</td>
</tr>
<tr>
<td>RETURN ON TOTAL RESOURCES</td>
<td>0.80</td>
<td>4.72</td>
<td>12.84</td>
</tr>
</tbody>
</table>

Analysis of the Table:

In the year 2011 the net profit is 1424, the total assets is 176338.62 and return on total resources 0.80.

In the year 2012 the net profit is 4705, the total assets is 99562.88 and return on total resources 4.72.

In the year 2013 the net profit is 844.91, the total assets is 65759.08 and return on total resources 12.84.
GRAPH-11

GRAPH REPRESENTING RETURN ON TOTAL RESOURCES RATIO:

Inference of the Table:

This ratio is calculated to measure the profit after tax against the amount invested in total assets to ascertain, whether the assets are being utilized properly or not. The higher the ratio, the better it is for the concern.

In the year 2011, the return on total resources is 0.8. This indicates that the assets of the bank are not utilized properly.

In the year 2012, the return on total resources is 4.72. There is rise in the ratio because the total assets has been decreased and net profit has been increased.

In the year 2013, the return on total resources is 12.84. Compared to previous year there is increase in the ratio because of the decrease in net profit and in the total assets.
TABLE-12

TABLE SHOWING TOTAL ASSETS TURN OVER RATIO:

TOTAL ASSETS TURN OVER RATIO\(=\) \(\frac{\text{TOTAL INCOME}}{\text{TOTAL ASSETS}} \times 100\)

(In lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL INCOME</td>
<td>4047</td>
<td>7065</td>
<td>5817</td>
</tr>
<tr>
<td>TOTAL ASSETS</td>
<td>176338.62</td>
<td>99562.88</td>
<td>65759.08</td>
</tr>
<tr>
<td>TOTAL ASSETS TURN OVER RATIO</td>
<td>2.29</td>
<td>7.09</td>
<td>8.84</td>
</tr>
</tbody>
</table>

Analysis of the Table:

In the year 2011 the total income is 4047, total assets is 176338.62 and total assets turnover ratio is 2.29.

In the year 2012 the total income is 7065, total assets is 99562.88 and total assets turnover ratio is 7.09.

In the year 2013 the total income is 4047, total assets is 65759.08 and total assets turnover ratio is 8.84.
Inference of the Table:

This ratio establishes a relationship between the total income and total assets of the firm. A high ratio is an indicator of over-trading of the total assets while low ratio reveals idle capacity. The traditional standard for the ratio is two times.

In the year 2011, the total assets turnover ratio is 2.29. Hence there is good utilization of the total assets.

In the year 2012, the total assets turnover ratio is 7.09. There is an increase in total assets and total income in this year.

In the year 2013, the total assets turnover ratio is 8.84. The ratio has increased compared to previous year due to decrease in total assets.
TABLE-13

TABLE SHOWING CASH TO TOTAL ASSETS RATIO:

CASH TO TOTAL ASSETS RATIO = \frac{\text{CASH}}{\text{TOTAL ASSETS}} \times 100

(In lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH</td>
<td>2619.22</td>
<td>4076.76</td>
<td>3896.33</td>
</tr>
<tr>
<td>TOTAL ASSETS</td>
<td>176338.62</td>
<td>99562.88</td>
<td>65759.08</td>
</tr>
<tr>
<td>CASH TO TOTAL ASSETS RATIO [%]</td>
<td>14.8</td>
<td>4.09</td>
<td>5.92</td>
</tr>
</tbody>
</table>

Analysis of the Table:

In the year 2011 the cash is 2619.22, the total assets is 176338.62 and cash to total assets turnover ratio is 14.8.

In the year 2012 the cash is 4076.76, the total assets is 99562.88 and cash to total assets turnover ratio is 4.09.

In the year 2013 the cash is 3896.33, the total assets is 65759.08 and cash to total assets turnover ratio is 5.92.
Inference of the Table:

Cash to total assets ratio measures the portion of a company’s assets held in cash and marketing securities. A high number reflects a short lapse of time between sales and collection of cash. While a low number means collection take long time.

In the year 2011, the cash to total assets ratio is 14.8. The cash contribution to total assets is low. It is quite a satisfactory position of the bank.

In the year 2012, the ratio is 4.09 this is the bad indicator to the bank as the ratio is decreased.

In the year 2013, the ratio is 5.92. Again there is a growth in the ratio, this shows a good position of the bank.
TABLE-14

TABLE SHOWING CURRENT ASSETS TO TOTAL ASSETS RATIO:

CURRENT ASSETS TO TOTAL ASSETS RATIO = \frac{\text{CURRENT ASSETS}}{\text{TOTAL ASSETS}} \times 100

(In lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CURRENT ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2635.38</td>
<td>4131.79</td>
<td>3948.59</td>
</tr>
<tr>
<td></td>
<td>TOTAL ASSETS</td>
<td>176338.62</td>
<td>99562.88</td>
</tr>
<tr>
<td></td>
<td>CURRENT ASSETS TO TOTAL ASSETS RATIO</td>
<td>1.49</td>
<td>4.14</td>
</tr>
</tbody>
</table>

Analysis of the Table:

In the year 2011 the current assets is 2635.38, the total assets is 176338.62 and the current assets to total assets ratio is 1.49.

In the year 2012 the current assets is 4131.79 the total assets is 99562.88 and the current assets to total assets ratio is 4.14.

In the year 2013 the current assets is 3948.59 the total assets is 65759.08 and the current assets to total assets ratio is 6.
Inference of the Table:

Current assets to total assets ratio indicates the relationship between current assets and total assets. The ratio helps in finding the contribution of current assets to total assets.

In the year 2011, the current asset to total assets is 1.49. The bank is maintaining good level of current assets.

In the year 2012, the ratio has increased it indicates the good condition for the bank.

In the year 2013, the ratio has again increased it shows the good development of the bank.
TABLE-15

TABLE SHOWING OPERATING EXPENSES RATIO:

\[
\text{OPERATING EXPENSES RATIO} = \frac{\text{OPERATING EXPENSES}}{\text{TOTAL INCOME}} \times 100
\]

(In lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPERATING EXPENSES</td>
<td>2880.34</td>
<td>2677.68</td>
<td>3068.59</td>
</tr>
<tr>
<td>TOTAL INCOME</td>
<td>4047</td>
<td>7065</td>
<td>5817</td>
</tr>
<tr>
<td>OPERATING EXPENSES RATIO[%]</td>
<td>71.17</td>
<td>37.90</td>
<td>52.75</td>
</tr>
</tbody>
</table>

Analysis of the Table:

In the year 2011 the operating expenses is 2880.34, the total income is 4047 and operating expenses ratio is 71.17.

In the year 2012 the operating expenses is 2677.68, the total income is 7065 and operating expenses ratio is 37.90.

In the year 2013 the operating expenses is 3068.59, the total income is 5817 and operating expenses ratio is 52.75.
GRAPH-15

**GRAPH REPRESENTING THE OPERATING EXPENSES RATIO:**

<table>
<thead>
<tr>
<th>YEARS</th>
<th>OPERATING EXPENSES RATIO</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>71.17</td>
</tr>
<tr>
<td>2012</td>
<td>37.9</td>
</tr>
<tr>
<td>2013</td>
<td>52.75</td>
</tr>
</tbody>
</table>

**Inference of the Table:**

This ratio is the test of the operational efficiency with which the business is carried out. Lower the ratio better is the result. A comparison of this ratio will indicate whether the cost competency is low or high.

In the year 2011, the operating expenses ratio is 71.17 which is considerably high. Therefore, the operating expenses should be reduced.

In the year 2012, the operating expenses ratio is 37.9 which has decreased due to the total income. The bank should still reduce the operating expenses.

In the year 2013, the operating expenses ratio is 52.75 which has increased due to the decrease in total income. This ratio also indicates high operating expenses of the bank.
### TABLE-16

**TABLE SHOWING WORKING CAPITAL TURN OVER RATIO:**

\[
\text{WORKING CAPITAL TURN OVER RATIO} = \frac{\text{TOTAL INCOME}}{\text{NET WORKING CAPITAL}} \quad \text{(In lakhs)}
\]

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL INCOME</td>
<td>4047</td>
<td>7065</td>
<td>5817</td>
</tr>
<tr>
<td>NET WORKING CAPITAL</td>
<td>1958.28</td>
<td>3438.25</td>
<td>3321.41</td>
</tr>
<tr>
<td>WORKING CAPITAL TURN OVER RATIO [TIMES]</td>
<td>2.06</td>
<td>2.05</td>
<td>1.75</td>
</tr>
</tbody>
</table>

**Analysis of the Table:**

In the year 2011 the total income is 4047, the net working capital is 1958.28 and working capital turnover ratio is 2.06.

In the year 2012 the total income is 7065, the net working capital is 3438.25 and working capital turnover ratio is 2.05.

In the year 2013 the total income is 5817, the net working capital is 3321.41 and working capital turnover ratio is 1.75.
GRAPH-16

GRAPH REPRESENTING WORKING CAPITAL TURN OVER RATIO:

Inference of the Table:

Working capital turnover ratio indicates the velocity of the utilization of net working capital.

In the year 2011, the working capital turnover ratio is 2.06 times, the bank does not have much satisfactory working capital turnover ratio.

In the year 2012, the working capital turnover ratio is 2.05 times. There is decrease in the ratio by 0.01% and this shows the better utilization of working capital by the bank.

In the year 2013, the working capital turnover ratio is 1.75 times. There is decrease in the ratio the bank must take measures to improve this ratio to a certain extent.
### TABLE 17

**TABLE SHOWING OPERATING PROFIT RATIO:**

\[
\text{OPERATING PROFIT RATIO} = \frac{\text{OPERATING PROFIT}}{\text{TOTAL INCOME}} \times 100
\]

\[
\text{OPERATING PROFIT} = \text{TOTAL INCOME} - \text{OPERATING EXPENSES}
\]

(In lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPERATING PROFIT</td>
<td>1166.71</td>
<td>4387.32</td>
<td>2748.41</td>
</tr>
<tr>
<td>TOTAL INCOME</td>
<td>4047</td>
<td>7065</td>
<td>5817</td>
</tr>
<tr>
<td>OPERATING PROFIT RATIO [%]</td>
<td>28.82</td>
<td>62.09</td>
<td>47.24</td>
</tr>
</tbody>
</table>

**Analysis of the Table:**

In the year 2011 the operating profit is 1166.71, total income is 4047 and operating profit is 28.82.

In the year 2012 the operating profit is 4387.32, total income is 7065 and operating profit is 62.09.

In the year 2013 the operating profit is 2748.4; total income is 5817 and operating profit is 47.24.
Inference of the Table:

This ratio is the effective measure to check the profitability of the firm. It indicates the relationship between operating profit and the total income. Higher the ratio better is the position of the firm. The normal operating profit of the bank should be 20% and above.

In the year 2011, the operating profit ratio is 28.82; this indicates good operating profit position of the firm.

In the year 2012, the operating profit ratio is 62.09; there is a vast increase in ratio this indicates the good position of the bank.

In the year 2013, the operating profit ratio is 47.24, there is decrease in the ratio but has maintained above the normal operating profit.
TABLE-18

TABLE SHOWING PROPRIETORY RATIO:

\[
\text{PROPRIETORY RATIO} = \frac{\text{CAPITAL}}{\text{TOTAL ASSETS}} \times 100
\]

(In lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAPITAL</td>
<td>615.63</td>
<td>615.63</td>
<td>615.63</td>
</tr>
<tr>
<td>TOTAL ASSETS</td>
<td>176338.62</td>
<td>99562.88</td>
<td>65759.08</td>
</tr>
<tr>
<td>PROPRIETORY RATIO</td>
<td>0.34</td>
<td>0.61</td>
<td>0.93</td>
</tr>
</tbody>
</table>

Analysis of the Table:

In the year 2011 the capital is 615.63, the total assets is 176338.62 and proprietary ratio is 0.34.

In the year 2012 the capital is 615.63, the total assets is 99562.88 and proprietary ratio is 0.61.

In the year 2013 the capital is 615.63, the total assets is 65759.08 and proprietary ratio is 0.93.
GRAPH-18

GRAPH REPRESENTING PROPRIETORY RATIO:

Inference of the Table:

Equity ratio represents the relationship of owner’s funds to total assets, the higher the ratio or the share of the shareholders in the total capital of the company, better is the long term solvency position of the company.

In the year 2011, the proprietary ratio is 0.34; this ratio implies shortage of funds to the total assets of the bank.

In the year 2012, there is increase in the proprietary ratio by 0.61 due to the decrease in total assets.

In the year 2013, there is increase in the ratio by 0.93 due to the decrease in the total assets.
TABLE SHOWING FIXED ASSETS TO PROPRIETORS FUND RATIO:

PROPRIETORS FUND RATIO = \frac{\text{FIXED ASSETS}}{\text{CAPITAL}}

(In lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>FIXED ASSETS</td>
<td>54241</td>
<td>42694</td>
<td>36680.3</td>
</tr>
<tr>
<td>CAPITAL</td>
<td>615.63</td>
<td>615.63</td>
<td>615.63</td>
</tr>
<tr>
<td>FIXED ASSETS TO PROPRIETORS FUND RATIO</td>
<td>88.10</td>
<td>69.35</td>
<td>59.5</td>
</tr>
</tbody>
</table>

Analysis of the Table:

In the year 2011 the fixed assets is 54241, the capital is 615.63 and fixed assets to proprietors fund ratio is 88.10.

In the year 2012 the fixed assets is 42694, the capital is 615.63 and fixed assets to proprietors fund ratio is 69.35...

In the year 2013 the fixed assets is 36680.3, the capital is 615.63 and fixed assets to proprietors fund ratio is 59.5.
Inference of the Table:

The fixed assets to proprietor’s fund ratio indicate the extent to which shareholders funds are sunk into fixed assets.

In the year 2011, the fixed assets to proprietors fund ratio is 88.1, it implies that owner’s funds are more than the total fixed assets and a part of working capital is provided by the shareholders.

In the year 2012, the fixed assets to proprietors fund ratio is 69.35. There is decrease in the ratio. Which is satisfactory.

In the year 2013, there is decrease in ratio due to decrease in fixed assets.
### TABLE 20

**TABLE SHOWING RESERVES TO EQUITY SHARE CAPITAL RATIO:**

RESERVES TO EQUITY SHARE CAPITAL RATIO = \frac{\text{RESERVES}}{\text{CAPITAL}}

(In lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>RESERVES</td>
<td>13343.91</td>
<td>12911.04</td>
<td>13378.22</td>
</tr>
<tr>
<td>CAPITAL</td>
<td>615.63</td>
<td>615.63</td>
<td>615.63</td>
</tr>
<tr>
<td>RESERVES TO EQUITY SHARE CAPITAL RATIO</td>
<td>21.67</td>
<td>20.97</td>
<td>21.73</td>
</tr>
</tbody>
</table>

**Analysis of the Table:**

In the year 2011 the reserves is 13343.91, the capital is 615.63 and reserves to equity share capital is 21.67.

In the year 2012 the reserves is 12911.04, the capital is 615.63 and reserves to equity share capital is 20.97.

In the year 2013 the reserves is 13378.22, the capital is 615.63 and reserves to equity share capital is 21.73.
**GRAPH-20**

**GRAPH REPRESENTING RESERVES TO EQUITY SHARE CAPITAL RATIO:**

<table>
<thead>
<tr>
<th>Years</th>
<th>Reserve to Equity Share Capital Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>21.67</td>
</tr>
<tr>
<td>2012</td>
<td>20.97</td>
</tr>
<tr>
<td>2013</td>
<td>21.73</td>
</tr>
</tbody>
</table>

**Inference of the Table:** This ratio establishes relationship between reserves and equity share capital. The ratio indicates that how much profits are generally retained by the firms for future growth.

In the year 2011, the reserves to equity share capital ratio is 21.67. This indicates a good position of the bank.

In the year 2012, the reserves to equity share capital ratio is 20.97, there is decrease in the ratio due to the reserves.

In the year 2013, the reserves to equity share capital ratio is 21.73, there is increase in the ratio due to the increase in the reserves. This does not indicate bad position of the bank.
CHAPTER 5

SUMMARY OF FINDINGS,
CONCLUSION AND SUGGESTIONS.
SUMMARY OF FINDINGS AND CONCLUSION

The study is conducted to find out efficiency of working capital management of Amanath Co-operative bank. The decision regarding working capital efficiency is arrived by taking into consideration number of factors like ‘nature of business’, ‘credit policy’ and ‘collection procedure’.

FINDINGS:

- From the graph, it is understood that the bank is maintaining good current assets. But there is no stability maintained in the current assets of the bank.
- From the graph, the current liabilities has increased by 2% in the year 2012. And there is decrease in the next year which means bank has reduced its current liabilities.
- The working capital of the bank has been fluctuating year by year. there is no stability maintained in the working capital.
- The standard current ratio is 1:2. From the graph, it is clear that the liquidity position is good in 2011. It is satisfactory in 2012. the liquidity position has increased in 2013. The overall liquidity of the bank is satisfactory.
- Ideal cash position ratio is 0.5:1 or 1:2. The graph indicates, good cash position ratio in 2011, 2012 & 2013. Due to decrease and increase in current liabilities and in cash.
➢ From the graph, the loan deposit ratio is good in 2011. It has increased in 2012 and decreased in 2013. The bank has utilized the deposits very well.

➢ From the graph, the ratio is increased in the year 2013 and slightly decreased in the year 2012. The bank is using its current assets efficiently to generate good income.

➢ From the graph, it is clear that the cash turnover ratio is increasing continuously in all the three years. This is because of the increase in cash balance of the bank. It is noticed that the bank is earning good revenue using the available cash balance.

➢ The graph indicates quite good profitability position of the bank in the year 2011, 2012 and 2013 there is increase in ratio due to increase in net profit.

➢ There is continuously increase in the consecutive three years.

➢ Total assets turnover ratio is increasing year by year. The bank is making efficient use of total assets to generate good income.

➢ From the graph, the cash to total assets ratio is fluctuating year by year. The bank should make stability of its position.

➢ The graph indicates that the current assets to total assets ratio is satisfactory to carry on banking operations.

➢ Working capital turnover ratio is good for three years. The bank is making good use of working capital and it is satisfactory indication.

➢ There are fluctuations in the operating profit due to increase and decrease in total income.

➢ From the graph the proprietory ratio is increased in all the three year.
The ratio has been rapidly decreased in all the three years. Due to decrease in the fixed assets.

There is fluctuation in all the three years due to increase and decrease in reserves.

CONCLUSION:

At the beginning of the study, the objectives of the project are clearly mentioned. The main objective of the study is to understand and analyze the WORKING CAPITAL MANAGEMENT of Amanath Co-operative bank and also to analyze the liquid position of the bank. From the data analysis and interpretation, it is clear that working capital of the bank is fluctuating.

SUGGESTIONS:

- Amanath Co-operative bank ltd should take necessary steps to maintain working capital as far as possible to standard ratio 1:1. Because, both excess and inadequate working capital are dangerous.
- The bank must try to maintain stability in liquidity position. The bank must try to maintain its short term liquidity position by investing only in those investments, which are easily convertible into cash.
- The statement of working capital for the year 2011, 2012 & 2013. There is continuously decrease in working capital. Taking into these considerations the bank is suggested to increase in working capital.
- The financial performance of the bank is fluctuating due to increase and decrease in net profit, working capital.
- The bank is suggested to reduce their operating expenses.
The bank must take measures to improve short term and long term solvency of the firm by increasing short term and long term assets.

It is identified that the financial performance of the bank is not stable. Therefore the bank should take effective measures the stability in the performance by making good profits every year.
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